Maybe It's Right, Maybe It's Wrong:

Structural and Social Determinants of Deception in Negotiation

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Abstract

Context shapes negotiators' actions, including their willingness to act unethically. Focusing on negotiators use of deception, we used a simulated two-party negotiation to test how three contextual variables - regulatory focus, power, and trustworthiness - interacted to shift negotiators' ethical thresholds. We demonstrated that these three variables interact to either inhibit or activate deception, providing support for an interactionist model of ethical decision-making. Three patterns emerged from our analyses. First, low power inhibited and high power activated deception. Second, promotion-focused negotiators favored sins of omission whereas prevention-focused negotiators favored sins of commission. Third, low cognition-based trust influenced deception when negotiators experience fit between power and regulatory focus, whereas affect-based trust influenced deception when negotiators experience misfit between these structural context variable. We conclude that regulatory focus primes different moral templates: promotion-focused negotiators' decision to deceive is determined by moral pragmatism whereas prevention focused negotiators' decision to deceive is determined by opportunism. Because each combination of power and regulatory focus was tied to a specific subcomponent of trust, we further conclude that negotiators engage in motivated information search to determine whether they should deceive their opponents.

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Information exchange is the cornerstone of effective negotiations. Trading information about underlying needs and interests helps negotiators to problem-solve and to identify the mutually beneficial outcomes that underpin lasting agreements (Pruitt, 1981). Despite the well-documented benefits of information exchange, negotiators frequently choose to withhold or misrepresent their preferences. One of the reasons for their reticence is the equally well-documented risk associated with honesty, which is that unreciprocated information increases negotiators' vulnerability to exploitation by their opponents (Murnighan, Babcock, Thompson & Pillutla, 1999).

The complex role that information plays in negotiation is reflected in the prescription that while negotiators should share information about their interests, they should not reveal their lowest acceptable outcomes or even their alternatives. As a result, negotiators are predisposed to engage in a minimum level of deception. At the same time, negotiators are reminded that, should their deception be detected, they are likely to elicit anger in the short-term and to harm their relationship with the other negotiator in the long term (Aquino, 1998). Consequently, as is the case for ethical decisions more generally, negotiators weigh the benefits of dishonesty relative to the costs of being caught (Allingham & Sandmo, 1972; Elangovan & Shapiro, 1998).

An implication of this information dilemma is that negotiators make a series of micro-ethical decisions, determining on a moment-to-moment basis whether to be honest or to deceive their opponents. Such decisions are not made in the abstract, but are instead shaped by the external (structural) context within which they are made (Kish-Gephart, Harrison & Trevino, 2010; O'Fallon & Butterfield, 2005; Trevino,

Weaver & Reynolds, 2006). There is growing evidence that the decision-making context influences decision-makers' ethical thresholds: in organizations the propensity to act ethically is influenced by the extent to which organizational practices establish an egoistic or a principled ethical climate, the strength of organizations' ethical culture, and their code of enforcement (Kish-Gephart et al., 2010).

A notable feature of these findings is their focus on independent decision-making contexts, that is, contexts in which individuals act alone. A critical difference between negotiations and other decision-making contexts is that in negotiations the decision-makers (negotiators) are interdependent. One implication of this interdependence is that negotiators' ethical judgments will be influenced not only by the structural context but also by the social context. By social context we mean the relationships negotiators form with their opponents including their impressions of those opponents. For example, negotiators' predictions that their opponents will (or will not) treat them fairly may affect their willingness to engage in deception (Gino & Pierce, 2010; Steinel &De Dreu, 2004; Van den Bos, Vermunt & Wilke, 1997).

Research to date implies that both the structural and the social context play a role in shaping micro-ethical decisions in interdependent settings such as negotiation. Both aspects of the decision-making context can promote (or inhibit) ethical fading, that is, the extent to which ethical issues are at the forefront of decision-makers' moral reasoning (Tenbrunsel & Messick, 2001). Even when ethical issues are made salient, context can change the threshold against which decision-makers judge ethicality (Broeders, Van den Bos, Muller, & Ham, 2011; de Heus, Hoogervorst & van Dijk, 2010; Ruedy & Schweitzer, 2010). Thus, the context within which decisions are made can either activate or inhibit ethical behaviors. Although there is

emerging evidence that these two distinct dimensions of context also interact to influence ethical actions (Olekalns & Smith, 2007, 2009), the interaction between structural and social context remains largely unexplored.

In this research, we investigate how two structural context cues with strong links to behavioral activation and behavioral inhibition systems – regulatory focus and power – interact to shape negotiators' decisions to deceive their opponent. We have chosen these two variables because they capture two distinct aspects of the negotiation process, "how" and "what". Whereas regulatory focus shapes how negotiators approach their goals, power shapes the outcome goals held by negotiators. Exploring these variables increases our understanding of how negotiators' preferred means and ends shape their micro-ethical decisions, specifically their propensity to deceive the other party.

We also incorporate social context by examining how these structural context variables interact with one aspect of the social context, namely negotiators' trustworthiness. We focus on an opponent's perceived trustworthiness because of the central role that trust plays in negotiation, shaping negotiators' willingness to exchange information and problem-solve (Butler, 1995, 1999; Olekalns & Smith, 2011; Ross & LaCroix, 1996). Because perceived trustworthiness provides information about an opponent's intentions, judgments of an opponent's trustworthiness play a key role influencing negotiators use of deception (Olekalns & Smith, 2007, 2009). Trustworthiness judgments not only affect the use of deception directly, they also combine with features of the structural context to shape the use of deception. We test how an opponent's trustworthiness (social context) modifies the ethical threshold established by the structural context. Our research expands interactionist models by examining ethical judgments in an interdependent setting,

and investigating how the structural and social context interact to activate or inhibit deception in negotiation.

