The O. Henry Effect:
The impact of relational norms on negotiation outcomes

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Abstract

Three experimental studies tested the hypothesis that highly relational organizational contexts can discourage negotiators from seeking and exploiting opportunities for mutual maximization of value. We term this phenomenon the *O. Henry Effect*, in acknowledgement of the author whose main characters in a famous story (*The Gift of the Magi*) engage in a poignantly “inefficient” exchange of Christmas presents. All three studies confirmed our hypothesis. However, Studies 2 and 3 also found (as in O. Henry’s tale) that the sacrifice of instrumental value was accompanied by heightened relational satisfaction. Some evidence of gender differences is provided and the mediational role of “logrolling” is explored. Results are discussed in terms of communal and exchange relationships (Clark & Mills, 1979).

*Key words*: Negotiation, relational norms, egalitarianism, organizational culture, gender.
The O. Henry Effect

The impact of relational norms on negotiation outcomes

O. Henry’s (1905) classic Christmas story, *The Gift of the Magi*, recounts the tale of a young couple facing hard times. Although extremely poor, both the husband (Jim) and the wife (Della) boast a prized possession—Della, her long flowing hair, and Jim the gold watch handed down to him by his father and grandfather. The day before Christmas, upon realizing that she has only one dollar and eighty-seven cents to buy a present for Jim, Della decides to sell her beautiful long hair to buy a platinum chain for Jim’s cherished watch. Meanwhile, an equally impoverished Jim sells his watch to buy Della a set of tortoise shell combs she had long coveted for her hair. On Christmas Eve, Della and Jim exchange their gifts, only to realize the ironic folly of their sacrifices. Nevertheless, O. Henry leaves no doubt that this exchange provided the young couple with a relational outcome that was of greater enduring value than they would have achieved by mutual retention of their prized possessions and an exchange of less extravagant gifts.

From a purely instrumental perspective, one might deem this Christmas exchange “inefficient.” Fisher, Ury, and Patton (1991) called the story’s outcome “tragic.” Indeed, if a similar exchange had occurred between two merchants, we would have considered each one to have forfeited something of great value, only to receive an item that had no immediate value at all. Yet even in the colder world of business negotiation, the interdependence between objective outcome maximization and relational considerations cannot be ignored. The present research was designed to explore this interdependence, and the lessons suggested by O. Henry’s classic tale.
While this investigation was not concerned with romantic relationships, prior research suggests that close personal relationships and negotiation do not mix (Kurtzberg & Medvec, 1999), and that lovers may “lose” when it comes to achieving joint gains in negotiation (Fry, Firestone, & Williams, 1983). We sought to demonstrate that certain highly relational organizational contexts might have a similar effect on negotiation outcomes. Specifically, we predicted that negotiators in highly relational contexts would forfeit opportunities for joint gain (consciously or unconsciously) in deference to adherence to relational norms. However, we further predicted that the reduction in joint gain would be accompanied by a strengthening of ongoing or incipient relationships.

Study 1 pursues our basic hypothesis that a highly relational organizational context can result in sub-optimal instrumental negotiation outcomes (i.e., a reduction in joint value), while Studies 2 and 3 focus more specifically on the related impact of egalitarianism. In both of these follow-up studies, our hypothesis is that the reduction in joint value will be accompanied by an increase in relational outcomes such as trust and liking. Study 3 explores a mechanism suggested in results from previous studies—frequency versus infrequency of “logrolling” (or trading)—that we suggest may underlie these effects. Studies 2 and 3 also allow us to explore gender differences with respect to the relevant phenomena.

These studies extend research and theory in a number of important ways. First, the fact that our studies include a manipulation of organizational context highlights the importance of social context for negotiations. Negotiations do not occur in a vacuum, but rather are guided by norms and prevailing practices which stem from the context surrounding them. Second, like O. Henry’s short story, our studies examine a classic tension between instrumental and relational orientations at the most basic level of the dyad. Stripped of O. Henry’s romanticism, our studies
seek to demonstrate that when a dyad becomes overly concerned with relational goals, the quality of its objective products and performance may suffer. This suggestion is of course related to the classic formulation of “groupthink” (Janis, 1982; see also Harvey, 1974), whereby the goal of maintaining group cohesiveness and loyalty to pre-existing group norms leads to inefficient and ineffective exploration of options, and (sometimes disastrously) sub-optimal decisions and outcomes. Finally, our studies also speak to the tension between research on relational norms (Clark & Mills, 1979) and prescriptive theory in negotiation. That is, while classic negotiation theory prescribes exchanging resources to create value (which should in turn improve relationships among the parties), relational norms theory suggests that the energetic pursuit of instrumental exchanges might damage communal relationships. Before proceeding to describe our research in more detail, we examine this tension conceptually.

A Tension between Relational Norms Theory and Negotiation Theory

In the field of negotiation, scholars have long recognized a potential tension between instrumental performance and relational satisfaction. Fisher et al. (1991) assert that negotiation requires different strategies in dealing with “the people” versus dealing with “the problem.” Mnookin, Peppet, and Tulumello (1996) claim that negotiation involves a tension between empathy and assertiveness. Finally, Pruitt and Rubin’s dual-concern model (1986) asserts that successful integrative negotiation requires both high concern for others and high concern for self (see also Blake & Mouton, 1979; Filley, 1975; Thomas, 1976).

We propose that relational norms theory plays an integral role in this tension. Of particular relevance for negotiation is a distinction proposed by Clark and Mills between communal relationships and exchange relationships (Clark & Mills, 1979). In communal relationships (such as those among friends and family), people give benefits in response to
another’s needs, while in exchange relationships (such as among business associates) people give benefits in response to, or in anticipation of, the receipt of benefits. Through a series of experiments, Clark and her colleagues have provided evidence suggesting important differences between these two types of relationships, such as parties’ reactions to the expression of emotion and requests for help, focus on inputs versus needs, and patterns of exchanging benefits (Clark, 1981, 1984; Clark, Mills, & Powell, 1986; Clark & Taraban, 1991; Williamson, Clark, Pegalis, & Behan, 1996).

For example, in one study Clark (1981) had participants read descriptions of scenarios in which two individuals exchanged benefits. When the benefits were “noncomparable” (i.e., party A treats party B to lunch and then party B gives party A a ride home from work the following day), participants were more likely to be perceived as friends than when the benefits exchanged were comparable (party A treats party B to lunch and then party B treats party A to lunch the following day). In explaining their assessments, participants suggested that when comparable benefits were exchanged, the second benefit “was perceived as a repayment for the first (something more appropriate to exchange than communal relationships),” whereas when noncomparable benefits were exchanged, the second benefit “was perceived as an attempt to fulfill a need or to please the other (something more appropriate to communal than to exchange relationships)” (Clark, 1981, p. 380). In a related study, Clark and Mills (1979) found that a request for a benefit after a person has been benefited leads to greater attraction when an exchange relationship is desired, but leads to a decrease in attraction when a communal relationship is desired. Apparently, participants who desired an exchange relationship perceived the “payback” as normative, whereas participants who desired a communal relationship perceived it as exploitative.
The employment of “logrolling” advocated by many negotiation theorists (e.g., Froman & Cohen, 1970; Thompson, 1998; Walker & Thibaut, 1971) similarly has a different status in the two types of relational contexts. Logrolling involves making concessions on issues that have low priority for self (but high priority for the other) in order to receive concessions on issues that have high priority to self (but low priority to the other; Pruitt, 1983). Such exchanges obviously increase the joint value or “integrativeness” of the relevant agreement (Pruitt, 1983), and in the context of an exchange relationship might be perceived as perfectly appropriate, or even an enhancement to the relationship. But in the context of a communal relationship, such an exchange might be perceived as inappropriately exploitative, and might undermine the relationship.

