When Cultures Collide and Synergize:
The Role of Cultural Essentialism in Intercultural Negotiations
by
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Author’s Declaration

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

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Abstract

Negotiating a synergized solution is challenging under optimal circumstances. Add in the challenge of cross-cultural differences, cultural collision occurs leading to worse negotiation outcomes in intercultural negotiation than intracultural ones (e.g., Adair et al., 2001; Adair et al., 2007). Given that intercultural negotiations are both challenging and prevalent, this study investigates how to improve intercultural negotiation effectiveness, and demonstrates when intercultural negotiators can in fact achieve significantly better outcomes than intracultural negotiators (i.e. cultural synergy). Drawing insights from research on cultural essentialism and its influence on intergroup relations and conflicts, I examine the interaction between essentialist beliefs and the cultural context in negotiation. Using an actor-partner interdependence model, I reveal that whether cultures collide or synergize in intercultural negotiation depends on negotiators’ endorsement of cultural essentialist beliefs. Intercultural negotiators who believed that cultural characteristics are malleable (i.e. non-essentialist beliefs) achieved higher individual gains and joint gains, compared to not only intercultural negotiators who endorsed stronger essentialist beliefs, but also intracultural negotiators. Beyond identifying why cultures collide in negotiation, these findings pave the way for future research to examine factors that help negotiators harvest cultural synergy for favorable negotiation outcomes.

Keywords: Culture, Multicultural Experience, Intercultural Negotiation, Essentialism
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CHAPTER ONE
INTRODUCTION

In 2010, it has been estimated that over 215 million people lived in a country other than their place of birth (Migration Policy Institute, 2010). In the same year, trade in and with developing countries, including South Africa, India, and other Asian countries, contributed to almost 50% of world gross domestic product, compared to only 25% in 1980 (Economist Intelligence Unit, 2012). Global labor mobility and the rise of multinational corporations has also brought workforce diversity across nations in the past 50 years and the trend is expected to continue (Hays-Thomas, 2004). Under the surging demand of international trade and the trend of global business collaborations, growing numbers of business transactions and negotiations are made both across and within borders with people of different cultures and ethnicities.

In our current globalized and multicultural society, negotiating with foreign friends, colleagues, and business partners, both within and across borders are essential to social and economic prosperity. However, negotiating a creative and synergized solution is challenging enough provided with optimal circumstances; add in the challenge of cross-cultural differences, cultural collision occurs, leading to worse negotiation outcomes in intercultural negotiation than intracultural ones (see Adair, Okumura, & Brett, 2001; Adair, 2003; Adair et al., 2004; Brett et al., 1998; Brett & Okumura, 1998). Supporting this notion, past cross-cultural negotiation research has consistently revealed that intercultural negotiators often face difficulties because of cultural differences, for example, in values, beliefs, negotiation styles and schemas (see Adair, Taylor, & Tinsley, 2009; Adair et al., 2004; Adair et al., 2001; Brett & Okumura, 1998). For example, East Asian negotiators value indirectness and communicate by exchanging offers, whereas Caucasian negotiators tend to directly ask for information. Therefore, intercultural
negotiators may give up early and close the deal before exploring all possible solutions, and are more likely to attain unsatisfying outcomes than intracultural ones (e.g. Adair et al., 2007).

Given that intercultural negotiations are both challenging and prevalent, improving the quality of these negotiations is critical. Negotiation and culture scholars are thus eagerly moving forward to provide practical insights to aid intercultural effectiveness. However, the extant literature in this regard is limited in its ability to address this issue. First, since most cross-cultural negotiation research was conducted with intracultural observations across cultures, intercultural findings are scarce and many effects of the situation or individual factors remain unexamined (Gelfand & Dyer, 2000; Gelfand, Erez, & Aycan, 2007; Kray, 2005). Second, both theoretical and practical understanding of intercultural negotiation are underdeveloped because we cannot simply extrapolate the behaviours of negotiators within an intracultural context to an intercultural context (see Drake, 2001). Third, most research to date has focused on describing challenges associated with intercultural negotiations without examining whether or not they might present unique opportunities that intracultural negotiations do not offer (Adler, 1991; Liu, Chua, & Stahl, 2010; Weiss, 1994a, 1994b).

As such, the current study extends past research by going beyond identifying why cultures collide, to explore the opportunity to harvest cultural synergy from intercultural negotiations. The study integrates past research on negotiations with intergroup relations and cultural essentialism (also called lay theories of race or culture) (Chao, Chen, Roisman, & Hong, 2007; Medin & Ortony, 1989; No et al., 2008), which have revealed that intercultural exposure can potentially lead to culturally synergistic outcomes through inducing flexible thinking, including increased creativity and idea integrations, better problem-solving, to higher generalized trust (Cao, Galinsky, & Maddux, 2013; Leung, Chen, & Chiu, 2010; Leung, Maddux, Galinsky,
Arguably, it should be possible for negotiators to benefit an induced flexible mindset during intercultural negotiation, and I predict that whether cultures collide or synergize in intercultural negotiation depends on negotiators’ endorsement of cultural essentialist beliefs.

The current study has recruited a manager sample in a simulated negotiation manipulating the cultural composition of the negotiation dyad. The findings provide support to the prediction that, relative to intracultural negotiators, non-essentialist intercultural negotiators can indeed benefit cultural synergy (i.e. create and claim more values on the bargain table), while essentialist negotiators suffer cultural collisions (i.e. create and claim less values on the bargain table).

**Cultural Essentialism**

Individuals endorse, to differing degrees, beliefs that certain human attributes are fixed or malleable (see Dweck & Leggett, 1988). These beliefs are implicit assumptions about the world that help individuals make sense of their surroundings (Gopnik & Wellman, 1994; Heider, 1985; Kelly, 1955; Rehder, 2007), which are also called lay theories or implicit theories (see Bastian & Haslam, 2006; Dweck, Chiu, & Hong, 1995; Haslam, Rothschild, & Ernst, 2000). In this research, I focus on cultural essentialist beliefs, defined as beliefs that cultural characteristics of racial or ethnic groups are fixed and immutable. Some people tend to view individuals’ cultural traits as reflecting an underlying essence that is fixed and cannot be changed (essentialist beliefs), whereas others see the attributes as malleable (non-essentialist beliefs) (Chao, Hong, & Chiu, 2013; Hong, Chao, & No, 2009; No et al., 2008). As the definitions of essentialism and entity beliefs of cultures are often identical, the terminologies have been used interchangeably in the literature (see Chao & Kung, 2014; Hong et al., 2009). In view of the tradition to use
essentialism when referring to beliefs about racial essences in past intergroup literature, on which I draw most of the evidence, this paper will use essentialist beliefs to mean entity beliefs of culture and non-essentialist beliefs to mean incremental beliefs of culture.

Essentialist and non-essentialist beliefs are not orthogonal; instead they mark the opposite ends of a single continuum of essentialist beliefs. Hence, the more you think cultural characteristics are fixed, the less also you think cultural characteristics are malleable (see Hong, Chao, & No, 2009; Hong et al., 2004; Levy, Stroessner, & Dweck, 1998). Essentialist beliefs color individuals’ interpretation of the social situation, guiding actions and shaping social responses (Detert & Edmondson, 2011; Hong, Levy, & Chiu, 2001). They are usually domain-specific and are attached to particular situated outcomes. For example, beliefs about the malleability of personality influence social judgments and attributions of actions (e.g. Chiu et al., 1997; Dweck et al., 1995; Hong, Chiu, Dweck, Lin, & Wan, 1999; Knowles, Morris, Chiu, & Hong, 2001; Norenzayan, Choi, & Nisbett, 1999), while beliefs about the malleability of social categories and interpersonal abilities influence relationship outcomes (e.g., Finkel, Burnette, & Scissors, 2007; Hui, Bond, & Molden, 2012; Ruvolo & Rotondo, 1998).

In an intercultural context, because individuals attend to observable differences of racial and ethnocultural groups, their theories about the malleability of cultural group attributes would thus be of particular relevance. Regardless of whether those observable differences are actually changeable or not in nature, such beliefs were found influential to our judgments and perceptions across socio-cultural contexts (Jayaratne et al., 2006a; Williams & Eberhardt, 2008). For example, essentialist beliefs were very often shown to be associated with stronger stereotype endorsement and exclusionary reactions toward various outgroups (Bastian & Haslam, 2006b; Halperin, Russell, Trzesniewski, Gross, & Dweck, 2011; Howell, Weikum, & Dyck, 2011;

In the following sections, I will further discuss how such essentialist beliefs may influence the extent to which individuals harvest cultural synergy or suffer from cultural collision in intergroup and negotiation contexts.