Structural Context and Deception

Regulatory focus is the first of two structural context switches that can either activate or inhibit deception. As a motivational principle, regulatory focus describes differences in how individuals approach their desired goals. Promotion-focused individuals are risk-seeking, have an action-orientation, and pursue opportunities. Prevention-focused individuals are risk-averse, highly vigilant to threat, and constrain their behavior in order to minimize harm (Crowe & Higgins, 1997; Gino & Margolis, 2011; Higgins, 2000). Regulatory focus can be either chronic (trait-based) or situational (state-based). According to Higgins (1997), child-caretaker interactions can emphasize either the importance of fulfilling hopes and aspirations (promotion focus) or the importance of ensuring safety and meeting obligations (prevention focus). This childhood socialization process teaches children different strategies for attaining their goals. Promotion and prevention foci can also be established through situational cues such as task instructions or performance-related feedback (Forster, Higgins & Idson, 1998). Forster et al. (1998) demonstrated that both chronic and situationally-induced regulatory foci have the same effect on arm flexion and anagram-solving tasks. In this research, we induce a promotion or a prevention focus via task instructions. Investigating situationally-induced regulatory focus gives insight into how individuals might, by explicitly increasing the salience of either opportunities or threats, shape the level of deception in negotiation.

In negotiations, the pursuit of opportunities means that promotion-focused negotiators obtain better individual and joint outcomes than prevention focused

negotiators (Galinsky, Leonardelli, Okhuysen & Mussweiler, 2003). In an ethical decision-making context, promotion-focused individuals are more likely to accept ethically questionable practices than prevention-focused individuals (Bock & Ven Kenhove, 2010), and are also more likely to be dishonest in reporting their performance in problem-solving tasks (Gino & Margolis, 2011). Jointly, these findings suggest that promotion-focused negotiators will employ a broader set of strategies in pursuit of opportunities, and that they will also be less concerned about the ethical implications of those strategies, than prevention-focused negotiators. As a result, promotion-focused negotiators will set a lower threshold for unethical actions than prevention-focused negotiators. Consequently, we hypothesize that:

H1a. Promotion-focused negotiators will engage in more deception than prevention-focused negotiators.

Power is the second of two structural context switches that can either activate or inhibit deception. In general, high power triggers the behavioral activation system whereas low power triggers the behavioral inhibition system (Keltner, Gruenfeld & Anderson, 2003). Individuals with high power are more likely to take action, are more attentive to rewards in their environment, less likely to adopt others' perspective, and less attentive to the consequences of their actions than low power individuals (Anderson & Berdahl, 2002; Galinsky, Gruenfeld & Magee, 2003). In negotiations, high power negotiators make more extreme first offers and give fewer concessions than low power negotiators (Magee, Galinsky, & Gruenfeld, 2007) implying that they are focused on advancing their needs. Consistent with their greater immunity to norms and social standards (Galinsky, Magee, Gruenfeld, Whitson, & Liljenquist, 2008), high power individuals not only believe that they are exempt from the moral rules that they apply to others, but they judge their own moral transgressions more

leniently than others' transgressions (Lammers & Stapel, 2009; Galinsky et al., 2008). Integrating these streams of research suggests that, like promotion-focused negotiators, high power negotiators are likely to set a lower threshold for unethical actions than low power negotiators.

H1b. High power negotiators will use more deception than low power negotiators.

Contextual Fit. For the most part, ethical decision-making scholars have investigated how a range of contextual variables independently shape ethical actions. It is however plausible, and therefore important to understand, how such variables work together to shape ethical actions (Kish-Gephart et al., 2010; Trevino et al., 2006). There is emerging evidence that the impact of both regulatory focus and power is context-sensitive. These variables interact with culture, decision frames, roles and relational orientation to shape individuals' decisions and actions (Appelt, Zou, Arora & Higgins, 2009; Chen, Lee-Chai & Bargh, 2001; Lee & Aaker, 2004; Lee, Aaker & Gardner, 2000). An implication of these findings is that we can increase our understanding of the conditions under which the ethical threshold is lowered (or increased) by considering how regulatory focus and power interact.

To further our understanding of this interaction, we draw on the principle of regulatory fit. This principle states that individuals obtain the greatest satisfaction and feel most comfortable ("feel right") when they use regulatory focus congruent strategies to pursue their goals. The idea of regulatory fit is especially relevant to the contextual variables that we have chosen to study because they capture the 'what' and 'how' of negotiation, respectively. Whereas power influences negotiators' outcome goals, regulatory focus influences how they pursue those goals. Importantly, there is evidence that "feeling right" transfers from goal pursuit to moral evaluations: individuals judge what feels right to also be morally right (Camacho, Higgins &

Lerner, 2003). This finding suggests that regulatory fit will maximize either the activation or inhibition of deception.

