GOALS IN NEGOTIATION REVISITED: USING LEARNING GOALS TO CREATE VALUE

In two studies we investigated whether goal type differentially affected the extent to which negotiators created and claimed value in an integrative negotiation situation. Negotiators with learning goals created more efficient deals by expanding the overall value of their deals, whereas negotiators with performance goals tended to create less efficient deals but claim more of the total resources available.

Imagine a home buyer searching the real estate market and finding their dream home for sale. Prior to negotiating with the current owner, they gave themselves a target price that they would not exceed under any circumstance. Once negotiations began, both parties focused strictly on price and after much effort the result is an impasse. After some reflection, the potential home buyer realized that a successful settlement may have been achieved had they considered issues other than just the selling price of the home. The inclusion of issues such as closing date, exclusion of appliances, and minor repairs could have led to an agreement. This brief example is hardly a remote possibility – research suggests that people often fail to recognize and capitalize on deals that offer gains for both parties (Neale & Bazerman, 1991; Thompson & Hrbec, 1996; Thompson, 1990). This example also can be used to illustrate the fundamental distinction between distributive and integrative negotiating situations. Distributive situations involve the allocation of limited resources between parties with directly conflicting interests. In distributive situations, each negotiator is attempting to claim as much value as possible. Integrative negotiations, on the other hand, involve the allocation of limited resources through the creation and trade-off of multiple issues between parties with conflicting yet compatible interests (Neale & Bazerman, 1991; Pruitt, 1981). In integrative situations, negotiators can create value, as well as claim it.

The two studies we report in this paper investigate whether the type of goals assigned to a negotiator influence the likelihood that they will create value or claim value. By uniting recent research on goal setting with the negotiation literature we suggest that negotiators with learning goals will be more likely to strive towards value creation, whereas negotiators with performance goals will be more likely to strive towards value claiming. Thus, we expect differences in both the behavior of negotiators and the outcomes they achieve based on the type of goals they are assigned. We elaborate on these ideas next, beginning with the theory of goal setting, and then an integration of goal setting and negotiation theory.
Goal setting theory (Locke & Latham, 1990) postulates that for an individual with goal commitment, the setting of specific and challenging goals results in higher task performance than the setting of non-specific goals. This proposition has received support in over 500 empirical studies (Latham, Locke, & Fassina, 2002; Locke & Latham, 2002). A recent distinction in the goal setting literature has been made between two types of goals: performance goals and learning goals (Winters & Latham, 1996). Performance goals (or outcome goals) focus on the achievement of specific tasks according to certain standards of proficiency (Locke & Latham, 1990). Put simply, performance goals are geared towards the attainment of a future outcome, such as number of units sold or achieving a high score on a test. Learning goals, on the other hand, force individuals to focus less on the outcome and more on the strategies that lead to successful performance. To illustrate, Seijts, Latham, Tasa, & Latham (2004) instructed participants in a complex business simulation to either adopt a performance goal (achieve 21 percent market share) or adopt a learning goal (identify and implement 6 or more strategies to achieve market share). Participants in the learning goal condition attained significantly more market share than participants in the performance goal condition and those told to simply “do their best”. While this finding appears to run counter to the majority of goal setting research, which suggests that specific, challenging goals lead to successful performance, it should be noted that the task was highly complex.

On tasks that are complex, and where performance requires adaptability and the processing of new information, performance goals can be distracting. Kanfer and Ackerman (1989) found that higher performance is achieved from individuals lacking the requisite knowledge and skills to perform a task in a do-your-best goal condition than in a performance goal condition. Similarly, Winters and Latham (1996) found that for straightforward tasks, higher performance is achieved from individuals in a performance goal condition. However, for tasks involving knowledge acquisition, higher performance is achieved in a learning goal condition than in the do-your-best and performance goal conditions. Such findings have led researchers to conclude that the setting of specific and challenging performance goals is effective for individuals with the requisite skills and abilities to competently perform a task. Alternatively, the setting of specific and challenging learning goals is effective for individuals who are committed to learning the requisite skills and abilities required to competently perform a task (Seijts, et.al., 2004).