**How Cultures Synergize and Collide**

Intercultural contexts can paradoxically lead to both positive and negative outcomes. On one hand, intercultural situations provide diverse knowledge and ideas analogous to providing new tools in a toolkit (see DiMaggio, 1997; Hong, Morris, Chiu, & Benet-Martínez, 2000). When being exposed to different cultures, individuals can attain new tools and if they use them flexibly, it facilitates integrative thinking and problem-solving (Tadmor, Satterstrom, Jang, & Polzer, 2012). Therefore, cultural synergy may occur. For example, knowledge of different values and norms from a foreign culture can be a tool. Participants being exposed to a foreign culture showed more profound and integrative thinking in their opinions about social issues (Tadmor, Tetlock, & Peng, 2009). Supporting this notion, recent research has revealed that multicultural experience can lead to diverse and complex ideas, and higher creativity (Leung & Chiu, 2010; Maddux, Bivolaru, Hafenbrack, Tadmor, & Galinsky, 2013; Tadmor, Galinsky, & Maddux, 2012; Tadmor, Hong, Chao, Wiruchnipawan, & Wang, 2012), and sometimes even more tangible outcomes such as greater job success and better negotiation outcomes (Maddux, Adam, & Galinsky, 2010; Maddux et al., 2013). Such increase in cognitive flexibility and problem-solving capacity was achieved by not only having cross-cultural members working in a dyad or team (Crotty & Brett, 2012; Tadmor et al., 2012), but also experimentally presenting
juxtaposed cultural elements in the lab (Leung & Chiu, 2010). Increased cognitive flexibility allows people to see issues from multiple perspectives and be less biased. It has been documented in multiple studies that participants being exposed to multicultural images were found to have reduced bias towards ethnic outgroups, as well as other minority groups, homosexuals for example (Tadmor, Hong, et al., 2012).

On the other hand, individuals can also find cultural tools incompatible and mutually exclusive, resulting in elevated intercultural threat and exclusion (e.g. Chiu & Cheng, 2007); therefore, cultural collision may occur. Some researchers have suggested that being exposed to foreign cultures can be threatening and can evoke tendencies to revert to one’s own culturally normative thinking style (see Morris, Mok, & Mor, 2011). When multicultural elements are presented simultaneously, cultural differences are usually exaggerated (Chiu, Mallorie, Keh, & Law, 2009). Such highlighted salience of cultural differences activates a sense of incompatibility between ingroup versus outgroup, deteriorating intergroup cooperation (e.g., Schwartz, Struch, & Bilsky, 1990); worse still, leading to rejection and increased animosities between groups (e.g., Jayaratne et al., 2006).

In light of evidence that cultures can collide or synergize in intercultural contact, the question of when either can happen is both theoretically and practically important to address. In the following, I propose that essentialism moderates the cultural collision and synergy effect, and moreover, influence intercultural negotiation outcomes.

The Moderating Role of Essentialist Beliefs in Intercultural Negotiations

As discussed earlier, cultural essentialist beliefs are situated and particularly relevant in an intercultural context. Essentialist beliefs influence how people view intercultural interactions. Individuals endorsing high essentialist beliefs, which I will term “essentialists”, tend to have a
fixed mindset, which encourages them to see cultural differences as incompatible and conflicting (No et al., 2008; Plaks, Malahy, Sedlins, & Shoda, 2012); therefore, cultures may collide because essentialists suffer from internal and intergroup conflicts in intercultural exposure. Empirical evidence supports this claim. In one study, participants endorsing high essentialist beliefs showed heightened anxiety reflected in physiological responses when recalling intercultural experiences, but not when recalling other experiences not related to culture (Chao, Chen, Roisman, & Hong, 2007). Similarly, recent studies with different cultural samples have consistently shown that essentialist beliefs are associated with rigid and close-minded thinking, and stronger rejection intention toward outgroups, such as foreigners and immigrants (e.g., Bastian & Haslam, 2008; Pehrson, Brown, & Zagefka, 2009; Tadmor, Chao, Hong, & Polzer, 2013; Tsukamoto, Enright, & Karasawa, 2013).

In contrast with essentialist beliefs, individuals endorsing low essentialist beliefs, whom I term “non-essentialists”, have a more flexible mindset, which encourages them to see cultural differences as malleable and more compatible (No et al., 2008; Plaks et al., 2012); therefore, cultures may synergize because non-essentialists are more likely to integrate diverse ideas and be creative from intercultural exposure (e.g., Chua, 2013; Tadmor et al., 2013). Empirical evidence has provided some preliminary support. For instance, in a laboratory study, both individuals who chronically endorse or were induced with non-essentialist beliefs demonstrated more flexible thinking and creative problem-solving compared to those endorsing or being induced with essentialist beliefs (Chao et al., 2013; Tadmor et al., 2013). Likewise, a series of large scale field studies conducted in the Middle East have shown that Palestinians who endorsed non-essentialist beliefs had more positive attitudes toward approaching and communicating with an outgroup (e.g. Israeli), even though the intergroup conflicts were fierce (Halperin et al., 2011).
Therefore, in the context of negotiation, I argue that essentialist beliefs are likely to interact with the cultural context and influence the extent to which individuals harvest cultural synergy and suffer from cultural collision in their negotiation outcomes. Negotiations often involve multiple issues and negotiators have different preferences across the issues. Even if some of their preferences are opposite, negotiators can expand the value of an agreement to maximize negotiation gains when they discover integrative potential underlying the conflict (see Bazerman & Neale, 1994; Brett, 2007; Thompson, 1991). Prior research shows that creative thinking facilitates the discovery of appropriate tradeoffs and other novel solutions to maximize joint gains without compromising one’s individual gains (Barry & Friedman, 1998; De Dreu, Koole, & Steinel, 2000; Fisher, Ury, & Patton, 1991; Kurtzberg, 1998). As cultural essentialist beliefs are likely to influence people’s attitudes and mindsets in an intercultural context but not in an intracultural context, I expect that essentialism interacts with the cultural context of negotiation.

*Hypothesis 1:* Negotiators’ essentialist beliefs interact with the cultural condition of negotiation, where essentialism predicts individual gains more in intercultural (vs. intracultural) negotiation.

Moreover, because essentialist beliefs are associated with a fixed mindset and rejection attitude in intercultural interactions (e.g., Jayaratne et al., 2006), essentialist negotiators are likely to be more closed-minded, less motivated to understand their negotiation partner, and therefore fail to discover integrative potential in intercultural negotiations. This fixed mindset in turn should lead them to claim less value in intercultural than intracultural negotiations.

*Hypothesis 2a:* Individuals who endorse essentialist beliefs will generate low gain in intercultural (vs. intracultural) negotiation.
In contrast, because non-essentialist beliefs are associated with a flexible mindset and positive attitude toward outgroups, non-essentialist negotiators are more likely to be engaged in understanding their negotiation partner, benefit from enhanced integrative thinking with intercultural exposure (e.g., Maddux et al., 2013; Tadmor et al., 2013), and therefore discover integrative potential in intercultural negotiations. This in turn should lead them to claim more value in intercultural than intracultural negotiations.

_Hypothesis 2b:_ An individual’s level of negotiation gain is higher in intercultural (vs. intracultural) negotiation when the individual endorses non-essentialist beliefs.

This research makes several important theoretical and practical contributions to both the negotiation and essentialism literature. This study identifies an important individual factor that helps negotiators maximize the chances of reaching optimal agreements especially in intercultural negotiations. With intercultural dyadic samples in this study, the results provide insight into understanding face-to-face intercultural interactions and how to improve intercultural negotiation effectiveness in a globalized world (e.g., Imai & Gelfand, 2010; Kern, Lee, Aytug, & Brett, 2010; Liu et al., 2010). In addition, this research also expands our knowledge on essentialist beliefs. Essentialist beliefs have been found to influence diverse social psychological outcomes in interpersonal and intergroup contexts (e.g., Chao et al., 2007; Keller, 2005), however, until recently we knew little about their implications in organizations and business (e.g., Chua, 2013). The findings will draw the attention of both scholars and practitioners to understanding the role of essentialist beliefs in organizational settings, and demonstrate how unspoken assumptions could robustly lead to substantial differences in tangible monetary outcomes. Overall, the study fills the void of understanding about intercultural negotiation, and provides useful solutions to intercultural negotiation scholars and practitioners.
CHAPTER TWO

Method

To test whether essentialism moderates the effects of cultural context on negotiation outcomes, I manipulated the cultural condition (intra- vs. intercultural negotiation) in simulated 2-party negotiations and measured negotiators’ essentialism, joint gains and individual gains.

Participants

I recruited participants ($N = 78$) from two MBA classes in a Canadian university with a highly diverse population. The substantial ethnic diversity in these classes (1 African, 22 Caucasians, 19 East Asians, 7 Middle Easterners, and 29 South-East Asians) allowed us to manipulate the cultural condition of negotiation: intra- vs intercultural negotiation. The average age was 28.3 years ($SD = 4.8$) and 68% were male. Participants received a movie ticket coupon as an appreciation of their participation in the research study.