We expect that fit will occur when power and regulatory focus align to create a strong situation. Situations are described as 'strong" when they provide clear signals about appropriate behavior (Mischel, 1977). For example, strong organizational cultures signal what is, and is not, acceptable through their value statements and the behavioral norms that they endorse (O'Reilly & Chatman, 1996). Situational strength increases when multiple sources of information converge to support a dominant action, for example, when organizational reward systems align with organizational values. In negotiation, multiple cues (e.g., power, preferred outcome, available alternatives) may converge to amplify negotiators' strategic preferences (e.g., Sattler & Kerr, 1991). In the present research, a strong situation (fit) is created when both contextual cues bring the behavioral activation system to the foreground (Activation Fit) *or* when both contextual cues bring the behavioral inhibition system to the foreground (Inhibition Fit). Based on the principle that fit amplifies strategic preferences, negotiators' thresholds for engaging in deception will be lowest when the context signals activation fit and highest when it signals inhibition fit. We therefore expect that:

H2. Deception will be used most frequently by high power, promotion-focused negotiators and least frequently by low power, prevention-focused negotiators.

Social Context and Deception

In social interactions, the characteristics of the other person are a part of the overall context. These characteristics, often assessed on the basis of limited information and intuition (Ambady & Rosenthal, 1992; Curhan & Pentland, 2007; Meyer, Weick & Kramer, 1996), provide important information about how an

interaction will unfold. As we have already argued, negotiators' impressions of their opponents' trustworthiness is central to how they interpret an opponent's action and shapes their strategy choices. Past research shows that rapidly formed first impressions increase the salience of negative events when trust is low and of positive events when trust is high (Olekalns & Smith, 2005). First impressions of trustworthiness also act as an interpretive filter, influencing how actions embedded within the structural context are interpreted (Druckman & Olekalns, in press; Druckman, Olekalns & Smith, 2009). And, because trustworthiness conveys information about an opponent's intentions, it is likely that an opponent's trustworthiness will influence negotiators use of deception.

We propose that trust will amplify the behavioral preferences established by structural fit. In the case of high power, promotion-focused negotiators this proposition implies that high trust will further increase the use of deception. Past research shows that, when the context is benign with little risk of exploitation by an opponent, high trust increases deception (Olekalns & Smith, 2007, 2009). In benevolent environments, negotiators may choose to increase their deception because they conclude that the benefits outweigh the costs. First, they may assess the likelihood of detection to be low because trustworthy targets create the impression that they are less vigilant and less likely to scrutinize information (Gargulio & Ertug, 2006; Schul, Mayer & Burnstein, 2004). Second, they may conclude that even if uncovered the other party is less likely to sanction them for the deception. For negotiators attuned to rewards and opportunities, high trustworthiness increases the potential benefits of deception relative to its costs.

In the case of low power, prevention-focused negotiators this proposition implies that low trust will further inhibit the use of deception. Whereas a prevention

focus orients negotiators to negative information (Scholer, Stroessner & Higgins, 2008) and potential harm, low power orients negotiators to the potential social costs of deception. Consequently, low power, prevention-focused negotiators are likely to weight negative information about opponents' trustworthiness heavily in their ethical decision-making. From their perspective, the perception that an opponent is untrustworthy increases the risks associated with deception. Low trust implies that an opponent does not have good intentions, thereby increasing the likelihood that deception will incur negative social consequences. For negotiators attempting to minimize harm, low trustworthiness increases the costs of deception relative to its benefits. On this basis, we hypothesize that:

H3. Deception will be highest when high power, promotion-focused negotiators report high trust in their opponents and lowest when low power, prevention-focused negotiators report low trust in their opponents.

METHOD

Participants. Ninety-four undergraduate students, with an average age of 19.2 years (SD= 2.7 years) and an average of 2.7 years (SD=2.2 years) of work experience took part in a simulated employment contract negotiation. Of these participants, were 62 female and were 32 male; 65 were Western, 29 were non-Western. Table 1 summarizes the distribution of gender and culture across the four experimental conditions described below.

Insert Table 1 about here

Design. We tested our hypotheses in a Power (high, low) x Regulatory Focus (prevention, promotion) design. Dyads were randomly allocated to one of the four experimental conditions.

Procedure. Participants negotiated a simulated employment contract. Written instructions assigned participants to the role of either an employer or an employee, explained the task including details of the issues to be negotiated, and gave a payoff schedule that described the points awarded for each possible contract. At this point, participants completed the trust questionnaire described below. Once they had completed the questionnaire, instructions were repeated verbally and the negotiation started. Negotiators were required to reach agreement on nine issues: job location, professional development days, job assignment, signing bonus, base salary, vacation length, relocation expenses, performance incentives, and contract renewal. Each negotiator had one *indifference issue*, an issue that was worth no points, included in the payoff schedule. For employers, this was professional development days; for employees, this was contract renewal. Past research has shown that such issues trigger deception (Carnevale, Wan, Dalal, & O'Connor, 2001; Olekalns & Smith, 2007, 2009).

Power. A *power* manipulation was embedded in the instructions. Negotiators were given information about the availability of alternative employees (if they were the employer) or alternative employers (if they were the employee). In the high power condition, negotiators were told that they had several alternative, desirable applicants/employers with whom they could negotiate. Conversely, in the low power condition, negotiators were told that they had no alternative, desirable applicants/employers with whom they could negotiate. Before negotiating, participants were asked to rate their power on a *1* (low) to *5* (high) eight-item scale

(α =0.82; Van Kleef, de Dreu, Pietroni & Manstead, 2006). There were reliable differences in perceived power at the start of the negotiation, $F(1,89)=81.45$, $p<.001$. Negotiators in the high power condition rated themselves as having more power (M=3.58, SD=0.47) than negotiators in the low power condition. (M=2.58, SD=0.57).