Interestingly, in discussing integrative bargaining, Pruitt offers the following illustration:

A husband and a wife…are trying to decide where to go on a two-week vacation. The husband wants to go to the mountains, his wife to the seashore…. [Illustrating logrolling,] the wife in our example might agree to go to the mountains, even though she finds them boring, if her husband promises her a fur coat. (Pruitt, 1983, pp. 37-38)1 While Pruitt sought to illustrate the broad applicability of the logrolling procedure, we suspect that our readers will see that this “negotiated” exchange between husband and wife creates a potential clash between relational norms and negotiation strategies. While the instrumental outcome in this example may be positive for both parties, one cannot help but feel less sanguine about the prospects for a long and happy marriage than we feel after reading about Della and Jim’s less efficient exchange. Borrowing terminology from Fiske and Tetlock (Fiske & Tetlock, 1997; Fiske & Tetlock, 1999), Pruitt’s couple has made a “taboo tradeoff” in the context of an
intimate relationship by linking a “communal sharing” issue (where to spend a vacation) with an “equality matching” issue (who will pay for the purchase of a fur coat).

Although the experiments reported in this paper involve simulated negotiations in organizational contexts rather than negotiations between intimates, we argue that the introduction of relational norms within an organizational context can produce a similar tension between instrumental and relational goals. Organizational cultures, like national cultures, foster a set of shared ideas and practices, such as construal of the self in relation to others (Markus & Kitayama, 1991), thereby furnishing actors with cues as to where to direct their efforts in a negotiation. While some contexts foster a focus on maximizing instrumental outcomes, other contexts foster a focus on building and maintaining relationships (Pinkley, 1990; Salacuse, 1991).

All three studies presented below feature simulated employment negotiations with an experimental manipulation intended to evoke either communal or exchange norms within an organizational context. Study 1 described a focal company as cooperative and pro-social versus competitive and egoistic (cf. De Dreu, Weingart, & Kwon, 2000). Study 2 described the focal company as egalitarian versus hierarchical (cf. Hofstede, 1980), and measured relational satisfaction immediately following the negotiation. Finally, Study 3 employed a similar design to Study 2 to explore a potential mechanism underlying the O. Henry Effect and to test for gender differences. In each experiment, our main hypotheses pertain to the postulated O. Henry Effect, whereby parties knowingly or unknowingly compromise instrumental outcomes in the service of relational norms, and in doing so increase relational satisfaction.
Study 1: “Good Intentions Group” vs. “Shareholder Wealth Corporation”

Several previous studies have found that friendships or romantic relationships among negotiators might lead to sub-optimal instrumental outcomes (e.g., Fry et al., 1983; for reviews see Bazerman, Curhan, & Moore, 2001; Valley, Neale, & Mannix, 1995). Our first experiment was to illustrate that the mere evocation of a relational context and the norms that attend such a context will indeed lead to sub-optimal or inefficient negotiation outcomes in a “business” negotiation. Accordingly, we manipulated the organizational context (i.e., the name and purported orientation) of a focal company within which a simple negotiation exercise was conducted to create a pro-social/cooperative orientation in one experimental condition and an egoistic/competitive orientation in the other experimental condition (cf. De Dreu et al., 2000). Our assumption was that the pro-social orientation would evoke communal norms that discourage the energetic pursuit of instrumental exchange, and as a consequence decrease the likelihood that parties would seek and find opportunities for logrolling on integrative issues that otherwise could be exploited by the negotiators to maximize joint value.

Method

Overview and design. Participants assigned the role of candidate or recruiter were presented with a standard multi-item employment negotiation task featuring a mix of distributive, integrative, and compatible issues. The experimental manipulation involved the name, and purported orientation of the organization in question. Thus, in the pro-social condition the organization was named Good Intentions Group (described as a nonprofit organization having a team-oriented culture), whereas in the egoistic condition the organization was named Shareholder Wealth Corporation (described as a for-profit corporation with a competitive culture). The main dependent variable was joint points earned in the negotiation.
Participants. Participants were MBA students from a West Coast university, enrolled in a course on negotiation. The experiment was conducted in the second week of the course. A total of 126 individuals comprising 63 dyads took part in the negotiation exercise. (Sex of participant was not recorded.)

Procedure. Several days prior to the negotiation, each participant received a set of written confidential instructions describing his or her role, the relevant issues, and point totals reflecting the priority they should attach to each issue. During the negotiation, participants were free to offer whatever information, arguments, and proposals they wished to offer, but prohibited from physically exchanging their confidential instructions. Dyads were given 45 minutes to negotiate. The negotiation concluded when both parties reached a mutual agreement, or when the full 45 minutes had elapsed.

Negotiation task. The participants’ task consisted of a standard negotiation exercise called “The New Recruit” (Pinkley, Neale, & Bennett, 1994), an 8-issue employment negotiation between a candidate and a recruiter concerning the candidate’s compensation package. Each of the eight issues offered five possible options for resolution, and each of those options was associated with a specific number of “points” (see Table 1). Two of the eight issues (starting date and salary) were distributive or “fixed-sum” issues such that the parties’ interests were diametrically opposed. Two of the issues (job assignment and work location) were compatible issues such that both parties received the same number of points for a given option, and thus were best served by the same option (Thompson & Hrebec, 1996). The remaining four issues (signing bonus, vacation days, moving expense reimbursement, and insurance provider) were integrative or potential logrolling issues such that the differences in point totals among options for a given issue enabled potential trade-offs which would increase the joint value of the
agreement for both parties (Pruitt, 1983). All participants were instructed that their goal was to maximize their own personal gain—i.e., to “reach an agreement with the other person on all eight issues that is best for you. The more points you earn, the better for you.”

Manipulation. The experimental manipulation of organizational context was achieved through several changes to the first paragraph of participants’ written confidential instructions. In the Good Intentions Group condition, participants’ instructions began as follows:

Good Intentions Group is a nonprofit organization with a strong team-oriented culture. This task involves a negotiation between two people during a job interview at Good Intentions Group. One person will play the role of community recruiter; the other will play the role of the job candidate.

By contrast, in the Shareholder Wealth Corporation condition, participants’ instructions began as follows:

Shareholder Wealth Corporation is a for-profit company with a strongly competitive corporate culture. This task involves a negotiation between two people during a job interview at Shareholder Wealth Corporation. One person will play the role of the corporate recruiter; the other will play the role of the job candidate.

Results

Negotiation outcomes. Two dependent variables were created to assess negotiation outcomes. The principal dependent variable, “joint points,” summed the points earned by the candidate and the recruiter, thereby providing an overall measure of the success of the two participants in efficiently capturing the value creation opportunities afforded by compatible and integrative issues. A secondary dependent measure, “points differential,” examined the difference in the number of points achieved by the two participants (recruiter’s points minus
candidate’s points), thereby providing an indirect measure of the weight given by participants to the norm of equality. All analyses involving these two measures used the dyad as the unit of analysis.