Negotiation Simulation

All participants negotiated a two-party face-to-face simulation called Cartoon (Dispute Resolution Research Center., 2008). The simulation was about the sale of rerun rights for a children’s television cartoon between the seller—a major film production company, and the buyer—a television station (see role materials in Appendix A and B). There was 1 distributive issue (price of the cartoon) and 2 tradeoff issues between the number of runs (how many times the cartoon can be broadcasted during the 5-year contract time) and financing (the schedule of the payment). While it is more crucial for the buyer to have a greater number of runs, it is more crucial for the seller to have the payment up front. It creates a logrolling opportunity. Negotiators could also include a common-value issue, a second television program, which creates values for
both parties. Last, negotiators could also draft a contingent contract to have the payment
dependent on different rating expectations (see payoff table in Appendix C). This simulation was
suitable for testing the hypotheses because it includes multiple issues that require a significant
amount of information processing and communication exchanges. Furthermore, the scenario is
commonly used in intercultural negotiation research and the content has been suggested to be
suitable across cultures (Adair & Brett, 2005; Brett & Okumura, 1998; Gunia, Brett,
Nandkeolyar, & Kamdar, 2011; Liu, Friedman, & Hong, 2012)

Procedure

Cartoon was participants’ third in-class negotiation exercise. Role materials and role
assignments were distributed one week before the negotiation. Participants also filled out a pre-
negotiation survey immediately before the exercise started. Negotiating time was controlled to be
within 75 minutes. After the negotiation participants individually filled out a post-negotiation
survey, and this was followed by a debrief of the exercise and study.

Cultural Condition Manipulation

All participants filled out a demographics survey during the first week of class.
Information about ethnicity, gender, country of birth and self-report English ability was collected.
Participants were randomly pre-assigned to negotiate with a same-gender partner, either in the
intracultural (same ethnicity and country of birth; \( N = 32 \), 68% male), or intercultural condition
(different ethnicity and country of birth; \( N = 44 \), 68% male)\(^1\). The self-report levels of English
ability of English-as-second-language learners were compared between the conditions to ensure

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\(^1\) 3 dyads were dropped in the analysis. One negotiator in 1 dyad did not fill out the surveys. Two dyads were mixed-gender because two negotiators were absent and they formed dyads on the spot. The numbers presented in the brackets are the resulting number of participants in each condition in our analysis.
differences in negotiation outcomes were not due to language ability, and there was no significant difference, $p > .05$.

Given the diversity of the background of the participants, I assessed whether the participants differed in their perceived cultural differences from their negotiation partner across the two conditions. Two items about cultural distance were included in the post-negotiation survey (“I feel that my negotiation partner in Cartoon is from a very different ethnic culture compared to where I am from” and “the ethnic culture of my negotiation partner in Cartoon is very exotic to me”; from 1 = *strongly disagree* to 5 = *strongly agree*). The manipulation check confirmed that participants indeed felt more culturally distant from their partners in the intercultural condition ($M = 3.28$, $SD = .99$), than in the intracultural condition ($M = 1.59$, $SD = .79$), $t(72) = 7.88$, $p < .001$.

**Cultural Essentialism**

Cultural essentialism was measured in the pre-negotiation survey to avoid any influence from intercultural negotiation on negotiators’ essentialism, and among other social belief filler scales to minimize the possibility of making cultural issues salient before negotiation. The essentialism scale has 4 items (adopted from Chao et al., 2007; No et al., 2008), including “although people can act differently in different situations, the core ethnocultural characteristics they hold cannot be changed much” (from 1 = *strongly disagree* to 7 = *strongly agree*) ($\alpha = .79$). The higher the scores participants get, the stronger the essentialist beliefs they endorse, and the lower the scores they get, the stronger the non-essentialist beliefs they endorse. There is no significant difference in the endorsement of essentialist beliefs across the two cultural conditions, $t(76) <1$, *ns.*
Control Measures

To further examine whether cultural essentialism has unique predictive power of negotiation outcomes that is over and beyond other related constructs, control variables previously shown to be associated with negotiation outcomes, and potentially in intercultural ones, were measured in a post-negotiation survey for additional analyses. Cultural intelligence (Ang et al., 2007; α = .76) and multicultural experience (Narvaez & Hill, 2010; α = .70) were included as past research has shown that negotiators with higher cultural intelligence and rich multicultural experience can discover more integrative potential and achieve better negotiation outcomes in intercultural negotiation (Imai & Gelfand, 2010; Maddux et al., 2010). Cultural intelligence does not correlate (r = -.12, ns) and multicultural experience moderately correlates with essentialism in our sample (r = -.30, p = .01). Including the measures allows the analysis to test if the effect of cultural essentialism in intercultural negotiation depends on prior cultural knowledge and experience. Because conceptually cultural essentialism can induce a situated flexible mindset in the intercultural situation, which does not necessitate prior cultural knowledge and experience, I expect that adding the two measures in the model should not undermine the significance of cultural essentialism in predicting negotiation outcomes.

Moreover, implicit negotiation beliefs (Kray & Haselhuhn, 2007; α = .69), defined as entity beliefs that negotiator ability is not changeable, was also included. Stronger implicit negotiation beliefs were found associated with weaker learning orientation and worse negotiation outcomes. The implicit negotiation beliefs measure moderately correlate with essentialism (r = .38, p = .001). It was included in the study to demonstrate that the effect of cultural essentialism in intercultural negotiation is unique about the cultural context, which is not generalizable to general negotiation beliefs. Therefore, I expect that adding the implicit
negotiation belief measure in the model would not undermine the significance of the effect of cultural essentialism.

Results

Descriptive information and bivariate correlations for the focal and control variables can be seen in Table 1. Gender and role were included all the analyses as covariates as suggested in past negotiation research to control for their general effects on negotiation outcomes (Curhan, Neale, Ross, & Rosencranz-Engelmann, 2008; Curhan & Pentland, 2007; Gunia et al., 2011; Kray, Galinsky, & Thompson, 2002; Liu et al., 2012).

Individual Gains

Given the negotiation task involves two parties and the outcome an actor gets is interdependent to the partner within the dyad, and vice versa, analyzing the results on the individual level without taking into account of the interdependence can lead to bias in significance testing (Bliese & Hanges, 2004; Cook & Kenny, 2005; Kenny, 1996); whereas aggregating the scores of the two parties in each dyad would neglect the relational nature of a dyadic interaction (Campbell & Kashy, 2002; Kenny & Cook, 1999; Kenny, 1996)\(^2\). Therefore, to test effects on individual gains, I employed the actor partner interdependence model (APIM; Kashy & Kenny, 2000; Kenny, Kashy, & Cook, 2006). The model retains the variance in the individual level measures but at the same time accounts for nesting of the negotiation actor and partner within dyads. In other words, the model simultaneous estimates both the effect of the negotiator’ essentialist beliefs on individual gain (actor effect) and the effect of the negotiation partner’s essentialist beliefs on the negotiator’s individual gain (partner effect) within a dyad;

\(^2\) I include the dyadic level analysis of joint gains in the next section as a supplementary analysis.
therefore, the APIM model can control for and explain the mutual influence of the actor and partner’s outcomes within the dyad and provide fractional degrees of freedom depending on the extent of non-independence observed (see Figure 2). The dataset was structured in a pairwise fashion, where there was one record for each participant, but there were also scores of the participant’s partner in each record (see Kenny et al., 2006). Specifically, the actor and partner effects on the dependent variables (i.e. individual gains of actor and partner) were estimated using APIM with linear mixed-effects modeling on SPSS (Kenny et al., 2006). The Cultural Condition variable varied between dyads and was effect-coded (Intracultural condition = -1 and Intercultural condition = +1) in APIM as a between-dyad moderator (Kenny et al., 2006; Krasikova & LeBreton, 2012). The effects of gender and role are also controlled in the model.

Analyses for individual gains are summarized in the model in Table 2. The intraclass correlation (ICC) of essentialism is -.20 ($p > .10$), which implies that essentialism of actor and partner in negotiation dyads are not related to each other, demonstrating that random assignment to dyad was successful. The ICC of individual gains was -.82 ($p < .001$), which suggests that there was a significant amount of between-dyad variance but there was also within-dyad variance that justified the use of dyadic analyses (Kenny et al., 2006). Pseudo $R^2$ was calculated representing the proportion of variance explained in the model from the overall variance in negotiation gains (Kenny et al., 2006). The model accounts for 16% of the variance in individual negotiation gains (pseudo $R^2 = .16$).