It should be noted that research on the effects of goals in negotiations has focused almost exclusively on performance goals. Research on performance goals (also referred to as target points or aspirations) in negotiation contexts has found that negotiators given specific and challenging goals outperform counterparts with vague and less challenging goals (Neale & Bazerman, 1985; Huber & Neale, 1987; Northcraft, Neale, & Earley, 1994). For example, Brett, Pinkley, and Jackofsky (1996) examined the effects of the use of a strong alternative to a negotiated agreement and a specific goal on
negotiated outcomes. They found that when compared to a control group, negotiators given a goal plus a strong alternative had higher impasse rates and greater dyadic gain.

Focusing on one’s goals or target point has been shown to reduce the susceptibility of negotiators to be influenced by anchors, or first offers, made by their negotiation counterpart (Galinsky & Mussweiler, 2001). Thus, goals appear to focus attention on one’s own perspective, and reduce the likelihood that information favoring one’s counterpart will be considered. While debiasing the anchoring effect may be essential in fixed-sum negotiations, the extra focus on one’s own perspective may impede the creation of value in situation where value can be created. For this reason we expect that in an integrative situation, where value can be created and claimed, negotiators with performance goals, such as trying to obtain a certain target price, will claim more value than negotiators who have learning goals or who are simply told to “do their best.”

_Hypothesis 1. Negotiators in a learning goal condition will claim less value than negotiators in a performance goal condition._

In contrast, we expect that negotiators working with learning goals will attempt to create more value in their negotiations. Recall that learning goals in goal setting research draw attention to the discovery of different strategies that need to be learned or mastered to contribute to goal attainment. In a negotiation situation, we view learning goals as goals that draw attention to the discovery of one’s counterpart’s interests and the strategies that can be employed to help uncover those interests. Since a hallmark of value creation in negotiation is the discovery of a counterpart’s interests, and subsequent trade-offs where low priority issues are exchanged for high priority issues, goals that focus on the discovery of interests should increase the likelihood that value will be created. Learning goals should motivate negotiators to 1) acquire knowledge related to their counterpart’s interests and desired outcomes from the negotiation process, 2) understand how such knowledge can affect their counterpart’s decision-making during the negotiation process, and 3) to develop strategies, processes, and procedures that can use the acquired knowledge to facilitate successful settlements.

Only one study, to our knowledge, has examined learning goals in negotiation situations. Bereby-Meyer, Moran & Unger-Aviram (2004) examined the ability of 3-person teams to learn and transfer complex knowledge during simulated integrative negotiations. Two types of teams were created. High learning teams were assigned learning goals, induced to hold high learning values, and were encouraged to focus on continuous learning. Low learning teams were assigned performance goals, induced to hold low learning values, and were not encouraged to focus on continuous learning. Results showed that high learning teams outperformed low learning teams when the task changed from
a free-market negotiation task to an integrative negotiation task. Although this study is relevant to the present research because learning goals and performance goals were embedded within the experimental manipulations, their effects are confounded by the inclusion of the learning value and continuous learning manipulations. The experiment was also a team negotiation. Thus, we believe the present study is among the first to address the effects of learning and performance goals on negotiated outcomes in dyadic, individual-level negotiations.

_Hypothesis 2. Negotiators in a learning goal condition will create more value than negotiators in a performance goal condition._

One of the mechanisms likely affected by differences in negotiation goals is the degree of cooperative and competitive behavior on the part of the person striving to attain their goals. Competitive behaviors include withholding information, making small concessions, and appearing firmly committed to a stated position. On the other hand, cooperative behaviors include the open sharing of information about priorities, asking questions and reciprocating the exchange of information, and the appearance of flexibility (Lax & Sebenius, 1986; Thompson, 2001).

We expect that negotiators assigned performance goals will behave more competitively. Since a performance goal focuses attention on the attainment of a specific, performance-related target, most negotiators in this situation will adopt more competitive tactics. Thus, negotiators with performance goals will behave in a manner that is consistent with the perception of a “fixed-pie” than with the perception that value can be created. In contrast, we expect that negotiators assigned learning goals will behave more cooperatively. Learning goals in negotiation, as we view them, draw attention to the interests of one’s counterparts and the strategies for uncovering those interests. Therefore, negotiators with learning goals should behave in a manner that is more cooperative. Because competitive behaviors are more likely to lead to a negotiation impasse, negotiators with learning goals will be less likely to impasse.