Consistent with the O. Henry Effect, we found that the Shareholder Wealth condition resulted in greater joint outcomes than the Good Intentions condition. Each dyad could potentially have earned a maximum total of 13,200 joint points (i.e., by always agreeing on the mutually advantageous option on compatible issues and by making optimal “trades” on integrative issues). Dyads in the Shareholder Wealth condition averaged more joint points ($M = 12,206$, $SD = 1,253$) than did dyads in the Good Intentions condition ($M = 11,903$, $SD = 1,150$). In other words, dyads in the Good Intentions condition forfeited (or left “on the table”) an average of 1,297 points, whereas dyads in the Shareholder Wealth condition forfeited only 994 points. Further examination, however, revealed that the relevant distributions were highly skewed, such that forfeiture of zero points (i.e. optimal trades on the two pairs of integrative issues as well as optimal agreements on the two compatible issues) was the modal response—a circumstance that made the use of a standard parametric test to compare our two conditions inappropriate. Accordingly, we performed a median split on the joint points variable (Median = 12,600), and conducted a chi-square analysis to test the association between experimental condition and points earned. As can be seen in Table 2, only 12 of the 31 dyads assigned to the Good Intentions condition reached or exceeded that median, in contrast to 20 of the 32 dyads assigned to the Shareholder Wealth condition, $\chi^2 = 3.57$, $p < .06$.

To determine the extent to which the between-condition difference in joint points was due to compatible versus integrative issues, we examined joint points separately for the two types of issues. The results were conclusive. In the case of compatible issues, participants in both
conditions came very close to earning the maximum number of points (a mean of 2,283 points out of a possible 2,400 points among Shareholder Wealth dyads versus 2,287 points out of 2,400 among Good Intentions dyads). By contrast, in the case of integrative issues, the between condition difference was substantial – a mean of 13,219 ($SD = 1,090$) out of a possible 14,400 points among Good Intentions dyads compared to a mean of 13,519 points ($SD = 999$) among Shareholder Wealth dyads. In other words, 299 of the 303 between-condition difference in points earned was accounted for by the integrative issues. Furthermore, a median split analysis applied to points earned on integrative issues only (see Table 2) revealed virtually the same pattern of results seen for total points, although the relevant chi-square value, $X^2 = 2.67, p = .10$, was only marginally significant. This result suggests that relational norms might exert their impact primarily on integrative issues, or issues typically exploited through a process of exchange (i.e., logrolling), a potential mechanism explored further in Study 3.

In both experimental conditions, points were divided relatively equally between candidate and recruiter. Recruiters outperformed candidates by an average of 148 points ($SD = 2,886$) in the Good Intentions condition and candidates outperformed recruiters by an average of 838 points ($SD = 2,930$) in the Shareholder Wealth condition. A one-way analysis of variance on the points differential variable, with experimental condition as a factor, revealed no significant difference by condition in how points were divided between candidate and recruiter, $F(1, 61) = 1.81, p = .18$.

Discussion

Results suggest that, as hypothesized, a highly relational organizational context can lead to less efficient instrumental outcomes. Dyads assigned to the Good Intentions Group condition forfeited 30% more points than those assigned to the Shareholder Wealth Corporation condition.
In other words, consistent with the O. Henry Effect, it appears that evoking a pro-social or cooperative organizational ethos reduced negotiators’ success in recognizing and/or exploiting opportunities for efficient (i.e., mutually beneficial) agreements.

The major question that remains unanswered, thus far, is whether the instrumental costs borne by the Good Intentions Group dyads were compensated with relational gains, or conversely, whether the instrumental benefits derived by Shareholder Wealth Corporation dyads were purchased at the price of relational losses. Study 2 addressed this shortcoming by providing a post-negotiation measure of relational satisfaction.

A second question that needs to be addressed arises from the purely hypothetical nature of the outcomes. In particular, participants received no incentive for earning points in the negotiation beyond their own personal satisfaction. This factor may have made relational considerations loom large relative to instrumental considerations. The potential importance of motivating participants to strive for positive instrumental outcomes in negotiation experiments involving relational considerations is underscored by results of a study conducted by Ben-Yoav and Pruitt (1984). In their experiment, negotiators were induced to have either a high or low expectation of cooperative future interaction (or ECFI) with each other. Their results indicated that, in the absence of any additional instructions, participants in the high ECFI condition forfeited more joint value than participants in the low ECFI condition—a finding fully consistent with our present contentions. However, when participants in both conditions were additionally encouraged to attain a certain minimal level of performance in their negotiations, high ECFI participants forfeited less joint value than low ECFI participants (see also De Dreu et al., 2000).

Ben-Yoav and Pruitt’s experiment reported no measure of relational satisfaction, so it is impossible to ascertain whether high ECFI participants achieved higher relational satisfaction
than low ECFI participants. Nevertheless, their findings suggest that the introduction of modest self-oriented motivational concerns can overcome or even reverse the effect of manipulations involving relational concerns. Accordingly, in Study 2, we added a monetary incentive designed to encourage participants to maximize their individual point totals.

As we noted, a non-trivial number of dyads in Study 1 earned a point total at or very close to the maximum that was possible. (Indeed, the maximum possible point total was a strong mode.) Such performance, we suspect, reflected the fact that the relevant negotiations were conducted in the second week of a class in which the notion of looking for shared interests and efficient trades had already been at least hinted at. In Study 2 we sought to overcome this problem by having the relevant negotiation task undertaken by participants who had undergone no classroom training in negotiation.

Finally, we note that our manipulation of relational norms through organizational context in Study 1 confounded a pro-social context with a cooperative orientation and an egoistic context with a competitive orientation. This confounding makes it impossible to know which of these two factors accounted for the between-condition differences we observed. Therefore, in Study 2, we opted for a more direct manipulation of organizational context and associated norms. In one condition we described an egalitarian organization (prompting communal norms) and in the other we described a hierarchical organization (prompting exchange norms).

**Study 2: Egalitarian vs. Hierarchical Relational Norms**

Study 2 was designed to pursue the postulated tradeoff between the achievement of bargaining efficiency and the fostering of relational satisfaction suggested in our account of the O. Henry Effect. Relational context in this study, in contrast to Study 1, was manipulated by a description of the relevant organizational culture within which the negotiation occurred as
“egalitarian” versus “hierarchical” (or low power distance versus high power distance; see Hostede, 1980). We predicted that egalitarian condition dyads would earn fewer joint points than would hierarchical condition dyads, but that the egalitarian condition dyads would achieve greater relational satisfaction.

Method

Overview and design. Participants were presented with a negotiation task similar to the one used in Study 1, except that both the recruiter and the candidate were said to already be members of the same focal company—described in one experimental condition as egalitarian and in the other experimental condition as hierarchical. The primary dependent variables were joint points earned in the negotiation and post-negotiation relational satisfaction.

Participants. Participants were 78 undergraduate and graduate students from a West Coast university who had volunteered to participate in a workshop on negotiation in response to announcements posted online. The experiment was conducted at the very beginning of the workshop, before any training had been provided. The 31 female and 47 male participants comprised 39 dyads, 5 of which were all-female, 12 of which were all-male, and 21 of which were mixed-sex. (While no effort was made in this experiment to control the gender composition of dyads, we note this composition because the results to be reported showed an interaction effect between this factor and our experimental manipulation.)