Regulatory Focus. A regulatory focus manipulation was also embedded in the instructions (Brockner & Higgins, 2001; Galinsky et al., 2005). *Prevention-focused* negotiators were told "Your goal in the negotiation is to ensure that you do not incur unnecessary losses. The maximum value of a contract in this negotiation is 24,000 points. Any contract below this maximum represents a financial loss to you. You believe it is your obligation to try and limit the losses incurred in this negotiation". This manipulation was reinforced in two ways. First, negotiators were asked to write down two ways that they would protect themselves against losses, and also to identify their main obligation in the negotiation. *Promotion-focused* negotiators were told "Your goal in the negotiation is to take every opportunity to maximize your gains. The minimum value of a contract in this negotiation is 000 points. Any contract above this minimum represents a financial gain to you. You aspire to maximise your gains in this negotiation". This manipulation was reinforced in two ways. First, negotiators were asked to write down two ways that they would gain the most benefits, and also to identify their main aspiration in the negotiation.

These instructions were further reinforced through an incentive system based on Higgins, Shah and Friedman (1997). Negotiators were told they would be paid a maximum of $10.00 at the end of the negotiation. In the prevention-focused condition, negotiators were told that money would be deducted from this maximum based on how much less than 24,000 points their final contract was worth. In the promotion-focused condition, negotiators were told that money would be added to the

minimum payment of $0.00, based on how much more than 24,000 points their final contract was worth.

Participants used a 1 (strongly disagree) to 7 (strongly agree) scale to indicate the importance of minimizing losses and the importance of maximizing gains. Negotiators in the prevention-focused conditions rated minimizing losses (M=4.50, SD=0.57) as more important than negotiators in the promotion-focused condition (M=3.90, SD=1.03), $F(1,70)=8.68$, $p < 0.01$. Negotiators in the promotion-focused condition (M=4.25, SD=0.98) rated maximizing gains as more important than negotiators in the prevention-focused condition (M=3.82, SD=1.10), although this trend approached significance, $F(1,70)=3.13$, $p = 0.08$.

Trust measures. Before starting the negotiation, participants completed a 30-item scale measuring trust. We developed our questionnaire using items from several trust scales (Lewicki, Stevenson & Bunker, 1997; McAllister, Lewicki & Chaturvedi, 2006; Mayer & Davis, 1999). Although we treated trust as a one-dimensional construct in our hypothesis development, past research has shown that greater insight into the relationship among trust, the negotiating context, and deception can be gained by representing trust as a multi-dimensional construct (e.g., Olekalns & Smith 2007, 2009). We therefore conducted a factor analysis to identify the sub-components of trust captured by our scale items. Seventeen items loaded on one of 5 sub-scales, described below. The remaining items either loaded on multiple factors or formed single-item factors and were excluded from further analyses. Table 2 shows scale correlations and reliabilities.

Insert Table 2 here

The five trust subscales reflect the following components of trustworthiness: *deterrence*, the belief that negotiators can sanction an opponent (e.g., If this person doesn't do what he/she says she is going to do, I can get even); *ability*, the belief that an opponent is competent (e.g., "This person is capable of performing the job"); *integrity*, the belief that an opponent will be fair (e.g., "This person will try to be fair in his/her dealings with me); *benevolence*, the belief that an opponent is well-intentioned (e.g., "This person is concerned about my welfare"); and, *identity*, the belief that negotiators have shared goals and values (e.g., "This person's interests are the same as mine"). We place these 5 trust sub-components in the 2 x 2 typology shown in Figure 1, and described below.

Insert Figure 1 here

Following McAllister (1995), we differentiate trust based on an individual's reliability and dependability (*cognitive trust)* from trust based on a concern for others' welfare and a belief in the value of the relationship (*affective trust*). Deterrence-, integrity-, and ability-based trust focus on more concrete behaviors (sanctions, keeping promises, having relevant skills) and are examples of the more inclusive category, cognitive trust. Identity- and benevolence-based trust are both grounded in feelings and intuitions about the other person (shared goals, good intentions) and are examples of the more inclusive category of affect-based trust.

We also differentiate trust based on the kind of behavioral guarantee that is offered. This guarantee may stem from *structural attributes*, by which we mean it stems from the perception that the other party's actions can be controlled. This control may be explicit, as is the case when negotiators believe they can sanction an

opponent (deterrence-based trust; e.g., Yamagishi & Yamagishi, 1994). It may also be implicit, as is the case when negotiators perceive that they are "acting for each other" based on their shared goals (identity-based trust; Lewicki & Weithoff, 2000). Behavioral guarantees may also be derived from *individual capabilities* (Battcharya, Devinney & Pillutla, 1998). These beliefs may stem from personal attributes, such as benevolence and integrity, which signal the other party's intentions (concern about a negotiator's welfare, will keep promises and commitments). They may also stem from an individual's skills and abilities, which provide confidence that the individual can successfully conclude the negotiation.