_Hypothesis 3. Negotiators in a learning goal condition are less likely to achieve impasse than negotiators in a performance goal condition._

_Study 1: Method_

_Participants and Design_

A total of 274 second-year undergraduate students participated in this study. All participants were enrolled in one of eight sections of a six-week introductory negotiation skills course which is required in fulfillment of a 4-year undergraduate business degree. Each of the 460 students enrolled in the course were give the option of working on the experimental task, a negotiation exercise described below, during class time or in a decision-making lab as part of the experiment. Participants
who chose to complete the exercise in the lab (78%) received extra credit in return for their participation in the study.

The study took place during week five of the course. The course is highly experiential and each week students participate in a different simulated exercise. Topics covered prior to the experiment include distributive negotiations (fixed-sum, single issue), integrative negotiations (multi-issues involving tradeoffs), deception, ethics, and conflict handling.

The study used a between-subjects design with 2 experimental goal setting conditions and a control condition. Participants within each condition were also randomly assigned the tasks of making either the first offer or second offer as a means to randomize any potential anchoring effects (i.e., learning goal instructions and first offer, learning goal instructions and second offer, performance goal and first offer, performance goal and second offer, no instructions and first offer, and no instructions and second offer). All participants were randomly assigned into pairs and study conditions. There were a total of 48 dyads for each of the goal setting conditions and 41 dyads in the control condition. The within-condition sample size difference is explained by the sign-up method used in the study. Participants who volunteered were asked to pick one of 25 available time-slots over the course of the week, and negotiation roles were sent via email several days before the session. Fewer participants showed up for the time-slots that, unknown to them, were designated as the control condition.

Experimental Task and Procedures

The negotiation exercise used in the study 1 is called Texoil (Goldberg, 1998). The exercise is based upon a fictional petroleum refining company named Texoil and its negotiation over the purchase of a family-owned and operated gas station operating as a Texoil franchise. Participants assumed the role of either the Texoil representative or the station owner. The confidential role instructions for the Texoil representative revealed, among other things, that they were not authorized to pay more than $500K for the station, that the station owners had been very good owners, and that the corporation was increasing its efforts to acquire stations across the country. The confidential role instructions for the station owner revealed that they were selling the station for entirely personal reasons. One of the owners was burned out and had received medical advice to take some time off. In addition, the husband and wife owners were hoping to fulfill their life’s dream – a two year around the world cruise on their own boat. The best alternative that appears available to the station owners is an offer from another petroleum company of $400K.
The primary pedagogical lesson of the *Texoil* exercise stems from the fact that there appears to be a negative bargaining zone. That is, the station owner’s bottom line asking price is higher than the maximum amount the Texoil representative is authorized to pay. In order to be able to afford to go on the two-year boat trip, the owners have calculated that they need to sell the station for at least $553K, from which a 15% capital gains tax will have to be paid. The possibility of creating value in this exercise hinges on the fact that the owners derive this number by including $75K as savings needed for living expenses upon their return in two years. It is possible for the Texoil representative to offer the owner a job upon their return, thereby reducing the amount needed by the station owner to permit them to go on the trip. We explain the financial elements of the exercise in more detail below in the *Methods* section.

Participants in the role of the Texoil representative were provided with one of three goal setting instructions (i.e., learning goal, performance goal, or do-your-best goal) in combination with instructions indicating that they were either to wait for, or make the first offer. The station owners were instructed to either wait for, or make, the first offer.

Upon receiving their respective role instructions each participant completed a pre-negotiation questionnaire. Following this, all participants met with their assigned counterparts to attempt to negotiate the sale of the gas station. Each pair was given up to 40 minutes to negotiate a deal and all participants completed a post-negotiation questionnaire.

**Experimental Conditions**

**Goal setting conditions.** Goal setting was manipulated by asking participants to read pre-negotiation instructions regarding their assigned roles. Specifically, each participant in the role of the Texoil representative in the learning goal condition read the following text:

The most important outcome of this negotiation is to maximize the long-run value of the deal from Texoil’s perspective. Everyone who negotiates on Texoil’s behalf is reminded that setting difficult yet attainable goals maximizes performance. Therefore, your goal for the upcoming negotiation is to learn as much as you can about the Station Owner’s interests. Thinking about strategies to help do this will be useful. Thus, you should try to develop at least 3 or 4 strategies for uncovering the Station Owner’s interests.
Each participant in the role of the Texoil representative in the performance goal condition read the following text:

The most important outcome of this negotiation is to maximize the long-run value of the deal from Texoil’s perspective. Everyone who negotiates on Texoil’s behalf is reminded that setting difficult yet attainable goals maximizes performance. Therefore, your goal for the upcoming negotiation is to pay less than $445,000 for the station.