Procedure. Except for the difference in nature of the manipulation of putative company norms, the inclusion of a post-negotiation questionnaire to measure relational satisfaction, and the instruction that one dyad would receive a monetary payment reflective of point totals earned, the procedure of Study 2 was essentially identical to that followed in Study 1.
Negotiation task. The task employed in this study was the same multi-issue employment negotiation simulation that had been used in Study 1. However, to make the relevant manipulation of organizational culture equally applicable to both parties, we rewrote the case such that the candidate and recruiter were from different branches of the same multinational company. In both experimental conditions, the job candidate was referred to as a Middle Manager seeking a transfer from one branch to another, and the recruiter was referred to as a Vice President of the candidate’s targeted branch. To provide incentives for performance, participants were informed that one dyad would be selected at random and its members would receive payment in accord with the individual point totals they had earned in the negotiation.

Manipulation. The experimental manipulation of relational norms was achieved through the first paragraph of the written confidential instructions. As highlighted in the italicized parts of the two sets of verbatim instruction below, the organizational culture of the focal company was described either as egalitarian or as hierarchical. In the egalitarian condition, all participants received the following description of the company:

Business International is known for having an extremely egalitarian corporate culture. Inequalities between each level of management are minimized. For example, there is a narrow salary range between the top and bottom of the organization. Lower-level employees frequently associate with middle-level management and middle-level management frequently associates with senior-level management. All members of the company, from the most senior to the lowest-status employee, eat side-by-side in the same cafeteria. In general, lower-status employees expect to be consulted by higher-status employees before decisions are made. Low-status employees have a fair amount of independence when it comes to decisions about their own resources. Consequently, lower-status employees seldom are afraid to express disagreement with their managers and managers tend to use a democratic or consultative style with their employees. [all italics added]
By contrast, participants assigned to the hierarchical organizational culture condition received the following description of the company:

Business International is known for having an extremely hierarchical corporate culture. Inequalities between each level of management are both expected and desired. For example, there is a wide salary range between the top and bottom of the organization. Lower-level employees rarely associate with middle-level management and middle-level management rarely associates with senior-level management. There are three different cafeterias in the company—one for lower management, one for middle management, and one for senior management. In general, lower-status employees expect to be told what to do by higher-status employees and are dependent on the higher status employees for resources. Consequently, lower-status employees often are afraid to express disagreement with their managers and managers tend to use an autocratic or paternalistic style with their employees. [all italics added]

Post-negotiation questionnaire. The post-negotiation questionnaire included three items intended to measure participants’ attitudes toward their negotiation counterpart: “How much did negotiating with your negotiation partner make you like him or her?” (1 = not at all; 7 = a great deal), “How much do you trust your negotiation partner?” (1 = not at all; 7 = a great deal), “How much do you think your negotiation partner likes you?” (1 = not at all; 7 = a great deal). These three items yielded acceptable internal consistency (alpha = .76), and were averaged to create a relational satisfaction score.

As a manipulation check, participants also were asked in the post-negotiation questionnaire to assess the organizational culture of the focal company using a series of three 7-point semantic differential subscales. The first scale was anchored at hierarchical and egalitarian, the second at autocratic and democratic, and the third at paternalistic and consultative.
Results

Manipulation checks. To determine whether the experimental manipulation of organizational culture had the intended effect on the perceptions of study participants, analyses of variance were applied to each of the three semantic differential subscales characterizing the focal company on the post-negotiation questionnaire, with organizational culture (egalitarian vs. hierarchical) and role (Middle Manger vs. Vice President) as independent factors. Role was included in these analyses so as to assess the degree to which the organizational culture manipulation had been perceived by both high- and low-status parties. Analyses revealed that participants’ responses on all three semantic differentials were significantly influenced by their experimental condition, all \( p < .001 \). Participants assigned to the hierarchical organizational culture condition were more likely to rate the organizational environment as hierarchical, autocratic, and paternalistic, whereas participants assigned to the egalitarian organizational culture condition were more likely to rate the organizational environment as egalitarian, democratic, and consultative. Neither role nor the interaction between role and experimental condition had any significant impact on these ratings, all \( p > .15 \).

Negotiated outcomes. As in the previous experiment, two dependent variables were created to assess negotiated outcomes: joint points and points differential. The mean number of joint points achieved in each experimental condition is displayed in Figure 1a.\(^3\) Consistent with the predicted O. Henry Effect, dyads in the egalitarian condition achieved fewer joint points \((M = 9,553\) out of a possible total of 13,200 points, \(SD = 2,040\)) than dyads in the hierarchical condition \((M = 10,926, SD = 1,380\)). A one-way analysis of variance applied to the joint points variable with organizational culture (egalitarian vs. hierarchical) as the independent variable yielded a significant result, \(F(1, 35) = 5.71, p < .03\). (Because few “naïve” participants in
Study 2 achieved maximally efficient agreements, it was appropriate to rely on parametric instead of non-parametric tests).

In contrast to the case in Study 1, further analysis revealed the relevant between-condition difference in means to be as much a function of compatible issues ($M_{egalitarian} = 1,200, SD = 1,342$ vs. $M_{hierarchical} = 1,768, SD = 734$), $F(1, 35) = 2.56, p = .12$, as integrative issues ($M_{egalitarian} = 11,953, SD = 1,547$ vs. $M_{hierarchical} = 12,758, SD = 1,230$), $F(1, 35) = 3.02, p = .09$.

Examination of how points were distributed between recruiters and candidates revealed an interesting difference between the two experimental conditions. While dyads in the hierarchical condition reached outcomes that were relatively balanced in terms of the points achieved by candidates and recruiters (recruiters earned an average of 40 points less than candidates, $SD_{diff} = 4,419$), dyads in the egalitarian condition reached outcomes that greatly favored the candidates (candidates earned an average of 3,137 more points than recruiters, $SD_{diff} = 4,144$). A one-way analysis of variance on this point differential variable (i.e., recruiter’s score minus candidate’s score), yielded a significant main effect of condition $F(1, 38) = 5.08, p < .05$. Thus, participants in the high-status role (i.e., “Vice President” recruiters) apparently responded to the suggestion of an egalitarian organizational ethos by yielding rather than using their authority to contend or to engage in problem solving (Pruitt & Rubin, 1986).

Another unanticipated finding emerged when we considered the gender composition of dyads as a factor in our analyses. Consistent with the O. Henry Effect, all-male and mixed-sex dyads earned fewer joint points in the egalitarian condition ($M = 9,320, SD = 2,064$) than in the hierarchical condition ($M = 11,138, SD = 1,368$). By contrast, all-female dyads actually earned fewer joint points in the hierarchical condition ($M = 9,800, SD = 917$) than in the egalitarian condition ($M = 11,300, SD = 141$). While the small number of all-female dyads ($n = 5$) did not
permit significance testing, the finding was provocative enough to merit further, more systematic
attention in the design of Study 3, and to a certain extent foreshadows its results.

Relational satisfaction. To assess whether the failure to maximize joint point totals
through efficient bargaining in the egalitarian condition was accompanied by more positive
relational outcomes, we subjected negotiators’ relational satisfaction scores to a two-way
ANOVA with organizational culture (egalitarian vs. hierarchical) and role (Middle Manager vs.
Vice President) as independent variables. As can be seen in Figure 1b, the results were
consistent with our characterization of the O. Henry Effect. That is, participants assigned to the
egalitarian condition showed higher relational satisfaction ($M = 4.81, SD = 1.08$) than those
assigned to the hierarchical condition ($M = 3.98, SD = 1.11$), $F(1, 77) = 11.1, p < .001$. (Neither
the main effect of role nor the interaction between role and organizational culture approached
statistical significance, both $ps > .4$.)