Deception. After transcribing negotiations, we identified every occasion on which negotiators mentioned the two indifference issues. Drawing on past research, we distinguished between active and passive forms of deception. Deception can be active, as is the case when individuals misrepresent the situation by giving false information. Deception can also be passive, as is the case when individuals conceal information. These two forms of deception are frequently referred to as *sins of commission* and *sins of omission*, respectively (O'Connor & Carnevale, 1997; Schweitzer & Croson, 1999; Spranca, Minsk & Baron, 1991).

Two coders, blind to the study's hypotheses, coded these utterances as either sins of commission or sins of omission. A reference to an indifference issue was coded as a sin of commission if negotiators claimed that their indifference issue had a high value. For example, in talking about her indifference issue (professional development days), the recruiter says "Professional development is pretty important to me". Applying O'Connor and Carnevale's definition, we coded any use of a negotiator's indifference issue in a trade-off as a sin of omission, because this action implicitly conveys that the issue has value to the negotiator. For example, the

recruiter says "Well if I gave you 15 [professional development] days would you be willing to say start in Beijing?". All other references to the indifference issue (e.g., "Can we talk about contract?") were coded as *other*. Inter-rater reliability, as measured by Cohen's κ, was 0.99. We note that not all negotiators used sins of omission or sins of commission. On average, 0.56 sins of commission and 0.81 sins of omission occurred during a negotiation.

Approach to data analysis

We used hierarchical linear modeling (HLM) to test our hypotheses. HLM enables us to examine individual behaviors while controlling for dyadic membership (Bryk & Raudenbush, 1992; Kenny, Kashy & Bolger, 1998). Because models with random slopes and intercepts cannot be estimated for dyadic data, our model allowed for a random intercept but fixed the slopes. Because of the low frequency with which deception occurred, we modeled our dependent variables using a Poisson distribution.

Before testing our hypotheses, we tested the null model for each of our dependent variables (sins of omission, sins of commission) by modeling the intercept with equations that did not include our independent variables. The purpose of doing this was to demonstrate that there are significant between-dyad differences in our dependent variables that are independent of experimental manipulations. For both of our measures of deception, we found this to be the case: sins of omission, γ_{00}= -0.69, t(43)= -3.09, p<.001, and sins of commission, γ_{00}= -0.58, t(43)= -2.67, p<.05.

We fit two models, one for each type of deception. In 2-level models, Level 1 predictor variables describe attributes of the individual and Level 2 predictor variables describe attributes of the dyad. Ratings of pre-negotiation trust (benevolence, ability, integrity, identity, deterrence) were entered into the equation as Level 1 predictor variables. Although we do not test hypotheses about gender in this research, we

include Gender as a Level 1 control variable because of the possibility that gender might influence the use of deception (Cohen, 2009; Kish-Gephart et al., 2010). Given the unequal distribution of gender in this sample, we are thus able to partial out variance associated with this variable. Negotiators' Power, Regulatory Focus, and their interaction were entered as Level 2 predictor variables. In setting up each model, we specified interactions between our Level 2 predictors and the Level 1 intercept, as well as between our Level 2 predictors and the five sub-components of trust.

RESULTS

Sins of omission. We found trends consistent with our hypothesis (*H1a*) that a promotion focus would increase trust, γ_{02}= 0.32, t(43)=1.86, p=0.069, and that regulatory focus and power would interact to affect the use of sins of deception (*H2*), γ_{03}=-0.31, t(43)=1.82, p=0.075. We also found that the use of sins of omission decreased as identity-based trust increased, γ_{51}= -0.46, t(43)= -1.86, p<0.01.

Two sub-components of Trust interacted with Regulatory Focus to affect the use of sins of omission: benevolence-based, γ_{22}= -0.83, t(68)= -2.47, p<0.05, and integrity-based, γ_{42}=1.43, t(68)= 4.02, p<0.001. We also found that Trust interacted with Power to affect the use of sins of omission: identity -based, γ_{51}= -0.37, t(68)= -2.06, p<0.05, and integrity-based, γ_{41}=0.96, t(68)= 2.67, p=0.01. To interpret these and subsequent interactions we use a median split to classify participants as reporting high (above median) or low (below median) trust in their opponents. Means and standard deviations for these interactions are shown Table 3. As can be seen in this table, negotiators were most likely to use sins of omission when a promotion focus combined with benevolence-based or integrity- trust. The use of sins of omission

also increased when high power combined with high integrity-based trust or low deterrence-based trust.

Insert Table 3 here

Although we found significant three-way interactions (*H3*) among Negotiator Power, Regulatory Focus and two subcomponents of trust (ability, γ_{33}=0.94, t(68)= 2.04, p<0.05; identity, γ_{53}=0.81, t(68)= 4.70, p<0.001), these three-way interactions were not consistent with our hypotheses. As can be seen in Figure 2, promotion-focused but not prevention-focused negotiators use of sins of omission was affected by power and trust. These figures show that sins of omission are inhibited when low power, promotion focused negotiators report high identity-based trust in their opponents. Contrary to our hypothesis (*H3*), they are activated when high power, promotion-focused negotiators report *low* ability-based trust in their opponents.

Insert Figure 2 here

Sins of commission. Our analysis showed that sins of commission increased as ability-based trust increased, γ_{30}=2.06, t(68)= 2.38, p<0.05.