Each participant in the role of the Texoil representative in the do-your-best goal condition read the following text:

The most important outcome of this negotiation is to maximize the long-run value of the deal from Texoil’s perspective. Therefore, your goal for the upcoming negotiation is to do your best to maximize the long-run value of the deal.

Measures

Performance. Following the exercise, participants were asked to indicate, in writing, whether or not they reached a deal. They were also asked to summarize the key issues they agreed on, or in the case of an impasse, to summarize the last offers for both parties. Negotiators were asked to do this independently and the deals were compared to examine the extent to which parties agreed on the terms of the outcome. There were no substantive differences in the reported outcomes between parties, so we used the station owner’s materials to code the negotiation outcomes.

Impasse rates were dichotomously coded based on whether or not a deal was agreed upon by both parties. For the dyads that reached a deal, deals were examined to ensure they were consistent with the instructions for both parties (i.e., $500K or less for the Texoil representative and $400K or more for the station owner). The selling price of the station represents the distributive “fixed-pie” element of the negotiation outcome. We also assessed the extent to which deals were integrative (or efficient) based on two conditions. First, the Texoil rep could have offered the station owner a job upon their return from their trip, thereby reducing the station owner’s need to immediately acquire future living expenses. Second, the purchase price of the station can be as low as $465K (from $553K), which is the minimum amount that permits the station owners to have enough money to afford their trip. Thus, integrative deals were those that included 1) a job offer to the station owner upon return and 2) a selling price between $465K and $500K. Any deal that did not satisfy these two conditions is sub-optimal.
because at least one party could have claimed more value while holding the other party’s value constant (Raiffa, 1982).

**Manipulation checks.** Goal commitment was measured prior to the negotiation using a 5-item scale created by Klein, Wesson, Hollenbeck, Wright and DeShon (2001). A sample item is “it’s hard for me to take this goal seriously” (reverse coded). Goal specificity assessed the perceived specificity of the goal using 3 items taken from Seijts et al. (2004). A sample item is “I was uncertain about the goal I was trying to attain” (reverse coded). Goal difficulty was assessed with two item taken from Winters and Latham (1996). A sample item is “I believe the overall goal assigned at the beginning was difficult.” Scale scores for all three manipulation checks could range from 1 (strongly disagree) to 7 (strongly agree).

**Results: Study 1**

*Manipulation Checks*

The Cronbach’s alpha of the goal commitment scale was .79. A univariate analysis of variance between the learning goal and performance goal conditions indicated no significant differences ($F(1, 94) = .31, p > .05$).

For the goal specificity scale, the Cronbach’s alpha was .81. An ANOVA indicated no significant differences across the three goal setting conditions ($F(2, 134) = 1.49, p > .05$). However, post hoc analysis using the Bonferroni test showed that the perceived specificity of the performance goal ($M = 4.70, s.d. = 1.66$) was marginally higher than the abstract do your best goal ($M = 4.12, s.d. = 1.54$; $t(87) = 2.11, p < .10$). There were no significant differences between the perceived specificity of the performance goal and that of the learning goal ($M = 4.39, s.d. = 1.31$), nor between the learning goal and the do your best goal.

For goal difficulty, the Cronbach’s alpha was .84. An ANOVA indicated significant differences across the three goal setting conditions ($F(2, 134) = 4.50, p < .01$). Post hoc analyses showed that the perceived difficulty of the performance goal ($M = 4.96, s.d. = 1.63$) was significantly higher than in the do your best condition ($M = 3.92, s.d. = 1.83$; $t(87) = 2.81, p < .01$) and marginally more difficult than in the learning goal condition ($M = 4.39, s.d. = 1.41$; $t(94) = 1.81, p < .10$). There was no significant difference in perceived difficulty between those in the learning goal and the do your best goal conditions.
Hypothesis Tests

Before we tested our hypotheses we examined whether the order of the opening offers had any impact. We found that there were no differences on any of the study variables reported below due to a negotiator making either the first or second offer.