Discussion

While Ben-Yoav and Pruitt’s (1984) experiment suggested a negative effect of relational
expectations on negotiation efficiency, they did not report a measure of relational consequences.
Our second study adds another chapter to this story. While participants in a negotiation task
exposed to an egalitarian relational norm forfeited 65% more joint points than those exposed to a
hierarchical norm, the evocation of the egalitarian norm produced greater relational satisfaction.

The hint of gender differences in response to our main manipulation raises an interesting
question, and suggests the importance of not prematurely generalizing from studies that
disproportionately sample one sex or the other. Indeed, previous research suggests that females
tend to be more relationally interdependent than males (Kashima et al., 1995; see also Gilligan,
1982)—a finding that further suggests the possibility that males and females might react
differently to our manipulation of relational norms. In Study 3, we focused more explicitly on the possibility of such gender differences with an experimental design that sampled a reasonable number of all-male and all-female dyads.

Study 3 also sought more direct evidence of the logrolling process, and more particularly of the “trading of concessions” that we have suggested may play a key role in producing the O. Henry Effect. As many colleagues have noted in analyzing our particular negotiation exercise, joint value on integrative issues can be maximized without any explicit communication involving trading or quid pro quo compromises. For example, the parties might simply concede more easily on issues of relatively low priority to themselves, and be reluctant to concede on issues of relatively high priority to themselves, without any discussion of linking concessions on the different issues. By audio-taping the negotiations in Study 3 we sought direct evidence of between-condition differences in the type of linking of concessions that might prove damaging to relationships.

Finally, in Study 3 we hoped to refine our theory concerning the relationship between positive instrumental outcomes and negative relational outcomes. As noted earlier, relational norms theory suggests that the energetic pursuit of instrumental exchange might damage communal relationships. But no such damage presumably should occur in exchange relationships. Thus, we predicted in Study 3 that efforts to create value through logrolling would undermine relational satisfaction in an egalitarian context, but not in a hierarchical context.

**Study 3: Further Exploration of Relational Norms, Logrolling, and Gender**

As noted above, the negotiation simulation and independent variable manipulations in Study 3 were very similar to those employed in Study 2, although in Study 3 the description of organizational culture was further reinforced by features of the negotiation setting. The main
difference in design was the deliberate creation of same-sex dyads that we hoped would allow us to focus more specifically on the gender-specific effects noted in Study 2. Furthermore, all negotiations were audio-taped so that we could directly monitor the nature and frequency of the type of logrolling efforts that we had hypothesized, on the basis of results from the two previous studies, would mediate the effects of our relational context manipulations.

Method

Overview. Same-sex dyads were presented with a negotiation task and exposed to a manipulation of putative organizational culture (hierarchical versus egalitarian) identical to those employed in Study 2. As in Study 2, the primary dependent variables again were joint points earned on both integrative and compatible issues (which in this study determined actual financial payoffs to every participant) and the participants’ post-negotiation attitudes regarding each other. However, in contrast to Study 2, negotiations were conducted in an office setting in which the arrangement of furniture and seating reinforced the relevant experimental manipulation, and the proceedings were audio-taped and submitted to further examination and statistical analysis.

Participants. A total of 90 undergraduates from a West Coast university (42 females and 48 males), ranging in age from 17 to 23 ($M = 18.7$ years) participated in the study in partial fulfillment of an introductory psychology course requirement. A total of 21 all-female and 24 all-male dyads engaged in the negotiation task.

Design. A 2 X 2 factorial design was employed, with organizational culture (egalitarian vs. hierarchical) and gender of dyad (male vs. female) as independent factors. Of the 21 female dyads, 11 were randomly assigned to the egalitarian condition and 10 were assigned to the hierarchical condition. Of the 24 male dyads, 12 were randomly assigned to the egalitarian condition and 12 were assigned to the hierarchical condition.⁶
**Procedure.** Upon their arrival, participants were provided with an overview of the experiment. Participants were informed that they would be engaging in a role-play negotiation simulation and that each individual would be paid (up to $13.20) in accordance with the points he or she earned in that negotiation. Roles were assigned by a flip of a coin and confidential instructions for the negotiation were distributed accordingly. Participants then were escorted into separate rooms, where they read their confidential instructions and prepared privately for the negotiation.

After reading their confidential instructions, participants were escorted from their individual lab rooms into a nearby professor’s office for their negotiation. The experimenter then started a tape recorder, sat down inside the room (ostensibly to take notes), and avoided eye contact with the participants during their negotiation. All negotiations were stopped after 30 minutes, even if no agreement had been reached. At that point, the experimenter administered a post negotiation questionnaire, paid participants based on the points they had earned, and conducted a debriefing during which participants learned the purpose of the experiment and their questions or concerns were addressed.

**Negotiation task.** The negotiation task, as noted, was identical to the simulation used in Study 2, except that instead of using a potential financial incentive (i.e., selecting one dyad at random to be paid), all participants were paid a dime for every 100 points they had individually earned during the negotiation.

**Manipulation.** As in Study 2, the manipulation was achieved through the first paragraph of participants’ confidential instructions—which described the focal company either as egalitarian or as hierarchical in its orientation and practices. However, in addition to this written manipulation, both to make the situation more realistic and to reinforce the relevant
manipulation, the arrangement of the professor’s office differed as a function of experimental condition (see Figure 2). In the egalitarian condition, the office was arranged such that the Vice President and Middle Manager were seated side-by-side at the corner of a table, while in the hierarchical condition the Vice President was seated with his or her back to the window and behind a large desk while the Middle Manager was seated on the other side of the desk. Additionally, while both parties in the egalitarian condition were seated on standard office chairs, their seating arrangements differed in the hierarchical condition. That is, the Vice President in this condition was seated on a large comfortable executive chair while the Middle Manager was seated on a small wooden chair with a half-inch cut off each of the two front legs, forcing a more submissive posture (cf. Chen, Lee-Chai, & Bargh, 2001). Finally, in the egalitarian condition, the Middle Manager and Vice President were led into the office together, whereas in the hierarchical condition, the experimenter brought the Vice President into the office first and seated him or her in the large chair, and only then led the Middle Manager to the office and his or her smaller chair.

Post-negotiation questionnaire. The post-negotiation questionnaire included five items intended to assess post-negotiation attitudes. Three of these items measured mutual liking and trust, as in Study 2. Two new items measured more general impressions regarding the process: i.e., “How comfortable did you feel during the role-play in which you participated?” (1 = very uncomfortable, 7 = very comfortable), and “Overall, how would you characterize the negotiation in which you just participated?” (1 = friendly, 7 = unfriendly; reverse-scored). The five items yielded acceptable internal consistency (alpha = .75), and were averaged to create a relational satisfaction score.
Manipulation checks also were included in the post-negotiation questionnaire, using the same three semantic differential scales as in Study 2, that is, hierarchical vs. egalitarian; autocratic vs. democratic; and paternalistic vs. consultative. However, instead of being asked to characterize the relevant organizational environment, Study 3 participants were asked to use these scales to characterize their actual negotiations.

_Coding the negotiation audiotapes._ Following the experiment, three coders participated in an analysis of the audio-taped negotiations. All coders were blind to hypotheses and blind to experimental condition. These coders counted the number of specific new proposals made by each party, and for each proposal indicated whether it concerned only a single issue (e.g., “I’m willing to offer you a salary of $82,000.”) or involved a potential tradeoff among concessions on two or more issues (e.g., “I could give you a salary of $86,000 instead of $84,000, but only if you’re willing to accept 15 days vacation instead of 20 days.”). Thus, four separate measures were obtained: number of single issue proposals by the Middle Manager, number of single issue proposals by the Vice President, number of multiple issue proposals by the Middle Manager, and number of multiple issue proposals by the Vice President.