Identity-based trust interacted with Regulatory Focus to affect the use of sins of omission, γ_{32}=1.25, t(72)= 3.16, p<0.01. Power interacted with two sub-components of trust to affect the use of sins of commission: benevolence-based trust, γ_{21}=0.67, t(68)= 2.15, p<0.05, and deterrence-based trust, γ_{63}=-1.31, t(68)= -3.58, p=0.001. Means and standard deviations for these interactions are shown in Table 4.

As can be seen in this table, sins of commission were used most frequently when promotion-focused negotiators reported low identity-based trust. Their use increased when high power negotiators reported low benevolence-based trust and decreased when they reported high benevolence-based trust. Their use also increased when high power negotiators reported low deterrence-based trust or when low power negotiators reported high deterrence-based trust.

Insert Table 4 here

These two-way interactions were qualified by significant three-way interactions among Negotiator Power, Regulatory Focus and two sub-components of trust: benevolence-based, γ_{23}=0.77, t(68)= 5.23, p<0.05, and deterrence-based, γ_{63}=0.88, t(68)= 2.35, p<0.05. As can be seen in Figure 3, sins of commission were used most frequently when low power, prevention-focused negotiators reported high benevolence-based trust in their opponents. Consistent with H3, sins of commission were used least frequently when these negotiators reported low deterrence-based trust in their opponents. We also note that high power, promotion focused negotiators reduced their use of sins of commission when they reported low benevolence-based trust in their opponents.

Insert Figure 3 here

Negotiators' Outcomes. Although we had no hypotheses about negotiators' outcomes, the scoreable nature of our negotiation task allows us to test whether using deception affects negotiators' outcomes. Using the SPSS procedure Mixed Models to control for dyad membership, we found that sins of omission, F(1,91) =4.1, p<0.05,

but not sins of commission, $F(1,91) = 0.61$, *ns*, predicted negotiators' profits. To better understand this effect, we then separated integrative from distributive issues. Subsequent analysis showed that the use of deception did not affect negotiators' outcomes across integrative issues (sins of omission, $F(1,91) = 1.32$, *ns*; sins of commission, $F(1,91) = 0.37$, *ns*). Sins of omission, $F(1,91) = 4.06$, $p<0.05$, but not sins of commission, $F(1,91) = 0.97$, *ns*, predicted negotiators' outcomes on distributive issues: the more sins of omission, the higher negotiators' profits. These results suggest that negotiators who strategically pair an indifference-issue with a distributive issue in a trade-off are able to improve their overall profits.

DISCUSSION

The dominant focus in behavioral ethics research has been on how individual or contextual variables independently affect ethical actions. It is, however, likely that any given ethical decision is shaped by more than one variable (Kish-Gephart et al., 2010). This possibility led us to explore whether, and how, contextual variables jointly impact deception in negotiation. One consequence of examining deception in negotiation is that we moved from a setting in which ethical judgments are made independently to one in which they are made in the context of an ongoing social interaction. As a result, we differentiated structural context (regulatory focus, power) from social context (trustworthiness). We showed that these variables were more likely to work together than to work independently to shape negotiators use of deception.

We also demonstrated that as negotiators increase their use of sins of omission, they enhance their ability to claim value. Negotiators who used sins of omission to obtain concessions on distributive (zero-sum) issues were able to claim a greater share of resources than those who did not. The same effect was not apparent

in relation to integrative issues, suggesting that negotiators benefit from strategic deception only in relation to the competitive aspects of their task.

Structural Context, Social Context and Deception

In developing our hypotheses we drew on the distinction between activation and inhibition that underpins theorizing about moral actions (e.g., Janoff-Bulmner, Sheikh, & Hepp, 2009). We chose two structural variables that are theoretically aligned with these different behavioral regulation systems. Despite strong theoretical reasons for hypothesizing that regulatory focus and power would interact to influence deception, we found limited support for the argument that activation fit would amplify deception whereas inhibition fit would suppress deception. We obtained tentative support for this effect in relation to sins of omission (withholding information). Consistent with our hypotheses, we found a trend for promotion-focused negotiators to use sins of omission more frequently than prevention-focus negotiators, and also identified a trend consistent with our hypothesis that deception would be highest when promotion-focused negotiators also had high power. However, we found no evidence that these structural context variables affected sins of commission.

We obtained stronger support for our argument that the social context plays an important role in shaping ethical judgments when those judgments are made in an interdependent context. Our findings suggest that in social interactions such as negotiations structural variables alone may be insufficient to alter negotiators' ethical thresholds. Instead, the decision to deceive depends on negotiators' assessments of the other party's intentions. Past research has typically focused on how individuals make ethical judgments about actions that they take alone, for example, whether or not to misrepresent their performance. It demonstrates that, when individuals act

independently, structural variables affect their ethical judgments. Our research shows that when individuals act interdependently, social context comes to the foreground as a factor that shapes negotiators' ethical thresholds.

To interpret the interaction among power, regulatory focus and trustworthiness we focus on three patterns that underpin this interaction. The first pattern relates to the impact of power on the use of deception. We hypothesized that high power would activate, and low power would inhibit, deception. Although we did not demonstrate this main effect, we did demonstrate that power behaves as predicted by Keltner et al.'s (2003) model of behavioral regulation. Across varying levels of trust and regulatory focus, low power inhibited the use of deception whereas high power enabled the use of deception. What differentiates low from high power is the role that the type of trust, rather than the level of trust, plays in shaping deception. Earlier, we classified trust based on the source of behavioral guarantees, which could be provided either by structural attributes or individual capabilities. One component of the three-way interactions that we observed shows that low power combined with structural attributes to inhibit deception. High power combined with information about individual capabilities to enable deception.