**Performance.** Our first prediction concerning performance was that negotiators assigned a specific, challenging performance goal would claim more value than negotiators assigned either a learning goal or a do your best goal. An ANOVA on the station selling price for the deals that were realistic indicated significant differences across the three conditions ($F(2, 61) = 7.65, p < .01$). Post hoc analysis revealed that, as expected, the participants in the performance goal condition ($M = 464.26, s.d. = 31.66$) claimed more value than participants in the learning goal ($M = 487.42, s.d. = 24.29; t(40) = 2.61, p < .05$) and do your best goal conditions ($M = 490.50, s.d. = 13.53; t(44) = 3.59, p < .01$). These results support hypothesis 1.

Our second prediction concerning performance was that negotiators assigned a specific, challenging learning goal would create more value than negotiators in the performance goal condition. As described above, integrative deals were those that included 1) a job offer to the station owner upon return and 2) a selling price between $465K and $500K. Thus, the realistic deals were dichotomously coded as efficient or inefficient. The omnibus chi-square test revealed significant differences across the conditions ($\chi^2 (n = 65, df = 2) = 11.79, p < .01$). 32% of the learning goal condition deals were inefficient, whereas 83% of the deals in the performance goal condition were inefficient. These results support hypothesis 2.

**Impasse rates.** We predicted that impasse rates would be lower in dyads where one participant was assigned a learning goal than in a dyad where one participant was assigned a performance goal. There was 100% agreement within dyads regarding whether or not a deal was reached. The impasse rates were as follows: learning goal (29%), performance goal (42%), and do your best goal (25%). Although these results are in the expected direction, they were not significantly different ($\chi^2 (n = 135, df = 2) = 3.32, p > .05$). One problem with this analysis is that not all of the reported deals conformed to the information within the negotiation exercise. Thus, we re-coded the deals and separated them into realistic and unrealistic categories. Unrealistic deals were those that went beyond what a negotiator’s role instructions would permit. For example, unrealistic deals were those where a buyer paid more than the $500K they were authorized to pay. Figure 1 shows the number of realistic deals, unrealistic deals, and impasses by experimental condition. The impasse rates that exclude the unrealistic deals are as
follows: learning goal (42%), performance goal (47%), and do your best goal (30%). These results are also not statistically significant ($\chi^2 (n = 111, df = 2) = 1.74, p > .05$). Although the impasse rates are not significantly different, and therefore do not support hypothesis 3, there are significant differences across the goal setting conditions on the rate of unrealistic deals. Specifically, the proportion of unrealistic deals in the learning goal condition (30%) was significantly higher than in the performance goal (6%) and the do your best goal (17%) conditions ($\chi^2 (n = 135, df = 4) = 11.28, p < .01$). Figure 1 presents these results.

**Study 1 Discussion**

Study 1 highlights the strengths and weaknesses of traditional performance goals in negotiation. Consistent with goal setting theory and prior research in negotiation, negotiators with performance goals claimed more value than those with learning goals or do your best goals. Although negotiators with learning goals claimed less value, they had a significantly higher rate of integrative outcomes and marginally lower rates of negotiation impasse. It appears that with respect to the traditional dilemma between value claiming and value creating (Lax & Sebenius, 1986), learning goals tend to focus a negotiator’s attention away from claiming and more towards creating. In study 2, we sought to extend these results by combining both types of goals into a hybrid learning/performance goal. By focusing a negotiators attention on both value creation and claiming, we expected that a negotiator would be better able to maximize the creation and claiming of value. Therefore, in addition to the three hypotheses tested in study 1, we add a fourth hypothesis to be tested in study 2.

*Hypothesis 4. Negotiators in a combined learning and performance goal condition will create more value than negotiators in either a learning goal or a performance goal condition.*
Study 2: Method

Participants and Design

A total of 150 second-year undergraduate students participated in study 2. The study was conducted one year after study 1, drawing participants from the same course and using the same procedures. Once again, participants who chose to complete the exercise in the lab received extra credit in return for their participation in the study.
The study used a between-subjects design with 3 experimental goal setting conditions (i.e., performance goal, learning goal, and learning and performance goal) and a do your best condition. All participants were randomly assigned into pairs and study conditions. The number of dyads by goal condition were as follows: learning goal (18), performance goal (18), hybrid goal (19), and do your best goal (20).