Hypothesis 1 proposed an interaction of essentialism and cultural condition whereby non-essentialist beliefs would be positively associated with individual gains in intercultural (vs. intracultural) negotiation. As predicted, a significant interaction between Cultural Condition X
Actor Essentialism emerged, $\beta = -0.23$, $t(50.74) = -2.20$, $p = 0.033$, 95% CI [.031, .70]. However, the Cultural Condition X Partner Essentialism and the Cultural Condition X Actor Essentialism X Partner Essentialism interactions were not significant, $t(50.78) = 1.14$, ns, and $t(32.02) < 1$, respectively. These results suggest that an actor’s essentialist beliefs influenced his/her own negotiation outcomes differently in intercultural and intracultural negotiation contexts. But the partner’s essentialist beliefs did not independently influence the negotiation outcomes of the actor across the two cultural conditions.

Follow-up analyses were conducted to investigate the significant Cultural Condition X Actor Essentialism interaction (see Figure 2). In intercultural negotiation, the more the actor endorsed essentialist beliefs, the lower the individual gains the actor attained, $\beta = -0.29$, $t(35.90) = -3.29$, $p = 0.002$, 95% CI [-.47, -.11]. And as expected, an actor effect was not significant in intracultural negotiation, $\beta = 0.09$, $t(18.02) < 1$.

Hypothesis 2 predicted two simple actor effects, that actors endorsing essentialist beliefs attained lower individual gains in intercultural than intracultural negotiations (H2a), whereas the reverse occurs for actors endorsing non-essentialist beliefs (H2b). The simple effects were tested at one standard deviation above and below the mean of essentialism. The results support both hypotheses. Among essentialists (+1 SD), there was also a significant simple main effect of Cultural Condition, $\beta = -0.56$, $t(60.06) = -2.05$, $p = 0.045$, in which they achieved significantly lower individual gains in intercultural negotiation ($M = 15.5$ million, $SD = 1.00$ million), than in intracultural negotiation ($M = 2.28$ million, $SD = 1.00$ million). Among non-essentialists (-1 SD), there was a simple main effect of Cultural Condition, $\beta = -2.18$, $t(52.06) = -2.18$, $p = 0.034$, in

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3 The interaction remained significant after controlling for cultural intelligence (Ang et al., 2007), multicultural experience (Narvaez & Hill, 2010), and implicit negotiation beliefs (Kray & Haselhuhn, 2007).
which they attained significantly higher individual gains in intercultural negotiation ($M = 2.81$ million, $SD = 1.00$ million), than in intracultural negotiation ($M = 2.08$ million, $SD = 1.00$ million).

**Supplementary Analysis: Joint Gains**

APIM results have indicated that the partner’s essentialism does not have significant additional influence on the actor’s own individual gains, but it is theoretically interesting to also look at whether dyad average of essentialism would influence joint gains in negotiation (i.e. dyad sum of individual negotiation gains), which is often conceptualized as the indicator of cooperative and creative negotiation in past negotiation literature (see De Dreu, Weingart, & Kwon, 2000; Maddux & Galinsky, 2009). To examine joint gains, I analyzed the data at the dyad level using hierarchical regression and individual scores within dyads were aggregated to dyad scores (e.g. Curhan & Pentland, 2007). Dyadic joint gains were regressed on Gender (-1 = Female; +1 = Male), Cultural Condition (-1 = Intracultural; +1 = Intercultural), and dyadic average of Essentialism. Gender was entered in model 1, and Cultural Condition and Essentialism were entered in model 2. Both models were not statistically significant, $p > .10$. Cultural Condition X Essentialism interaction was entered in model 3, and it was marginally significant, $\beta = -.50$, $t(32) = -1.96$, $p = .059^4$. The addition of the interaction term contributed a marginally significant increment of 10% variance ($\Delta R^2 = .10$, $F(1, 32) = 3.84$, $p = .059$).

Unpacking the interaction, I found that there were trends for the simple slope of essentialism in both conditions. In intracultural negotiation, the higher the essentialist beliefs the dyad endorsed, the higher joint gains the dyad attained, $\beta = .34$, $t(32) = 1.32$, $p = .16$. In intercultural negotiation,

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4 The effects of the control variables on joint gains were not tested as a complementary analysis due to limited statistical power with a small sample size.
the lower essentialist beliefs the dyad endorsed, the higher joint gains the dyad attained, $\beta = -.40$, $t(32) = -1.74$, $p = .12$. Simple slope analyses revealed that among non-essentialists (-1 SD), the simple effect of Cultural Condition was marginally significant, $\beta = .80$, $t(32) = 1.95$, $p = .06$, such that non-essentialist dyads attained higher joint gains in intercultural negotiation ($M = 4.65$ million, $SD = .61$ million), compared with intracultural negotiation ($M = 4.04$ million, $SD = .61$ million). But the simple effect of Cultural Condition was not significant among essentialist dyads (+1 SD), $\beta = -.31$, $t < 1$, which means there is no difference in joint gains across cultural conditions for essentialist dyads.
CHAPTER THREE

Discussion

Results support the hypotheses that a negotiator’s cultural essentialist beliefs interacted with the cultural context, and affected intercultural but not intracultural negotiation outcomes. As predicted, relative to intracultural negotiators, intercultural negotiators who endorsed essentialist beliefs suffered worse negotiation outcomes, showing a cultural collision effect; on the contrary, intercultural negotiators who endorsed non-essentialist beliefs attained even better negotiation outcomes, showing a cultural synergy effect.

The current study is a pioneer in testing cultural synergy, as opposed to merely difficulties, in intercultural negotiation. Although past negotiation scholars have long hypothesized that there might be possibility for cultures to synergize in intercultural negotiations (e.g., Adler, 1991; Weiss, 1994a, 1994b), there is barely any empirical evidence showing how it could happen to the best of my knowledge. With a culturally diverse work sample, the current study addressed this pressing question in the field and demonstrated that some negotiators can indeed benefit from the intercultural setting and achieve remarkable outcomes. Specifically, in the current sample, non-essentialist dyads on average attained 4.65 million, which is equivalent to 92% of the Pareto Optimal, defined as the best outcome possible (i.e. the maximum joint gains of 5.08 million in the current simulation). This is a remarkable performance relative to the average of 83% for intracultural dyads in the current study; and relative to past studies using the same simulation, among both inter- and intracultural negotiations, for example, 68% for U.S.-Japanese dyads (Brett & Okumura, 1998), 60 – 70% for U.S.-Chinese dyads with high quality of
communication (Liu et al., 2010), 83% for U.S.-U.S. dyads (Gunia et al., 2011) and 84% for Japanese-Japanese dyads (Brett & Okumura, 1998).

Above and beyond identifying intercultural difficulties, the results enrich the limited intercultural negotiation and intergroup literature by extending our understanding of how individual factors of negotiators can affect intercultural negotiation outcomes. This study sheds light on why cultural collision and synergy can both occur in an intercultural setting and the results suggest that it depends on the individual’s level of cultural essentialist beliefs. In line with early theoretical speculations (Adler, 1991; Weiss, 1994a, 1994b), cultural synergy is indeed possible in intercultural negotiation, and I have identified that non-essentialism is a crucial factor. The findings reveal that non-essentialism can increase both individual gain of the negotiator and joint gain for the negotiation dyad. As joint gains are increased when negotiators can flexibly integrate issues and find a creative solution (Maddux et al., 2010), the results suggest that seeing cultural differences as more malleable allow negotiators to think more flexibly and discover more integrative potential in intercultural negotiation, relative to intracultural negotiation, leading to a cultural synergistic effect.

In order to strengthen the robustness of hypothesis testing on essentialism, I excluded alternative explanations by controlling for other individual factors that might influence intercultural negotiation effectiveness. The results show that non-essentialism has a unique and robust positive influence over intercultural negotiation outcomes beyond other individual factors, namely high cultural intelligence, high multicultural experience and low implicit negotiation beliefs. This means that regardless of the negotiator’s prior knowledge of other cultures and foreign cultural experience, and other implicit beliefs about negotiation, subtle as cultural
essentialist beliefs negotiators implicitly bring to the bargaining table can determine tangible monetary outcomes in intercultural negotiation.

Practically, the results offer suggestions for cultural training in how to harvest cultural synergy in intercultural business contexts. Essentialist beliefs are usually measured as an individual difference variable, but they are also susceptible to change by situational manipulation and training (e.g., Chao et al., 2007; Dweck & Leggett, 1988; No et al., 2008). Cultural training programs are popular in organizations not only because there is a need to equip sojourners for working aboard, but also for the increasingly diverse workplace locally. While such training is designed to enhance one’s cultural intelligence and promote intercultural effectiveness, some recent evidence has suggested that the content of cultural training sometimes does more harms than good as they could unintentionally enhance trainees’ cultural essentialist beliefs (Fischer, 2011). My research findings suggest cultural trainers should be more mindful of whether the training might induce or reduce cultural essentialist beliefs. To avoid inducing essentialist beliefs in cultural training programs, trainers might need to avoid deterministic language in talking about cultural differences, emphasize within-culture variation, and explain why, in an intercultural setting people might not behave in their culturally normative way (see Adair et al., 2009; Birnbaum, Deeb, Segall, Ben-Eliyahu, & Diesendruck, 2010; Kashima et al., 2010).

