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Mind Games: What Psychology Experiments Reveal About Negotiation Behaviours



Why Psychology Matters in Negotiation

At Scotwork, we teach negotiation as a methodical and structured process. But make no mistake, while negotiation has a framework, it is a framework executed by people. And people are gloriously, messily, predictably irrational.

According to the famous negotiator William Ury, the biggest obstacle in negotiation, even more so than the other party, is our own internal reactions and tendencies. In other words, our most formidable negotiating opponent is sometimes ourselves!

This is where psychology comes in. Misunderstanding the psychological forces acting at the negotiating table can have a dire consequence. It is necessary to appreciate the psychology to avoid the traps that cause even experienced negotiators to lose deals, concede too much, or unnecessarily damage relationships.

This handbook explores five famous psychological experiments and Scotwork's view on how their findings play out in real-world negotiation scenarios. If you're serious about becoming a more effective negotiator, this is essential reading.



The Monster Experiment: The Power of Labelling

The Study: In 1939, Wendell Johnson and Mary Tudor conducted what is now infamously known as the Monster Study. In a highly unethical experiment, to test the hypothesis that stuttering "begins not in the child's mouth but in the parent's ear", children were randomly labelled as "stutterers" or "normal speakers", regardless of how they actually spoke. The results were disturbing: many of the children receiving the deceptive negative therapy developed speech issues. The power of a label had a lifelong impact, with many never shaking their learned speech impediments.



Negotiation Lesson: Labels shape behaviour. Just like in the study, what you're called (or told) can shape how you perform. In negotiation, this can be used manipulatively. Some negotiators come in strong, with outrageous claims or accusations: "You're being unreasonable!", "This deal is overpriced!", "You'll need to drop your price by 20%!" Sound familiar? But their tactic isn't about truth, it's about using labels to anchor, shake confidence, and trigger concessions. And it works. Why? Because the person on the receiving end starts to believe the label. They question themselves. And they subsequently discount.

Negotiation Tip: Stay grounded and follow the process. Don't accept everything thrown your way as being truthful. Test the rhetoric. And remember: their bark may be strategic, not sincere.

The Asch Conformity Experiments: The Power of Social Influence

The Study: Solomon Asch's 1950s conformity experiments showed that individuals would give incorrect answers to obvious questions just to align with the group. Even when the group was very clearly wrong, a significant minority of participants went along with it to conform. However, it was noted that even just one dissenter in the group significantly reduced the conformity effect.

Negotiation Lesson: Many people have a significant need to conform with their peers. This can be utilised in negotiations by highlighting where a counterpart may be diverging or converging in relation to their peers. For example, buyers are often comforted by seeing how their fees compare with similar sized customers in the market and salespeople are more inclined to support increasing rebates if they see their competitors are also doing so.

Negotiation Tip: Be aware of the influence dissenters have on the broader group, efforts to manage them early and effectively can pay dividends in preventing broader pushback.



The Milgram Shock Experiment

The Study: In Stanley Milgram's 1960s experiments, participants were willing to administer what they believed were dangerous electric shocks to another person simply because an authority figure told them to. Participants were told the experiment was about the effect of punishment on learning, so they were to administer electric shocks to "learners" who made mistakes. All participants administered electric shocks up to 300 volts, while 65% pushed on to the maximum of 450 volts... all while the "victim" screamed in pain.



Negotiation Lesson: People can be surprisingly compliant under perceived authority or hierarchy. You may encounter negotiators who push unethical demands because they feel pressured by someone senior. Or you may feel compelled to concede, simply because “their boss told you this was their limit.”

Negotiation Tip: Don't unnecessarily weaken your power of escalating to authority, instead use it sparingly so it carries weight. Alternatively, when on the receiving end of authority, don't accept the authority's position as truthful, instead follow the process and test for flexibility.

The Stanford Prison Experiment

The Study: In 1971, psychologist Philip Zimbardo ran an infamous experiment at Stanford University. Volunteers were placed in a simulated prison, randomly assigned to be either guards or prisoners. What happened next was disturbing. Ordinary, well-adjusted participants began to embody their roles. The guards became cruel and authoritarian, prisoners became anxious and submissive. The twist? These weren't bad people or weak people, just normal individuals shaped by a toxic environment. The study was shut down early for ethical reasons.

Negotiation Lesson: Environment shapes behaviour. The guards weren't inherently cruel. The prisoners weren't inherently anxious. They were influenced by the context they were placed in, how they were treated, what they saw around them, and the roles they thought they were meant to play. Now consider your negotiating team.

If they're surrounded by defeatist chatter - "The market's against us," "We need to make big concessions," "We have no power here" - don't be surprised when they start negotiating from a position of fear. Like in the study, the environment can reshape their mindset before they even sit at the table.

Negotiation Tip: Be deliberate about what your team hears and who they spend time with. If they absorb pessimism, they'll carry it into the room. But if they're surrounded by problem-solvers who see power in preparation, creativity, and strategy, they'll negotiate like it. Your environment can make you feel powerless... or powerful. Choose wisely.



The Gorilla Experiment

The Study: This experiment, conducted by Daniel Simons and Christopher Chabris, was conceived to highlight the concept of “inattention blindness”. They asked groups of subjects to watch a short video of some people, 3 in black shirts and 3 in white, moving around a small space and passing a basketball to each other. The viewers were given the task of counting how many times the people in white shirts passed the ball. At one point in the video, a person wearing a gorilla suit casually walks into the middle of the scene, beats their chest towards the camera, then exits stage-left. Well, in most of the test groups, 50% of the subjects did not report seeing the gorilla.



Negotiation Lesson: We can't notice everything. While negotiating we may be so focussed on a pre-set strategy that we miss a blatant, important signal from the other side. We can also become too interested in one issue (price) and fail to spot other opportunities (relating to timing, terms, relationships or long-term benefits).

Negotiation Tip: Check your assumptions and summarise often. The gorilla went unnoticed because people didn't expect it. In negotiations, unexpected tactics or offers can go unrecognised if you're too anchored in your own assumptions. Mapping out all possible interests, issues, and stakeholders ahead of time helps you avoid being blindsided by unexpected moves during the negotiation.