Experimental Task and Procedures

The negotiation exercise used in study 2 is called New Car (Nadler, Thompson, & Morris, 2004). The exercise is a fictional account based upon a software firm named Microcomputer Associates and its negotiation over the purchase of a new car from a local dealership called Meadowview Motors. Participants assumed the role of either the new car buyer or the new car seller. The negotiation involved eight issues. This included four integrative issues (i.e., warranty, financing, audio, and number of extras), two distributive issues (i.e., price and delivery date), and two issues where negotiators shared identical preferences (i.e., airbags and colour).

The confidential role instructions for the buyers and sellers revealed a payoff table that defines their respective preferences and priorities. Negotiators with the ability to completely integrate their interests with those of their counterpart’s would have shared a maximum of 30,000 points. The primary pedagogical lesson of the New Car exercise is that through integrative strategies such as ‘logrolling’ (i.e., trading off of issues) negotiators can maximize their gains.

Participants in the role of the buyer were provided with one of three goal setting instructions (i.e., learning goal, performance goal, or learning and performance goal). The station owners were given no additional instructions.

Upon receiving their respective role instructions each participant completed a pre-negotiation questionnaire. All participants then met with their assigned counterparts to attempt to negotiate the purchase of a new car. Each pair was given up to 40 minutes to negotiate a deal and all participants completed a post-negotiation questionnaire.

Experimental Conditions
**Goal setting conditions.** Goal setting was manipulated by asking participants in the role of the buyer to read pre-negotiation instructions regarding their assigned roles. All participants were told the following: “Your outcome in this negotiation will be reflected in your annual performance review. Therefore, you want to do your best to impress your boss. Everyone who negotiates on the organization’s behalf is reminded that setting difficult yet attainable goals maximizes performance.” After this, each participant in the learning goal condition read the following text:

In your case, the CEO has told you to focus your energy on understanding the needs of the seller. Therefore, in the upcoming negotiation your goal is to learn as much as possible about the seller’s priorities, preferences and interests. The CEO has instructed you to spend 2 or 3 minutes thinking about specific things you can do to uncover the seller’s priorities, preferences and interests.

Each participant in the performance goal condition read the following text:

In your case, the CEO has assigned you the following goal. In the upcoming negotiation you should try to attain at least 16000 points – any less would reflect poorly on your performance.

Each participant in the learning and performance hybrid goal condition read the following text:

In your case, the CEO has told you to focus your energy on understanding the needs of the seller. Therefore, in the upcoming negotiation your goal is to learn as much as possible about the seller’s priorities, preferences and interests. You must then use the information that you have learned about the seller’s priorities, preferences and interests to try to attain at least 16000 points – any less would reflect poorly on your performance. The CEO has instructed you to spend 2 or 3 minutes thinking about specific things you can do to uncover the seller’s priorities, preferences and interests.

Each participant in the do your best condition was simply told to try to get as many points as possible.

**Measures**

**Performance.** Following the exercise, participants were asked to indicate, in writing, whether or not they reached a deal. Participants that did not reach a deal were coded as an impasse. Participants
that did reach a deal were asked to report the outcomes they achieved on the eight issues on which they agreed. These deals were quantifiable, resulting in point totals for the buyer, the seller, and joint profit created within the dyad. Because negotiators in the buyer’s role received the specific goal instructions, we used the buyer’s point total as an indicator of value claiming. We examined the joint profit accumulated between the two parties as an indicator of value creation.

The deals were also categorized according to whether or not they efficient or inefficient. Recall that a pareto efficient deal is one where one party cannot claim more value while holding the other party’s value constant (Raiffa, 1982). Following the procedures we used in study 1, we coded pareto optimal deals as efficient and pareto suboptimal deals as inefficient.

**Manipulation checks.** Goal commitment, goal specificity, and goal difficulty were assessed using the same scales and procedures as study 1.

**Results: Study 2**

**Manipulation Checks**

The Cronbach’s alpha of the goal commitment scale was .85. A univariate analysis of variance between the learning goal, performance goal, and learning and performance goal conditions indicated no significant differences \( F(3, 74) = .45, p > .05 \). For the goal specificity scale, the Cronbach’s alpha was .68. An ANOVA indicated no significant differences across the three goal setting conditions \( F(3, 72) = .76, p > .05 \).