As a test of inter-coder reliability, each of the three coders listened to the same set of eight audiotapes, randomly selected from among the 45 tapes, and coded each tape. The four coded measures proved to be highly reliable, with an average standardized item alpha of .93 (range = .82 to .99). For the eight audiotapes that had been used to check reliability, the three coders’ data was averaged to create a single set of four ratings for each tape. The 36 remaining audiotapes were divided evenly and each tape coded by a single coder.
Results

Manipulation checks. Analyses of variance were performed on the three semantic differential measures included in the post-negotiation questionnaire, with organizational culture (egalitarian vs. hierarchical), role (Middle Manager vs. Vice President), and gender (male vs. female) as independent factors. As expected, participants assigned to the egalitarian condition characterized their negotiations as being more egalitarian, ($M = 4.73$, $SD = 1.68$ vs $M = 4.05$, $SD = 1.72$), $F(1, 86) = 3.45, p < .07$, and more democratic, ($M = 4.68$, $SD = 1.58$ vs $M = 3.74$, $SD = 1.50$), $F(1, 86) = 7.87, p < .01$; but not significantly more consultative, ($M = 5.11$, $SD = 1.50$ vs $M = 4.63$, $SD = 1.45$), $F(1, 86) = 2.26, p = .14$, than those assigned to the hierarchical condition. Aside from a marginally significant tendency for Vice Presidents to perceive their negotiations to be more democratic ($M = 4.53$, $SD = 1.50$) than did Middle Managers ($M = 3.91$, $SD = 1.65$), $F(1, 86) = 3.62, p = .06$, no main effect or second-order interaction effect proved to be statistically significant, all $ps > .2$.

Negotiated outcomes. As in our previous experiments, both joint points and points differential were considered in our analyses. However the points differential measure revealed no significant main effects or interaction effects involving gender or organizational culture, all $ps > .3$, and, accordingly, this measure was not considered further in this report. In the case of joint points, ANOVAs were run on the relevant point accumulations, with organizational culture (egalitarian vs. hierarchical) and gender (male vs. female) as independent factors. Overall, female dyads across the two experimental conditions tended to earn fewer points ($M = 8,526$, $SD = 1,436$) than did male dyads ($M = 10,255$, $SD = 1,706$), $F(1, 40) = 12.9, p < .001$. This main effect, however, was qualified by a significant interaction effect, $F(1, 40) = 4.71, p < .05$ (see Figure 3a). Specifically, whereas male dyads, in accord with our original O. Henry Effect
prediction, achieved fewer joint points in the egalitarian condition \((M = 9,545, SD = 1,980)\) than in the hierarchical condition \((M = 10,964, SD = 1,042)\), \(t(37) = 2.19, p < .04\), female dyads earned slightly (but not significantly) more points in the egalitarian condition \((M = 8,867, SD = 1,367)\) than in the hierarchical condition \((M = 8,220, SD = 1,498)\), \(t(37) = -0.98, p = .4\).

Additional analyses suggested again that it was the integrative or potential logrolling issues that proved most sensitive to our experimental manipulation. The ANOVA that considered joint points on integrative issues yielded a highly significant main effect of gender, \(F(1, 40) = 16.4, p < .001\), and a marginally significant organizational culture by gender interaction, \(F(1, 40) = 3.87, p < .06\). These effects reflected the fact that males in the hierarchical condition \((M = 12,545, SD = 733)\) achieved more joint points on these issues than males in the egalitarian condition \((M = 11,455, SD = 1,728)\), while females achieved slightly fewer joint points on these issues in the hierarchical condition \((M = 10,080, SD = 1,088)\) than in the egalitarian condition \((M = 10,600, SD = 1,470)\). By contrast, the ANOVA that considered joint points on compatible issues only, yielded no statistically significant main effects or interactions, all \(ps > .28\).

**Relational satisfaction.** When we subjected relational satisfaction scores to an ANOVA, with organizational culture (egalitarian vs. hierarchical), gender (male vs. female), and role (Middle Manager vs. Vice President) as independent variables, the main effect of organizational culture did not approach statistical significance, \(F(1, 86) = 0.80, p = .4\). As can be seen in Figure 3b, male dyads showed somewhat greater relational satisfaction in the egalitarian condition \((M = 4.67, SD = .95)\) than in the hierarchical condition \((M = 4.19, SD = .77)\), \(t(43) = 1.87, p = .07\), whereas female dyads showed no such difference \((M = 4.24, SD = 1.01, \text{ and } M = 4.34, SD = 1.10, \text{ respectively})\), \(t(40) = -.30, p = .8\). However the relevant organizational
culture by gender interaction did not prove to be statistically significant, \( F(1, 86) = 1.86, p = .18 \).
(No other main effect or interaction approached significance, all \( ps > .3 \).)

*Multi-issue proposals.* Initial coding of audiotapes provided separate measures of single-issue and multiple-issue proposals for participants in the two roles, which in turn yielded two summary measures: proportion of multi-issue proposals (i.e., multi-issue proposals divided by total proposals) by Middle Managers, and proportion of multi-issue proposals by Vice Presidents. Table 3 presents both of these summary measures for each of the four experimental conditions. It is clear that male and female dyads differed little in the types of proposals they made in the egalitarian condition, but that females in both roles tended to offer a much lower proportion of multi-issue proposals in the hierarchical condition than in the egalitarian condition, whereas males tended to do the opposite.

A single summary measure for each dyad—*proportion of multi-issue proposals*—was subjected to an analysis of variance, with organizational culture (egalitarian vs. hierarchical) and gender (male vs. female) as independent factors. This analysis yielded a significant main effect of gender, \( F(1, 43) = 4.52, p < .05 \), and a significant organizational culture by gender interaction, \( F(1, 43) = 4.70, p < .05 \). (The main effect of organizational culture was not significant, \( p = .5 \)).

*Mediational analysis: the importance of logrolling.* Males in the hierarchical condition achieved greater joint value than females in that condition or dyads of either sex in the egalitarian condition. Males in the hierarchical condition also made a greater proportion of multi-issue proposals than did participants in any of the other three conditions. To explore the relationship between these two findings, and to better understand the mechanism behind the O. Henry Effect, we conducted a series of analyses to determine whether the use of multi-issue proposals in fact
mediated the relevant between-condition differences in participants’ ability to create value on integrative issues.