Second, across varying levels of trust and power, regulatory focus determined the form of deception: a promotion focus steered negotiators to sins of omission whereas a prevention focus steered negotiators to sins of commission. In both cases, deception was enabled by high trust and inhibited by low trust. These preferences for different forms of deception suggest that promotion-focused negotiators, with their associated emphasis on pursuing opportunities, may be more mindful of the future costs of deception than prevention-focused negotiators. This interpretation is consistent with promotion-focused individuals more abstract and future oriented

thinking (Förster & Higgins, 2005; Pennington & Roese, 2003) and reflects the lesser consequences associated with detection of sins of omission (e.g., Jones, 1991). Conversely, prevention-focused negotiators, with their greater mindfulness of potential harm, may be prepared to engage in the more costly strategy of misrepresentation in order to minimize harm to themselves. Such an interpretation is consistent with prevention-focused individuals' greater sensitivity to outcome inequity and their consequent willingness to switch to risky strategies when they anticipate inequity (Scholer et al., 2008).

The third pattern relates to the impact of fit on the use of deception. Drawing on the theory of regulatory fit, we hypothesized that when power and regulatory focus aligned to create a strong situation negotiators' dominant strategic tendency would be reinforced. Under these conditions of fit, high power promotion-focused negotiators would increase their use of deception whereas low power prevention-focused negotiators would decrease their use of deception. Conversely, when regulatory focus and power were misaligned, creating a weak situation, negotiators would face conflicting cues about the appropriateness of deceiving an opponent. A weak situation is created when prevention-focused negotiators have high power or when promotion-focused negotiators have low power. These misaligned cues simultaneously enable and inhibit deception.

Our results suggest that the relationship between fit and deception cannot be fully understood without also considering an opponent's perceived trustworthiness. Following McAllister (1995), we differentiated trust based on cognition (ability, integrity, deterrence) from trust based on affect (identity, benevolence). We found that, irrespective of the source of behavioral guarantees (structural attributes, individual capabilities), high affect-based trust shaped deception when high power

negotiators were prevention-focused or when low power negotiators were promotion-focused. These structural conditions create a weak situation (Mischel, 1977), since the two cues available to negotiators (regulatory focus, power) are misaligned: whereas one cue enables deception, the other inhibits deception. This means that individuals negotiate under conditions of misfit (cues are misaligned) rather than fit (cues are aligned). Our results show that when contextual cues are misaligned, creating a fit violation (Camacho et al., 2003), high affect-based trust (benevolence, identity) determines the level of deception. When contextual cues are aligned, creating fit, low cognition-based trust (ability, deterrence) determines the level of deception. This pattern of results suggests that when negotiators 'feel wrong' they resolve their discomfort by drawing on judgments about their opponents' values and intentions. However, when they 'feel right', they draw on information about their opponents' behavior.

We have described three separate patterns that, together, capture the influence of regulatory focus, power, and trust on negotiators' decisions to deceive their opponents. Jointly, these patterns give insight into how regulatory focus, power, and the fit between these variables shapes both sins of omission and sins of commission. These patterns also give insight into the role that trust plays in resolving uncertainty about opponents' intentions. What we have learned from these patterns is that negotiators engage in a complex and context-bound decision-making processes. No single contextual variable altered negotiators' ethical thresholds. Instead, the decision to deceive was made in light of the unique combination of structural and social cues that characterized the negotiating environment.

Limitations of this research

We chose to manipulate regulatory focus, rather than to measure individuals' chronic regulatory focus. We did so because individuals have considerable control in how they frame negotiations. Knowing how regulatory focus interacts with other variables (in this case, power and trust) gives negotiators the opportunity to reframe the negotiation in a way that minimizes the use of deception. A secondary consideration in manipulating regulatory focus was that there is very little evidence that individual attributes affect negotiations. Rather, research shows that situational cues rapidly over-ride the impact of individual differences (Bazerman et al., 2000). Moreover, empirical evidence shows that chronic and manipulated regulatory focus have the same impact in a range of tasks (Forster et al., 1998). Nonetheless, we recognize that negotiators' chronic regulatory foci may have come into play in their strategy choices. Future research may give us further insight into the role of regulatory focus in negotiators' ethical choices by comparing the impact of chronic and induced regulatory focus on these choices.

This research drew its sample from a student population. Although there is evidence that novice (student) and experienced negotiators employ similar strategies in business negotiations (Donohue, Diez & Hamilton, 1985; Herbst & Schwartz, 2011) little is known about how experience might affect ethical judgments and the use of deception in negotiation. Correlational evidence, based on questionnaire responses, suggests that the acceptability of a range of ethically ambiguous negotiation strategies decreases with age (Robinson, Lewicki, & Donahue, 2000). Similarly, in their meta-analysis, Kish-Gephart et al. (2010) identify a weak negative relationship between age and ethical choices. Juxtaposed with these findings is evidence that lying is pervasive in our everyday lives (DePaulo et al., 1996). More broadly, the corporate scandals reported in the media suggest that age and experience

are not, in their own right, sufficient to prevent unethical decision. While the use of a young, less experienced sample may affect the use of deception in negotiation, the evidence of unethical choices in everyday and corporate lived suggests we are yet to fully understand how demographic variables affect such choices.