For goal difficulty, the Cronbach’s alpha was .78. An ANOVA indicated significant differences across the three goal setting conditions \( F(3, 72) = 7.13, p < .01 \). Post hoc analyses showed that the perceived difficulty of the performance goal \( M = 4.97, s.d. = 1.39 \) was significantly higher than in the learning goal condition \( M = 3.19, s.d. = 1.34; t(34) = 3.91, p < .01 \). Also, the perceived difficulty of the learning and performance goal \( M = 4.61, s.d. = 1.85; t(35) = 2.64, p < .01 \) was significantly higher than in the learning goal condition. There was no significant difference in perceived difficulty between those in the performance goal and the learning and performance goal conditions.
Hypothesis Tests

Our first prediction concerning performance was that negotiators assigned a specific, challenging performance goal would claim more value than negotiators assigned either a learning goal or a do your best goal. An ANOVA on the buyer’s points indicated significant differences across the three conditions ($F(3, 60) = 7.02, p < .01$). Post hoc analysis revealed that, as expected, the participants in the performance goal condition ($M = 16115.38$, $s.d. = 1253.56$) claimed more value than participants in the learning goal ($M = 14311.76$, $s.d. = 1504.53$; $t(28) = 3.49, p < .01$) and the do your best condition ($M = 13984.21$, $s.d. = 1727.32$; $t(30) = 3.81, p < .01$). These results replicate the findings from study 1 and support the first hypothesis.

Our second hypothesis concerning performance was that negotiators assigned a specific, challenging learning goal would create more value than negotiators in the performance goal condition. To examine value creation we used the measure of joint profit within a dyad as the dependent variable. Contrary to the hypothesis, the joint profit was higher in the performance goal condition ($M = 27715.38$, $s.d. = 1708.24$) than in the learning goal condition ($M = 26188.24$, $s.d. = 1652.61$; $t(28) = 2.47, p < .05$). A ceiling effect does not appear to explain this result because there were no significant differences in point totals between sellers (who were not aware of their counterpart’s goals) in the performance ($M = 11576.92$, $s.d. = 2451.58$) and learning goal conditions ($M = 11876.47$, $s.d. = 1887.96$; $t(28) = -.38, p > .70$). These results fail to support hypothesis 2.

We predicted that impasse rates would be lower in dyads where one participant was assigned a learning goal than in a dyad where one participant was assigned a performance goal. There was 100% agreement within dyads regarding whether or not a deal was reached. The impasse rates were as follows: learning goal (5.6%), performance goal (27.8%), and learning and performance goal (36.8%) and do your best (5%). These results are in the expected direction and are significantly different ($\chi^2 (n = 75, df = 3) = 9.62, p < .05$). These results support hypothesis 3.

Our fourth hypothesis, unique to study 2, was that a combined learning and performance goal would be superior to the other goal conditions on creating and claiming value. The average point totals for both buyers and the combined dyads are presented in Table 1. As the table shows, buyers in the combined goal condition attained fewer points than buyers with performance goals, and more points than buyers with learning or do your best goals. Among these comparisons, the only one that is statistically significant is the difference between the learning goal and the combined learning and performance goal ($t(27) = 2.50, p < .05$).
Table 1 also shows that buyers with a combined learning and performance goal were in dyads with the highest amount of joint profit. Once again, the only comparison between conditions that is statistically significant is the difference between the learning goal and the combined learning and performance goal ($t(27) = 2.61, p < .05$).

Finally, we analyzed whether the deals in study 2 were pareto optimal (or efficient). The proportion of deals that were pareto optimal by condition was as follows: performance goal (30%), learning goal (6%), learning and performance goal (50%), and do your best (21%). These results are significantly different across the conditions ($\chi^2 (n = 61, df = 3) = 7.78, p < .05$). In total, these results lend partial support for the final hypothesis. Negotiators with a combined learning and performance goal were more likely to create efficient deals. However, they only created and claimed more value than negotiators in a learning goal condition.

