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The Effect of Role and Frame in Competitive Two-Party Negotiations

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Abstract: The Effect of Role and Frame in Competitive Two-Party Negotiations Victoria Gilliland, Daniel J. Navarro and John C. Dunn University of Adelaide, South Australia

Framing, as described by Kahneman and Tverskys prospect theory (1979), has been demonstrated to bias decisions made under risk and uncertainty in a number of different fields. Litigation, however, represents a form of competitive sequential decision making where there has been relatively little psychological research. Previous work suggests that legal role (plaintiff or defendant) and frame (positive or negative) are independent constructs, and that frame can alter an individuals risk preferences in this context. This study explores the interaction of role and frame in real-time settlement negotiations made by parties in simulated legal disputes. While the negotiations were designed to be as realistic as possible, the data are interpreted in light of prospect theory and the manipulated frame reversals. Results are discussed in terms of general implications for modelling competitive decision making and with reference to specific issues arising from the application of prospect theory to this form of negotiation.