In performing these analyses we first created a dummy-variable specifying whether a given dyad was both male and hierarchical or “other.” Next, using the dyad as the unit of analysis, we ran a series of regression analyses following steps laid forth by Baron and Kenny (1986) to test our mediational hypothesis \((n = 40)\). These analyses revealed (a) that dyad type (“hierarchical-male” vs “other”) predicted proportion of multi-issue proposals, \(\beta = .37, p = .02\); (b) that dyad type predicted joint points earned, \(\beta = .52, p = .001\); and (c) that the relationship between dyad type and joint points decreased when joint points was hierarchically regressed on dyad type and proportion of multi-issue proposals, \(\beta = .33, p = .01\). Finally, we applied the Sobel test (Baron & Kenny, 1986; Sobel, 1982) in order to determine whether proportion of multi-issue proposals carried the influence of experimental condition on joint points. The two-tailed \(z\)-test was significant, \(z = 2.10, p < .05\).⁹

Given the weak association between our primary independent factors (organizational culture and gender) and relational satisfaction, it was not deemed appropriate to undertake a similar mediational analysis with respect to the relational measure. However, we did examine the association between multi-issue proposals and relational satisfaction within our two experimental conditions to determine whether efforts to create value through logrolling would in fact undermine relational satisfaction. In doing so, however, we controlled for joint points earned. Our reasoning was that, *ceteris paribus*, increases in joint points should lead to higher relational satisfaction; however, while the *results* of log-rolling might be positive for the relationship, the process itself would be perceived as exploitative to the extent that it occurred within a communal or egalitarian context.)
Accordingly, we performed a partial correlation between proportion of multi-issue proposals made (by either role) and relational satisfaction (averaged across the two roles), while controlling for joint points. The result of these analyses provided only modest support for our predictions. While the relevant correlations were negative in both the egalitarian condition, \( r(17) = -.28 \), and the hierarchical condition, \( r(17) = -.19 \), neither approached statistical significance.

**Discussion**

The suggestion of sex differences in Study 2 participants’ responses to our manipulation of organizational culture was borne out in Study 3. Male dyads in the egalitarian condition left an average of $3.65 (i.e., 3,650 points) on the table, while males in the hierarchical condition (paying a small price in terms of relational satisfaction) left only $2.24 (i.e., 2,240 points). In contrast, while females forfeited more money overall than males, they seemed to fare slightly better in the egalitarian condition (forfeiting a mean of $4.33) than in the hierarchical condition (where they forfeited a mean of $4.98). This pattern of results, coupled with the assumption that relational concern leads to an unwillingness or inability to realize the potential gains of integrative bargaining, supports the conjecture that for female dyads in our study, relational concerns were relatively high even in the hierarchical condition.

This conjecture is consistent with the suggestion in the literature (e.g., Kashima et al., 1995) that women generally show greater relational interdependence than men. In fact, women may be expected to do so, and pay a social price when they do not do so. Thus Rudman and Glick (1999) found that women in an organizational job interview setting who behaved agentically (as opposed to communally) were viewed as less socially skilled than agentic males (see also Babcock & Laschever, 2003). Future research will be necessary to explore this gender
difference, as well as other possible group differences in relational expectations and their consequences for bargaining efficiency.\textsuperscript{10}

As in our previous two studies, our analyses of joint points revealed that it was primarily integrative issues that yielded the relevant effects of differences in organizational culture. Study 3, however, provided \textit{direct} evidence that it was willingness or reluctance to engage in logrolling, or linking of concessions across issues, that accounted for these effects. That is, males in the egalitarian context and females in both contexts generated fewer multi-issue proposals (or efforts at logrolling) than males in the hierarchical context; and mediational analyses suggested that it was this difference in generation of proposals that was responsible for corresponding gender and condition differences in joint earnings.

Consistent with our characterization of the O. Henry effect, the data also suggested a modest \textit{negative} correlation between the offering of multi-issue proposals, and relational satisfaction (after controlling for joint points). This was true for dyads overall and separately for male and female dyads alike (in each case a correlation of approximately $r = -.20$), but none of these correlations approached conventional levels of statistical significance.

**Conclusion**

The three studies presented here provide preliminary evidence for a phenomenon we have termed the O. Henry Effect in recognition of his famous short story, the \textit{Gift of the Magi}. That is, highly relational motives and norms can lead negotiators to overlook and underutilize opportunities for “efficient” trades. But at the same time, the pursuit of bargaining efficiency, and the organizational contexts that encourage such pursuits seem to exact a cost in terms of relational satisfaction. More specifically, the process of logrolling or linking concessions across issues was clearly associated with optimization of instrumental outcomes; but (holding that
outcome constant) the process of logrolling appeared to be somewhat negatively rather than positively associated with relational satisfaction.

Is it possible to maximize value and still promote relational satisfaction? The answer, of course, is yes. All other things being equal, positive joint outcomes should tend to promote positive relationships between the relevant parties, and vice versa. (Indeed, in Study 3, the simple correlation between joint points earned and relational satisfaction was positive.) Moreover, while certain relational norms discourage explicit exchanges of favors or concessions, an explicit exchange is not the only means of value creation in negotiation. Logrolling can happen inter-temporally, and without any mention by either party of quid pro quo considerations (Mannix, Tinsley, & Bazerman, 1995). Clark’s (1981) example of Party A’s lunch treat one day followed by Party B’s ride home the following day—in which one presumes that the former is not offered conditionally upon the latter, and the latter is not explicitly linked to the former, is a case in point.

One can also begin to speculate about relevant boundary conditions for the O. Henry Effect. A relational goal or relational norm might sometimes facilitate the creation of joint value in negotiation by bolstering trust and the sharing of information about values and priorities that makes the parties able to best serve their own and their partners’ interests (Ben-Yoav & Pruitt, 1984). In fact, depending upon the relevant relational norms, logrolling in the context of a shared task could be seen by the parties as an aspect of cooperation or coordination of efforts and resources in pursuit of a shared goal, in which case one might expect a bolstering of the relationship between the parties (Aron, A., Norman, Aron, E. N., McKenna, & Heyman, 2000). In a business context, open communication is critical for organizational learning and change (Argyris & Schön, 1974; 1978), while the “silencing” of conflict and the failure to express
differences in values, preferences, and areas of comfort or discomfort may damage relationships over the long term (Perlow, 2003).

Nevertheless, our findings underscore the importance of attending to relational norms and relational consequences in negotiation. The fact that a particular strategy enhances instrumental joint value does not necessarily mean that it will be the best strategy to preserve or enhance the relationship between the parties. Indeed, as in O. Henry’s story, it is the willingness to attend to the other’s interests at a cost to one’s own, rather than a willingness to exchange benefits or concessions that one deems small in order to gain benefits or concessions that one deems large, that do the most to build trusting and enduring relationships. In short, strategies need to be tailored to the context in which they are used. Pruitt’s (1983) example of logrolling, whereby a fur coat is offered in exchange for enduring a “boring” trip to the mountains might be an ill-advised guide to a young couple hoping to enhance their romantic relationship. But producing a beautiful warm coat as a surprise gift to one’s partner on the first cold night of the trip might increase joint satisfaction with the trip without any violation of relational norms. In some relational contexts, as illustrated so eloquently in O. Henry’s classic tale, even an exchange that appears tragically “inefficient” might yield long-term mutual benefits that more than justify any short-term costs or losses. We therefore let O. Henry’s closing passage be our own:

And here I have lamely related to you the uneventful chronicle of two foolish children in a flat who most unwisely sacrificed for each other the greatest treasures of their house.

But in a last word to the wise of these days let it be said that of all who give gifts these two were of the wisest. (O. Henry, 1905, p. 1)
References


Footnotes

1 The example provided here is actually an example of “nonspecific compensation,” which is a variant of integrative bargaining almost identical to logrolling. The difference according to Pruitt (1983) is that nonspecific compensation involves a trade between an issue “on the table” and another issue of a different “currency” (i.e., not currently being negotiated). However, many theorists and practitioners blur this distinction, using the term logrolling to apply to exchanges among issues of any “currency,” so long as the issues at stake differ in their relative priorities to the parties.