Limitations and Future Opportunities

As much as I tried to model real-life negotiation, the study was conducted as an in-class negotiation exercise with unique demographics and pre-negotiation experience. First, all participants are highly educated and might be more skillful in negotiating than uneducated samples (Fulmer & Barry, 2004; Kurtzberg, 1998), so further research is needed to generalize the
findings to other populations. However, it is also worth noting that the educated manager sample in the study also brings an advantage for external validity because it is representative to the particular population that is frequently involved in business negotiation. In addition, although the negotiation exercise was conducted very early in the course (during the fourth class), some negotiators might already have acquainted with their negotiation partners, and knowing whom they are negotiating with in advance might deter negotiators with high prejudice to have negative expectancies of the interaction and avoid the negotiation (see Plant & Devine, 2003). But with a random assignment of cultural conditions and the presence rate of participants at 98% (with only two absentees), there seems not to be a strong self-selection problem. More importantly, these concerns should not undermine the significance of the interaction, and rather, provide a more conservative test of the moderation hypothesis. But they have inspired future research questions related to how pre-negotiation dynamics might influence the negotiation outcome.

The current design did not measure what happened during the negotiation process and therefore did not allow deeper understanding of the mechanism through which essentialism impacts negotiation outcomes. Essentialists and non-essentialists may enact very different communication and negotiation strategies, which lead to the divergent negotiation outcomes. For example, a good understanding of the partner’s preferences is associated with higher negotiation gains. Because essentialists have a more fixed mindset, they employ more substantiation and offers in intercultural negotiation (S&O strategy), leading to poorer understanding of the partner’s preferences and low gains. On the other hand, non-essentialists, having a more flexible mindset, might be willing to ask more questions and provide more answers in intercultural negotiation (Q&A strategy), leading to better understanding of the partner’s preferences and higher gains (see Gunia et al., 2011).
As reviewed earlier, prior research suggests that theoretically essentialism influences intergroup outcomes through two main pathways. First, essentialist beliefs enhance animosity and prejudice toward outgroups, leading to rejection attitudes and behaviors (e.g., Halperin et al., 2011; Jayaratne et al., 2006; Kung et al., 2012). This mechanism of negative intergroup attitudes is in line with my findings that essentialist negotiators indeed achieved worse outcomes in intercultural than intracultural negotiations. However, this mechanism might or might not explain why non-essentialists performed better than intracultural negotiators. One emerging question to address is whether non-essentialists have a more positive attitude toward outgroups than ingroups (i.e. outgroup positive bias), and why? There is limited past empirical evidence to support this claim, but some recent research seem to suggest that non-essentialists may extend trust to outgroups more than ingroups (see Chao, Yao, & Fu, 2014; Saguy & Halperin, 2014).

The second mechanism through which essentialism influences intergroup outcomes is moderating one’s cognitive flexibility. Non-essentialists are more integrative in thinking and more creative than essentialists (e.g. Tadmor et al., 2013). Therefore, essentialists suffer from more close-mindedness while non-essentialists enjoy higher creativity in an intercultural setting. My results support this cognitive flexibility expansion claim. APIM results show that non-essentialist negotiators are able to create larger joint gains in intercultural negotiation without sacrificing their individual gains or reducing the partner’s individual gains; on the contrary, they in fact achieved better individual gain for themselves without hurting the interests of the partner. Therefore, non-essentialist negotiators are not merely taking advantage of the partner nor sacrificing themselves for the partner. Future research should experimentally manipulate essentialist beliefs (e.g. No et al., 2008) and measure negotiators’ intergroup attitudes and cognitive flexibility in negotiation to explore the mediating mechanism. Furthermore, more
research is desirable to address the overarching theoretical question of whether essentialism can influence certain intergroup conflict outcomes via attitudes, cognitive flexibility, or both simultaneously (see Chao & Kung, 2014).

In contrast to most past studies showing that intercultural negotiators often attained worse negotiation outcomes than intracultural negotiators, the cultural condition main effect was not significant in my study. But it should also be noted that, such a difference should not undermine our interpretation of the interaction effect. Moreover, I carefully compared the differences in demographics of the samples in the two cultural conditions. The pattern of the results remained significant even after controlling for potential confounds (e.g., multicultural experience and openness to experience). Nevertheless, replications of the study are desirable to ensure the effects obtained were not due to our specific sample and measures.

Conclusion

Intercultural negotiations are both challenging and prevalent. The current study investigates how to improve intercultural negotiation outcomes, and has demonstrated that when intercultural negotiators have non-essentialist beliefs, they can achieve significantly better outcomes than intracultural negotiators. Our findings pave the way for future research to examine additional factors that help negotiators harvest cultural synergy for more favorable negotiation outcomes.
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doi:10.1177/1948550613515005


Pehrson, S., Brown, R., & Zagefka, H. (2009). When does national identification lead to the rejection of immigrants? Cross-sectional and longitudinal evidence for the role of


Appendix A
Cartoon Negotiation Simulation Task (Buyer Role) (Dispute Resolution Research Center, 2008)

Introduction

You are the general manager of WCHI, an independent television station located in Chicago. This market has three million television households which are served by three network-owned and operated stations and four independents, including WCHI. Your station is a subsidiary of MULTIMED Inc., a highly successful, national, multimedia corporation.

As an independent station, WCHI relies mainly on the syndication market for its programming. Syndication refers to the right to replay a TV series a certain number of times over a specified period of years. After a TV series has been produced, shown on the air and developed a viewing audience, audience statistics can be compiled and the series can often be sold or “syndicated” to television stations. Your task as a general manager is to assess WCHI’s current ratings position in the Chicago market, evaluate the audience potential of its current library, analyze the programming available, and negotiate the best possible price for the programs that you wish to buy for WCHI.

Until recently, WCHI followed an aggressive buying strategy. During this time, series were bought not only to air, but also to prevent competitors from purchasing them. The end result was that the station found itself in financial difficulty. To remedy the situation, MULTIMED canceled all buying for three years. Although the station is now out of financial trouble, its audience position has eroded because of the lack of new product; consequently, WCHI has a relatively low household rating and weak demographics.

To improve this position, MULTIMED has recently permitted you to purchase new programs for the upcoming season. You are particularly interested in buying cartoons for the Saturday morning time slot, which is when most children watch TV. You were just notified that Gazi, a Japanese production company that is one of the top producers of cartoons, is releasing Ultra Rangers to syndication a year earlier than anticipated. This cartoon would be ideal for WCHI’s Saturday morning programming. Ultra Rangers achieved a 10 rating and 20 shares in a competitive time slot. This strong rating is reflective of Ultra Rangers’ excellent writing and unique characters who appear to be normal high school students until the earth is threatened by fantastical forces of evil, at which point they transform themselves into Ultra Rangers with super-human powers, and the ability to coalesce into a collective force which can perform feats that no single Ultra Ranger can.

The cartoon appeals to children and young adults among whom it has achieved a “cult-type” following. The Ultra Rangers’ theme of transformation appeals to children whose literature in many cultures is filled with stories of transformation, as well as to adults whose science fiction and horror stories are frequently told by characters who are transformed by technology. These broad demographics make the program particularly appealing because of the higher rates that advertisers will pay to reach such a broad market. These demographics are ideal for the Saturday morning time slot which attracts a large audience of children in the U.S. surfing the channels for action, fantasy, and adventure while their parents sleep late.

An additional plus is that the Ultra Rangers characters have been effective with product tie-ins:

1A rating point is the percentage of all television households that are watching a particular program (# households watching a program / # TV households). A share point is the percentage of all television households with a television turned on that are watching a particular program (# households watching a cartoon / # TV households with TV turned on).
action figures, books, posters, games - virtually anything with the figures sold out the first year the program aired on television. Potential advertisers in Japan, for example fast food outlets, might be interested in giving away Ultra Rangers characters as promotions associated with their program sponsorship.

To prepare for your meeting with the representative of Gazi, you have researched your competitors' programming profiles and audience positioning. You are reasonably certain that the network stations will not be interested in the program. In your assessment of the independent stations, you know that WILL could afford the show. Its new profile, although fairly well balanced, is tending toward self-improvement and it is not likely to buy cartoons. Consequently, Ultra Rangers should not appeal to WILL. WXYZ, the smallest station in the market, has already told Gazi that it is not interested in the cartoon because of financial reasons. You know that WWIN, the independent leader in the market, is interested in purchasing the program. Although it currently has a strong Saturday morning line up, the introduction of Ultra Rangers by a competitor could erode its market share. In light of this and its strong financial position, you expect that WWIN will offer Gazi a good price for the program.