Table 1

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**General Discussion**

**Theoretical and Practical Implications**
Returning to our example of the potential home buyer at the beginning of the paper, we can now speculate on whether or not the resulting outcome, an impasse, might have been different depending on the type of goal being adopted. The results of both studies show that performance goals, either combined with a learning goal or focusing specifically on an outcome, lead to higher rates of impasse. The practical implication of this finding is clear. In situations where an impasse may be costly, such as when the possible outcomes attainable through negotiation far outweigh a negotiator’s best alternative to agreement, it is advisable for a negotiator to adopt a learning goal.

How might a learning goal have helped the home buyer? First, by drawing attention to their counterpart’s interests, the buyer may have asked more questions geared towards understanding whether the seller valued other issues besides the selling price of the home. Bringing other issues into a negotiation can turn a seemingly distributive situation into an integrative one, thereby increasing the chances that value will be created. Second, focusing on a counterpart’s interests might have decreased the perceived competitiveness of the buyer. Negotiation research has shown that competitive and cooperative behaviors tend to reciprocated. If the efforts to uncover the seller’s interest are perceived as cooperative, which we acknowledge isn’t a certainty, the seller might reciprocate with cooperative behaviors of their own, such as information sharing and trading off issues.

This research shows that the applicability of learning goals extends beyond situations involving knowledge or skill acquisition on complex tasks. In negotiation situations, a learning goal may be conceptualized as a motivating factor that enables negotiators to: 1) acquire knowledge related to their counterpart’s interests and desired outcomes from the negotiation process, 2) understand how such knowledge can affect their counterpart’s decision-making during the negotiation process, and 3) develop strategies, processes, and procedures for acquiring knowledge to facilitate successful settlements.

Under what circumstances might a performance goal facilitate successful settlements for home buyers? Even though the use of performance goals is likely to lead to higher rates of impasse, home buyers may wish to adopt performance goals in situations where lost resources resulting from an impasse (e.g., not purchasing a home) are less costly in comparison to their best alternative to a negotiated agreement (e.g., remaining in their current residence). Such circumstances may provide home buyers with incentives to claim more resources from their negotiations (e.g., purchase a home at the lowest possible price) through the use of performance goals. Performance goals may help home buyers claim more resources by focusing attention on their target points which would likely make them less susceptible to information provided by their counterparts.
Alternatively, the learning and performance goals could have helped the buyer and the seller in our example. Our results also suggest that both negotiators and their counterparts may benefit from the use of hybrid learning and performance goals. Negotiators using learning and performance goals were more likely to reach efficient (i.e., Pareto optimal) outcomes than negotiators in the performance, learning, and do-your-best goal conditions. Specifically, hybrid learning and performance goals enabled buyers and sellers to reach negotiated settlements without leaving behind resources (e.g., leaving money on the table) that could have improved the value of each party’s outcome.

Limitations and Future Research

A limitation of the research design is the lack of tangible consequences assigned to student negotiators for successful and unsuccessful outcomes. However, the voluntary nature of the participation suggests that the student negotiators were interested in putting forth the effort needed to successfully negotiate an agreement. Although the use of a student sample limits the generalizability of the findings, the fact that the negotiation is based on a realistic business situation suggests that these findings may generalize to field settings (Locke, 1986). We acknowledge that field research is needed in order to replicate these findings. Additionally, further research is required to study the effects of performance goals and learning goals on negotiator performance and negotiation outcomes over time.

A further limitation is the fact that only the negotiators in the role of the Texoil representative (i.e., one individual within the dyad) were given goal instructions. Although we chose this approach to isolate the effects of goal setting in within each condition, future research would benefit from a replication of the current study that involves providing all negotiators with goal instructions in order to determine the effects of compatible and conflicting negotiator goals on negotiation processes and outcomes.

Research is also required to examine the proposed mechanisms through which performance goals and learning goals respectively claim and create value in negotiations. Questions that need to be answered include whether or not goals affected the type of opening offers made by participants and what effect goals had on subsequent concessionary behavior.

This study is among the first to explicitly integrate findings from goal setting with the literature on negotiation. The results support the conclusion that the type of goal a negotiator is working with affects the degree to which they achieve distributive and integrative outcomes. Although more research
is needed to examine the underlying mechanisms that relate goals to negotiation outcomes, our study makes a first step by relating goals to negotiator cooperative and competitive behavior.

References