2 Because the negotiation simulation also was being used for pedagogical purposes, another feature of the simulation was manipulated—that is, information about the participant’s “BATNA” (best alternative to a negotiated agreement). In particular, half of the participants were informed that if they reached no agreement they would receive 4,500 points (high BATNA) while the remainder were informed that if they reached no agreement, they would receive 2,200 points (low BATNA). This manipulation was crossed with the manipulation of organizational context described above. Our analyses suggest that this BATNA manipulation did not interact with any of the relevant dependent measures and thus it is given no further attention in this report.

3 Three dyads (one from the hierarchical condition and two from the egalitarian condition) failed to reach agreement and accordingly were excluded from any analyses involving negotiation outcomes.

4 No significant or even marginally significant correlation was found between joint points earned and relational satisfaction in either of our two experimental conditions. This lack of relationship, we believe, reflects the paradoxical fact that, while the process of logrolling might
violate relational norms, the result of logrolling (assuming it is successful) should make the parties more satisfied. We take up this issue again, more thoroughly, in Study 3.

Following up on the hint of possible differences in the effect of our manipulation on all-female dyads, as opposed to dyads containing a male, we examined the relationship between this variable and relational satisfaction. No such differences were apparent, although again, the ns were too small to permit systematic investigation of the relevant interaction effect, or its potential role in moderating our findings regarding success in maximizing joint point totals.

Results from one all-male dyad in the egalitarian condition were excluded because the participants were close friends, and treated the negotiation as a lark. Two female dyads in the egalitarian condition and one male dyad in the hierarchical condition failed to reach agreement, and were excluded from analyses involving negotiation outcomes.

However, the manipulation check on “paternalistic vs. consultative” yielded a three-way interaction such that, among females in the hierarchical condition and among males in the egalitarian condition, Vice Presidents saw the negotiation as more consultative than Middle Managers, $F(1, 86) = 4.94, p = .03$.

The relevant ANOVA for Middle Managers revealed no main effect of experimental condition, a marginally significant main effects of gender $F(1, 43) = 3.18, p < .09$, and a significant organizational culture by gender interaction, $F(1, 43) = 5.03, p < .05$. The corresponding ANOVA for Vice Presidents yielded a significant main effect of gender, $F(1, 43) = 8.38, p < .01$, and a marginally significant organizational culture by gender interaction, $F(1, 43) = 2.90, p < .10$. (The main effect of organizational culture was not significant in either ANOVA, all $ps > .16$).
We also applied the Sobel test separately to proportion of multi-issue proposals made by Vice Presidents versus by Middle Managers. The z-test on proportion of multi-issue proposals by Vice Presidents was significant, \(z = 2.14, p = .03\), but the z-test on proportion of multi-issue by Middle Managers was only marginally significant, \(z = 1.60, p = .11\). Thus, it appeared that the proportion of multi-issue proposals generated by *Vice Presidents* played a greater role in mediating the creation of value by males who had been assigned to the hierarchical condition.

In a similar experiment to Study 3, Japanese dyads were found to be less prone to the O. Henry Effect than North American dyads (Curhan, 2001). In fact, Japanese dyads displayed a pattern of results that was almost identical to the female dyads in Study 3—that is, they achieved slightly higher joint points in the hierarchical condition than in the egalitarian condition.
Table 1

*Points Schedule for the Negotiation Simulation*

<table>
<thead>
<tr>
<th>Issues and Potential Levels</th>
<th>Points</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recruiter / Vice President</td>
<td>Candidate / Middle Manager</td>
</tr>
<tr>
<td>Signing Bonus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>0</td>
<td>4,000</td>
</tr>
<tr>
<td>8%</td>
<td>400</td>
<td>3,000</td>
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<tr>
<td>6%</td>
<td>800</td>
<td>2,000</td>
</tr>
<tr>
<td>4%</td>
<td>1,200</td>
<td>1,000</td>
</tr>
<tr>
<td>2%</td>
<td>1,600</td>
<td>0</td>
</tr>
<tr>
<td>Job Assignment</td>
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<td></td>
</tr>
<tr>
<td>Division A</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Division B</td>
<td>-600</td>
<td>-600</td>
</tr>
<tr>
<td>Division C</td>
<td>-1,200</td>
<td>-1,200</td>
</tr>
<tr>
<td>Division D</td>
<td>-1,800</td>
<td>-1,800</td>
</tr>
<tr>
<td>Division E</td>
<td>-2,400</td>
<td>-2,400</td>
</tr>
<tr>
<td>Vacation Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 days</td>
<td>0</td>
<td>1,600</td>
</tr>
<tr>
<td>25 days</td>
<td>1,000</td>
<td>1,200</td>
</tr>
<tr>
<td>20 days</td>
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<td>800</td>
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<tr>
<td>15 days</td>
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<td>400</td>
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<tr>
<td>10 days</td>
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<td>0</td>
</tr>
<tr>
<td>Starting Date</td>
<td>0</td>
<td>2,400</td>
</tr>
<tr>
<td>----------------</td>
<td>----</td>
<td>-------</td>
</tr>
<tr>
<td>Sept 15</td>
<td>600</td>
<td>1,800</td>
</tr>
<tr>
<td>Oct 1</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Oct 15</td>
<td>1,800</td>
<td>600</td>
</tr>
<tr>
<td>Nov 1</td>
<td>2,400</td>
<td>0</td>
</tr>
</tbody>
</table>

*Note:* Participants saw only their own points schedule.
Table 2

*Frequency of dyads earning “high” versus “low” joint points as a function of experimental condition (Study 1).*

<table>
<thead>
<tr>
<th>Experimental Condition</th>
<th>Good Intentions Group</th>
<th>Shareholder Wealth Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All issues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>High</td>
<td>19</td>
<td>12</td>
</tr>
<tr>
<td>“Integrative” issues only</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>High</td>
<td>18</td>
<td>12</td>
</tr>
</tbody>
</table>

*Note:* A median-split was performed on the joint points variable for all issues combined (Median = 12,600) and for integrative issues only (Median = 13,800). Dyads coded as “high” earned joint points greater than or equal to the median, whereas dyads coded as “low” earned joint points less than the median.
Table 3

*Percentage of Multiple-issue Proposals Made by Vice Presidents and Middle Managers as a Function of Organizational Culture and Gender (Study 3)*

<table>
<thead>
<tr>
<th>Experimental Condition</th>
<th>By Vice Presidents</th>
<th>By Middle Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egalitarian</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Females</td>
<td>28%</td>
<td>33%</td>
</tr>
<tr>
<td>Males</td>
<td>34%</td>
<td>30%</td>
</tr>
<tr>
<td>Hierarchical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Females</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Males</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>All Combined</td>
<td>31%</td>
<td>28%</td>
</tr>
</tbody>
</table>

*Note:* Percentages are the number of specific new multi-issue proposals divided by the number of specific new proposals of any kind.
Figure Captions

*Figure 1.* Mean joint points and relational satisfaction as a function of organizational culture (Study 2).

*Figure 2.* Office arrangement as a function of organizational culture (Study 3).

*Figure 3.* Mean joint points and relational satisfaction as a function of organizational culture and gender (Study 3).
Figure 1

(a) Joint Points Earned

Joint Points

8500 0
9000 0
9500 0
10000 0
10500 0
11000 0
11500 0

Egalitarian
Hierarchical

Experimental Condition

(b) Relational Satisfaction

Relational Satisfaction Score

4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0

Egalitarian
Hierarchical

Experimental Condition
Figure 2

a. Egalitarian

b. Hierarchical

Note: VP = Vice President; MM = Middle Manager; E = Experimenter.
Figure 3

(a) Joint Points Earned

(b) Relational Satisfaction