Gazi is one of the major film production companies in Japan. It is a major supplier to television, but the production business alone results in a loss to the company. First-run television series typically incur a 20% loss. It is in the syndication market that this loss can be turned into a sizable profit, something in which Gazi usually excels. However, this market is risky, as only about 15% of originally produced programs actually make it in syndication.

Over the past decade, the increase in programming outlets worldwide has increased the demand for syndicated programs and consequently has put producers in a more favorable bargaining position. Unfortunately, due to an unusually bad year, Gazi has not realized the benefits from this increased negotiating strength. Two shows that Gazi thought would certainly be attractive to the U.S. market never sold.

Your job as WCHI's general manager is to get the best price and terms for Ultra Rangers. In calculating the worth of the cartoon to WCHI, you realize that the value - determined by expected net advertising revenue - is really a function of the cartoon's performance. Although you expect that the program will draw 3-4 rating points, you know realistically that both the ratings and advertising revenue generated from the cartoon are uncertain. Your best estimate of the likelihood of various ratings and their corresponding valuations is as follows:

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Likelihood</th>
<th>Net Adv. Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3</td>
<td>20%</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>3-4</td>
<td>50%</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>4-5</td>
<td>10%</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>5-6</td>
<td>10%</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>6-7</td>
<td>10%</td>
<td>$11,000,000</td>
</tr>
</tbody>
</table>

Thus, your overall estimate of the net advertising revenue from the cartoon is equal to:

\[(0.20 \times 7M) + (0.50 \times 8M) + (0.10 \times 9M) + (0.10 \times 10M) + (0.10 \times 11M) = \$8.4M.\]

This valuation assumes that each episode will be run 6 times. Up to 8 runs/episode, each additional run increases the advertising revenue of the cartoon by $840,000 (i.e., 7 runs/episode would add $840,000, 8 runs/episode would add $1,680,000). An assessment of your current advertising needs reveals that any more than 8 runs/episode would not be beneficial to WCHI. On the flip side, however, each decrease in the number of runs/episode results in a $840,000 decrease in advertising revenue (i.e., 5 runs/episode would decrease the value by $840,000, 4 runs/episode would decrease the value by $1,680,000).

The total cost of the program is determined by multiplying the agreed upon price/episode by the number of episodes. Gazi will make 100 episodes of Ultra Rangers available. These 100 episodes are being offered as part of a five-year contract, the number of episodes and length of this contract are non-negotiable. You know that management will not let you buy the series if the price exceeds $60,000 per episode; however, you also realize that the cartoon would never sell for less than $30,000 per episode. In evaluating the price you would be willing to pay for Ultra Rangers, you are aware that you can purchase a different program for the same time slot from another producer. You estimate that this alternative program would produce $3,000,000 in net profit.

Given Gazi's financial position, you have heard that they would prefer a 50% down payment and 25% in years 1 and 2. You prefer a zero down payment and the payments spread evenly over 5 years. To assist you in the negotiation, your financial group has quantified the savings of delayed payment:
### Money Paid | You Save
--- | ---
Down-payment | 0% of money paid in this year
1st year | 10% of money paid in this year
2nd year | 20% of money paid in this year
3rd year | 30% of money paid in this year
4th year | 40% of money paid in this year
5th year | 50% of money paid in this year

Although you would like the best deal possible, you also know that your relationship with Gazi will continue as new cartoons for future years become available. For example, you know that Gazi is very interested in selling a new cartoon, *Strums*, for the next season. Although the cartoon has done moderately well in its initial airing, and the product tie-ins have also been successful, the cartoon appeals to young children (age 3-7) and advertising rates to this market segment are low relative to those for *Ultra Rangers*’ broader market appeal. Due to your weak program profile, you may be interested in purchasing the cartoon. Based on 100 episodes, the maximum value that you would place on *Strums* is $20,000 per episode. Thus, any price below $20,000 per episode would result in a positive profit.

You are about to meet with the Syndicated Sales Representative of Gazi to discuss *Ultra Rangers*. To assist you during the negotiation, "The Negotiation Agreement Worksheet" (attached) can be used as a guide in calculating the final net worth of any agreement. In addition, an example of a net value calculation is enclosed. At a minimum, the agreement should specify the items listed below.

1. **Expected Advertising Revenue from the Cartoon**
   The expected advertising revenue from the cartoon can be determined by using the expected value of $8.5 million as a base and then adjusting this value for any agreement that differs from 6 runs/episode.

2. **Price of the Cartoon**
   To calculate the price of the cartoon, multiply the agreed on price per episode by 100 episodes.

3. **Payment Savings**
   Any payments made in years 1-5 constitute a savings. For any agreement that specifies payments in these years, calculate the annual savings by multiplying the payment by the percent savings for each year. To determine the total savings from the payment terms, add up all savings from years 1-5.

4. **Net Price of the Cartoon**
   To determine the net price of the cartoon, subtract the payment savings from the price of the cartoon.

5. **Other Terms of the Agreement**
   If applicable, note any other terms of the deal and their corresponding value/cost.

6. **Net Profit of the Cartoon**
   The net profit of *Ultra Rangers* can be determined by subtracting the net price of the cartoon from the net value of the cartoon and adding any other terms of the deal that have been agreed upon.

7. **Value of the Alternative Deal**
   Your alternative to purchasing *Ultra Rangers* is to buy a different program from another producer. As described, the value of this program is $3,000,000.

8. **Net Value of the Bargaining Agreement**
   To determine the total net value of the bargaining agreement, subtract the value of the alternative deal from the net profit of the cartoon.
### EXAMPLE: NET VALUE CALCULATION

Assume that you have reached a tentative agreement for the purchase of *Ultra Rangers* that involves the following terms:

- **Purchase Price**: $60,000 per episode
- **Runs/Episode**: 7
- **Financial Terms**:
  - YR 0: 80%
  - YR 1: 10%
  - YR 2: 10%

The calculation of the net value of this agreement is described below.

1. **Expected Revenue from the Cartoon**
   - **Runs/Episode Adjustment**: $840,000
   - **Net Value of the Cartoon**: $9,240,000

2. **Price of the Cartoon**
   - **Price/Episode x 100 Episodes**
   - $60,000 x 100 = $6,000,000

3. **Payment Savings**
   - **Total**: $180,000

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
<th>Savings (%)</th>
<th>Savings ($)</th>
</tr>
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<tbody>
<tr>
<td>0</td>
<td>0.80 * $6M = $4,800,000</td>
<td>0%</td>
<td>$0</td>
</tr>
<tr>
<td>1</td>
<td>0.10 * $6M = $600,000</td>
<td>10%</td>
<td>$60,000</td>
</tr>
<tr>
<td>2</td>
<td>0.10 * $6M = $600,000</td>
<td>20%</td>
<td>$120,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$180,000</strong></td>
</tr>
</tbody>
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4. **Net Price of the Cartoon**
   - **Price of Cartoon - Payment Savings**
   - $6,000,000 - $180,000 = $5,820,000

5. **Other Terms of the Agreement**
   - **Total**: $0

6. **Net Profit of the Cartoon**
   - **Net Value - Net Price + Other Terms**
   - $9,240,000 - $5,820,000 + $0 = $3,420,000

7. **Value of the Alternative Deal**
   - **Total**: $3,000,000

8. **NET VALUE OF THE BARGAINING AGREEMENT**
   - **Net Profit - Alt. Deal**
   - $3,420,000 - $3,000,000 = $420,000
Appendix B
Cartoon Negotiation Simulation Task (Seller Role) (Dispute Resolution Research Center, 2008)

Introduction

You are a Sales Representative for Hollyfilm, a U.S. film production company that produces films and programs for television. It is best known for its cartoons. You represent the company in negotiating the syndication of cartoon series produced by Hollyfilm to television stations in the Far East. Today you will be talking with the General Manager of TXI, an independent television station serving the Kanto viewing area around Tokyo in Japan. The Kanto area has 20 million TV households and is served by 5 major network stations, two of which are government and three of which are private. There are four independent TV stations in the area of which TXI is the largest. It is a subsidiary of MULTIMED, INC., a highly successful multi-media corporation and owns in addition to the TV station, a radio station, and a newspaper.

Syndication refers to the right to replay a TV series a certain number of times over a specified period of years. After a TV series has been produced, shown on the air and developed a viewing audience, audience statistics can be compiled and the series can often be sold or "syndicated" to television stations around the world. Cartoons are widely syndicated because their fantasy characters are "other worldly" and transcend culture. In addition, cartoon characters' language can be easily dubbed.

As one of the major producers in the U.S. film industry, Hollyfilm is a major supplier to television, but the production business taken alone results in a loss to the company. First-run television series typically incur a 20% loss. It is in the syndication market that this loss can be turned into a sizeable profit, something at which Hollyfilm usually excels. However, this market is very risky, as only about 15% of originally produced programs actually make it in syndication.

Over the past decade, the increase in programming outlets worldwide has increased the demand for syndicated programs and consequently has put producers in a more favorable bargaining position. Unfortunately, due to an unusually bad year, Hollyfilm has not realized the benefits from this increased negotiating strength. Two shows that Hollyfilm thought would certainly be attractive to the Japanese market never sold. As a result, your division is significantly below projected sales. With the fiscal year ending next month, you are particularly concerned that sales have not reached projections. Your forthcoming annual performance review is based on sales.

To improve its financial position, Hollyfilm decided to syndicate one of its top cartoons, *Indiana Smith*, a year earlier than anticipated. This cartoon achieved a 10 rating and 20 shares in a competitive time slot. This strong rating is reflective of *Indiana Smith*’s excellent writing and unique characters who are based on the popular *Indiana Smith* films. In the cartoon, Indiana Smith is a 12-year-old boy who has fantastic adventures all over the world as he travels with his father, a seemingly absent-minded professor who always seems to be getting into trouble.

The *Indiana Smith* cartoon appeals to children and young adults among whom it has a "cult-types" following. The cartoon’s themes of adventure and of taking responsibility where adults cannot appeal to a wide age range of children from age 7 through teenagers. These broad demographics make the program particularly appealing because of the higher rates that advertisers will pay to reach such a broad market. These demographics are ideal for the late

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1 A rating point is the percentage of all television households that were watching a particular program (# households watching a program / # TV households). A share point is the percentage of all television households with a television turned on that are watching a particular program (# households watching a show / # TV households with TV turned on).
afternoon time slot that attracts a large audience of children in Japan surfing the cable channels for action, fantasy, and adventure.

An additional plus is that the Indiana Smith characters have been effective in the U.S. with product tie-ins: action figures, books, posters - virtually anything with the figures sold out the first year the program aired on TV. Potential advertisers in the Kanto area, for example fast food outlets, might be interested in giving away Indiana Smith characters as promotions associated with sponsorship of the program. Another sales representative handles product tie-ins, but you would be happy to introduce that sales representative to new markets.

In preparation for the potential sale of Indiana Smith, you have researched the Kanto market area. The 20 million television households in this market are served by five network and four independent television stations. Your attempt to sell the program to the top two network stations was unsuccessful because of their close ties to Japanese production companies and their strong late afternoon line-up of programs. The number three network station, UTI, is interested in purchasing Indiana Smith. Although it currently has a strong late afternoon line-up of programs for children, the introduction of Indiana Smith by a competitor would erode its market share. You have conducted negotiations with this station, but because they already have programming for this afternoon time slot, they are not willing to pay as much as you think Indiana Smith is worth.

You know that the second independent in the market has had an excellent year with a 10% increase in overall market share. Its new profile, although fairly well balanced, is tending toward self-improvement and it is not likely to buy children's programming for the late afternoon time slot. Consequently, Indiana Smith may not appeal to them.

You believe that it is TXI that needs Indiana Smith the most. Due to an unsuccessful buying strategy in the past, its parent company, MULTIMED, Inc., placed severe buying restrictions on the station for the last three years. These restrictions finally stabilized TXI's financial position, but in the process, it lost audience. TXI desperately needs new programs for the upcoming season. You think Indiana Smith is just the show it needs.

Your job is to get the best price possible for Indiana Smith. To help determine the value of the show to potential buyers, you have made estimates of the likely
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</tbody>
</table>

The revenue you receive from *Indiana Smith* is determined by multiplying the agreed upon fee per episode by the number of available titles. Hollyfilm will make 100 episodes of *Indiana Smith* available. These 100 episodes are being offered as part of a 5-year contract; the number of episodes and the length of this contract is non-negotiable. Because of *Indiana Smith*’s audience potential, you would not be willing to accept anything less than $35,000 per episode; optimistically, you would like to receive $70,000 per episode. You also know that the number three network station is going to make you an offer for *Indiana Smith* and that this offer has an estimated net value of $2.3 million.

You place some significance on not overexposing *Indiana Smith* in order to maintain its potential value beyond the five years of the contract. The revenues described above were based on 6 runs/episode, which means that the station could run the same episode 6 times throughout the life of the contract. If the agreement involves more than 6 runs, you believe that it will end up costing you $250,000 in today’s dollars for each “extra run” (i.e., 7 runs/episode will cost you $250,000, 8 runs/episode will cost you $500,000, etc.). However, if the agreement involves less than 6 runs/episode, you believe that each run less than 6 will save you an additional $250,000, etc.). Hollyfilm’s policy specifically states that any agreement with more than eight runs per episode is not acceptable.

You generally request financing terms that involve 50% up front and 25% in years 1 and 2. Buyers, on the other hand, generally prefer payments spread evenly over 5 years. Your financial group has helped quantify the cost of delayed payments by specifying the money that is lost for each payment made in years 1-5.

<table>
<thead>
<tr>
<th>Payment</th>
<th>You lose</th>
</tr>
</thead>
<tbody>
<tr>
<td>up front</td>
<td>0% of the money paid in this year</td>
</tr>
<tr>
<td>1st year</td>
<td>20% of the money paid in this year</td>
</tr>
<tr>
<td>2nd year</td>
<td>35% of the money paid in this year</td>
</tr>
<tr>
<td>3rd year</td>
<td>50% of the money paid in this year</td>
</tr>
<tr>
<td>4th year</td>
<td>60% of the money paid in this year</td>
</tr>
<tr>
<td>5th year</td>
<td>70% of the money paid in this year</td>
</tr>
</tbody>
</table>

Although *Indiana Smith* will be sold for viewing in the upcoming season, your relationship with the buyer of *Indiana Smith* will continue as future shows become available. For example, you are also interested in selling the series *Strums*. Although this series has done very well in its initial airing and product tie-ins have also been successful, the cartoon appeals to young children (age 3-7) and advertising rates to this market segment are low relative to those for *Indiana Smith*’s broader market appeal. In fact, you have not been successful in selling *Strums* to any Japanese TV stations. You would really like to sell this program in the Kanto market and consequently you are willing to sell it at a reasonable price. You have an offer from an independent Tokyo station for $10,000 per episode for the show’s 100 episodes. However, you hope to sell the program for more than this in future negotiations with other stations. Thus, any price increment above the anticipated $10,000 per episode would result in a financial gain.

You are about to meet with the General Manager of TXI to discuss the sale of *Indiana Smith*. The attached “Negotiation Agreement Worksheet” can be used to help evaluate the net value of any negotiated deal. In addition, a sample calculation using this format is enclosed. You are not limited to the structure presented; rather, this sheet is intended to be helpful for organizing the various pieces of a negotiated agreement and to provide a reasonable basis for evaluating the worth of any proposed deal. Although you may reach agreements not on this chart, you must base your decisions only on the factual information presented in the case. Regardless of how you formulate the information, any agreement you reach must specify the following:

1. **Program Revenue**
   The program revenue can be calculated by multiplying the agreed upon fee per episode by 100 (the number of available episodes).

2. **Financing Cost**
   To calculate the financing cost, multiply any payments that will be made in years 1-5 by the percentage lost for each year. For example, any payments that will be made in year 1 should be multiplied by 20%. The total financing cost should be determined by adding up the annual cost for all 5 years.

3. **Program Revenue less Financing Cost**
   The program revenue less financing can be determined by subtracting the financing cost from the program revenue.
4. **Runs/Episode Adjustment**
   If the number of runs/episode is greater than 6, $250,000 must be subtracted for each additional run/episode. If the number of runs/episode is less than 6, $250,000 should be added for each decrease in the number of runs/episode. If the number of runs/episode is equal to 6, no adjustment is necessary.

5. **Other Pieces of the Agreement**
   If any other items are relevant to the agreement, the item(s) and corresponding value/cost should be specified.

6. **Net Revenue**
   Net revenue can be calculated by adding the runs/episode adjustment and the value of other pieces of the agreement to the "Program less Financing."

7. **Value of the Alternative Deal**
   The value of the alternative deal is the expected value of your "next best offer". For Hollyfilm, this is the value of the offer that they believe UTL is going to submit. As stated above, you estimate that this offer has a net value of $2.5 million.

8. **Net Value of the Bargaining Agreement**
   The net value of the bargaining agreement can be determined by subtracting the value of the alternative deal from net revenue.
Example: Net Value Calculation

Assume that you have reached an agreement on the sale of *Indiana Smith* that specifies the following terms:

- **Purchase Price:** $50,000
- **Runs/Episode:** 5
- **Financial Terms:**
  - YR 0: 50%
  - YR 1: 30%
  - YR 2: 20%

The calculation of the net value of this agreement is described below.

1. **Program Revenue**
   
   Fee/Episode x 100 = $50,000 x 100 = $5,000,000
   
   $5,000,000

2. **Financing Cost**
   
<table>
<thead>
<tr>
<th>YR</th>
<th>Payment</th>
<th>Cost (%)</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.5 * $5,000,000</td>
<td>0%</td>
<td>$0</td>
</tr>
<tr>
<td>1</td>
<td>0.3 * $5,000,000</td>
<td>20%</td>
<td>$300,000</td>
</tr>
<tr>
<td>2</td>
<td>0.2 * $5,000,000</td>
<td>35%</td>
<td>$350,000</td>
</tr>
</tbody>
</table>
   
   **Total Cost** $650,000

3. **Program Revenue less Financing Cost**
   
   $5,000,000 - $650,000 = $4,350,000
   
   $4,350,000

4. **Runs/Episode Adjustment**
   
   $250,000

5. **Other Pieces of Agreement**
   
   $0

6. **Net Revenue**
   
   $4,350,000 + $250,000 + $0 - $4,600,000
   
   $4,600,000

7. **Value of the Alternative Deal**
   
   $2,500,000

8. **Net Value of the Bargaining Agreement**
   
   Net Revenue - Value of the Alternative Deal
   
   $4,600,000 - $2,500,000 = $2,100,000
   
   $2,100,000
## Appendix C

Cartoon Negotiation Simulation Payoff Summary (Dispute Resolution Research Center, 2008)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Buyer</th>
<th>Seller</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$8.4 million</td>
<td>n.a.</td>
</tr>
<tr>
<td>Price per Episode</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limit</td>
<td>$60,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>Aspiration</td>
<td>$30,000</td>
<td>$70,000</td>
</tr>
<tr>
<td>Runs-per-Episode Adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>$(1,680,000)</td>
<td>$500,000</td>
</tr>
<tr>
<td>5</td>
<td>$(840,000)</td>
<td>$250,000</td>
</tr>
<tr>
<td>6</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>7</td>
<td>$840,000</td>
<td>$(250,000)</td>
</tr>
<tr>
<td>8</td>
<td>$1,680,000</td>
<td>$(500,000)</td>
</tr>
<tr>
<td>Financing Savings or Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>10%</td>
<td>–20%</td>
</tr>
<tr>
<td>Year 2</td>
<td>20%</td>
<td>–35%</td>
</tr>
<tr>
<td>Year 3</td>
<td>30%</td>
<td>–50%</td>
</tr>
<tr>
<td>Year 4</td>
<td>40%</td>
<td>–60%</td>
</tr>
<tr>
<td>Year 5</td>
<td>50%</td>
<td>–70%</td>
</tr>
<tr>
<td>Strums</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reservation Price</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Ratings (Estimated Likelihood)*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2–3</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>3–4</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>4–5</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>5–6</td>
<td>10%</td>
<td>50%</td>
</tr>
<tr>
<td>6–7</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>BATNA</td>
<td>$3.0 million</td>
<td>$2.5 million</td>
</tr>
</tbody>
</table>

* A rating point is the percentage of all TV households watching a particular show (number of households watching divided by total number of TV households).
Figure 1. Actor-Partner Interdependence Model of the Effects of Essentialism on Individual Gains.
Table 1
Means, Standard Deviations and Bivariate Correlations for Focal Variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural Condition</td>
<td>-</td>
<td>-</td>
<td>---</td>
<td>.01</td>
<td>.00</td>
<td>-.10</td>
<td>-.22</td>
<td>.027</td>
<td>-.07</td>
<td>-.00</td>
</tr>
<tr>
<td>Gender</td>
<td>-</td>
<td>-</td>
<td>.01</td>
<td>---</td>
<td>-.03</td>
<td>-.05</td>
<td>-.13</td>
<td>-.05</td>
<td>.06</td>
<td>.13</td>
</tr>
<tr>
<td>Role</td>
<td>-</td>
<td>-</td>
<td>.00</td>
<td>.03</td>
<td>---</td>
<td>-.06</td>
<td>-.04</td>
<td>.13</td>
<td>-.03</td>
<td>.29**</td>
</tr>
<tr>
<td>Cultural Intelligence</td>
<td>3.70</td>
<td>.52</td>
<td>-.10</td>
<td>-.16</td>
<td>.06</td>
<td>-.09</td>
<td>.01</td>
<td>-.14</td>
<td>.09</td>
<td>-.00</td>
</tr>
<tr>
<td>Multicultural Experience</td>
<td>3.75</td>
<td>.54</td>
<td>-.22</td>
<td>-.26*</td>
<td>.04</td>
<td>.48**</td>
<td>-.12</td>
<td>-.16</td>
<td>.01</td>
<td>.04</td>
</tr>
<tr>
<td>Implicit Negotiation Beliefs</td>
<td>3.85</td>
<td>.66</td>
<td>.03</td>
<td>-.06</td>
<td>-.13</td>
<td>.05</td>
<td>.27*</td>
<td>-.33*</td>
<td>.15</td>
<td>-.20</td>
</tr>
<tr>
<td>Essentialism</td>
<td>2.78</td>
<td>1.24</td>
<td>-.07</td>
<td>.20</td>
<td>.03</td>
<td>-.30*</td>
<td>-.30*</td>
<td>-.38**</td>
<td>-.21</td>
<td>.20</td>
</tr>
<tr>
<td>Individual Gains</td>
<td>21,675.06</td>
<td>99,683.42</td>
<td>.00</td>
<td>.06</td>
<td>-.29**</td>
<td>-.01</td>
<td>-.10</td>
<td>.27*</td>
<td>-.16</td>
<td>-.81***</td>
</tr>
<tr>
<td>Joint Gains</td>
<td>433,501.82</td>
<td>651,925.16</td>
<td>-.01</td>
<td>.28*</td>
<td>.00</td>
<td>-.02</td>
<td>-.09</td>
<td>.09</td>
<td>.07</td>
<td>.33**</td>
</tr>
</tbody>
</table>

*Note. Cultural condition (-1 = intracultural; +1 = intercultural), gender (-1 = female; +1 = male), and role (-1 = buyer; +1 = seller) are effect-coded. Intrapersonal correlations (e.g., actor’s essentialism and actor’s individual gains) are listed below the diagonal; interpersonal correlations (e.g., actor’s essentialism and partner’s individual gains) are listed above the diagonal; pairwise correlations (e.g. actor’s essentialism and partner’s essentialism) are listed on the diagonal.

N = 78, and N = 39 for pairwise correlations. *p < .05, **p ≤ .01, ***p < .001.
Table 2

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Estimate</th>
<th>SE</th>
<th>β</th>
<th>df</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>2,124.64**</td>
<td>56.04</td>
<td>-.04</td>
<td>32.13</td>
</tr>
<tr>
<td>Gender</td>
<td>157.10*</td>
<td>62.19</td>
<td>.15*</td>
<td>32.94</td>
</tr>
<tr>
<td>Role</td>
<td>-356.92*</td>
<td>143.80</td>
<td>-.36*</td>
<td>36.00</td>
</tr>
<tr>
<td>Cultural Condition</td>
<td>0.65</td>
<td>52.52</td>
<td>.00</td>
<td>32.02</td>
</tr>
<tr>
<td>Essentialism_A</td>
<td>-85.55</td>
<td>80.27</td>
<td>-.10</td>
<td>52.07</td>
</tr>
<tr>
<td>Essentialism_P</td>
<td>126.97</td>
<td>79.92</td>
<td>.16</td>
<td>51.46</td>
</tr>
<tr>
<td>Cultural Condition X Essentialism_A</td>
<td>-181.43*</td>
<td>82.65</td>
<td>-.23*</td>
<td>50.74</td>
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<tr>
<td>Cultural Condition X Essentialism_P</td>
<td>94.56</td>
<td>82.68</td>
<td>.12</td>
<td>50.78</td>
</tr>
<tr>
<td>Essentialism_A X Essentialism_P</td>
<td>63.57</td>
<td>36.01</td>
<td>.10</td>
<td>32.11</td>
</tr>
<tr>
<td>Cultural Condition X Essentialism_A X</td>
<td>-2.64</td>
<td>34.28</td>
<td>.00</td>
<td>32.02</td>
</tr>
</tbody>
</table>

Note. Essentialism_A = actor essentialism; Essentialism_P = partner essentialism. Pseudo $R^2$ = .16. Estimates and standard errors are reported in thousands.

$N = 78$. *$p < .05$, **$p \leq .01$
Figure 2. Levels of individual negotiation gains based on actors’ essentialism across intra- and intercultural negotiation.