Implications and directions for future research

Because we studied ethical decisions made in a negotiation, we considered the possibility that both structural and social context could influence negotiators' propensity to deceive. Our results show that when we move from an independent context (individual decision-making) to an interdependent context (negotiation), initial impressions of an opponent's trustworthiness contribute to individuals' ethical actions. To fully understand negotiators' ethical decisions, it is necessary to consider how the structural and social context combine to set ethical thresholds. The interactions that we observed among power, regulatory focus, and trust suggest that the structural context triggers motivated information search. Each combination of power and regulatory focus was tied to a specific subcomponent of trust, demonstrating that context-specific information about negotiating opponents is central to shaping negotiators use of deception. We thus extend current models of ethical judgment by highlighting not only the central role of social context in interdependent settings, but also the possibility that different aspects of social information become salient depending on the structural context within which negotiations take place.

In developing our hypotheses, we focused on the relationship between structural variables and the behavioral regulation system described by Keltner et al. (2003). Based on our analyses, we propose that temporal horizons also play a role in setting negotiators' ethical thresholds. Moral intensity, that is how individuals assess the consequences of their actions, is central to the ethical decision-making

process (Jones, 1991). Two aspects of this assessment, how soon the consequences of an action might be felt (temporal immediacy) and the degree of harm that follows from that action (magnitude of consequences), provide a framework for understanding how the structural context shapes deception. Our results suggest that both promotion-focused negotiators and low power negotiators are more mindful of future consequences (Anderson & Berdahl, 2002; Anderson & Galinsky, 2006; Magee, Galinsky & Gruenfeld, 2007). This focus on a distant temporal horizon, however, has different behavioral consequences. Whereas promotion-focused negotiators limit social costs by withholding rather than misrepresenting information, low power negotiators choose to limit social costs by restricting their use of deception. This interpretation of our results extends Jones' discussion of ethical decision-making, suggesting that how individuals translate the moral intensity of a decision into action is dependent on the context within which their judgment is made.

Both behavioral ethicists and justice scholars have argued that context may influence or even shift the moral rules that individuals use in guiding their decisions (Broeders et al., 2011; de Heus et al., 2010; Schminke, Ambrose & Noel, 1997; Shweder, Much, Mahaptra & Park, 1997). Our results suggest that power establishes a baseline for the use of deception, with high power enabling and low power inhibiting deception. Against this baseline, the patterns we observed suggest that a promotion focus and prevention focus might invoke different moral templates (Kreps & Monin, 2011). Promotion-focused negotiators appear to implement moral pragmatism: high trust inhibited sins of omission whereas low trust activated sins of omission. Conversely, prevention focused negotiators appear to act opportunistically, deceiving their opponents when the costs of deception are lowest: high trust activated sins of commission whereas low trust inhibited sins of commission. From a theoretical

perspective, our findings suggest that more research is needed to understand how contextual cues might prime different moral templates. From a practical view, our findings imply that negotiators need to undertake different kinds of verification about an opponent's honesty based on the most salient structural variables.

Our results suggest that the structural cues that define the negotiating context direct negotiators' attention to very specific information about the social context. This possibility is demonstrated in two ways. First, as we have already discussed, structural fit and misfit directed negotiators' attention to different foundations of trustworthiness. Whereas misfit increases the salience of affect-based trust, fit increases the salience of cognition-based trust. Second, our results suggest that promotion-focused negotiators focus on opponents' predictability, which is established by shared values (high identity-based trust) but called into question by lack of ability (low ability-based trust). Prevention-focused negotiators focus on opponents' good intentions, which are guaranteed by perceived benevolence but called into question when they lose the guarantees afforded by sanctions (low deterrence-based trust). From a theoretical perspective, our findings suggest that we need to better understand the different ways that 'feeling right' and 'feeling wrong' influence ethical judgments. Our findings also suggest that structural context directs negotiators to very specific questions about their opponents. As a result, from a practical viewpoint, our findings suggest that negotiators need to be highly selective in the kinds of trust-building activities that they engage in.

Finally, we demonstrated that negotiators' willingness to engage in sins of omission affected their tangible outcomes. As negotiators increased their use of sins of omission, they were able to claim greater value when negotiating distributive issues but not integrative issues. One implication of this finding is that withholding

information does not yield uniform benefits for negotiators. Instead, negotiators who incorporate deception into their overall strategy benefit only when there is value to be claimed but not when there is value to be created. We also showed that the structural and social context affects negotiators' propensity to use sins of omission. Integrated with the impact of this tactic on outcomes, our results suggest that the context within which negotiations take place exposes negotiators to varying levels of inequity in their outcomes: those contextual conditions that activate deception also lay the foundation for greater inequity.

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Table 1. Gender and culture distribution across experimental conditions.

	Low Power	High Power
Prevention Focus	female, 17; male, 7 Western, 17; non-Western, 7	female, 17; male, 7 Western, 17; non-Western, 7
Promotion Focus	female, 16; male, 8 Western, 14; non-Western, 10	female, 12; male, 10 Western, 17; non-Western, 5

Note. Our "non-Western" category includes participants from Africa, China, Hong Kong, India, Malaysia, Mauritius, Iran, and Sri Lanka. We have collapsed across these countries because of the small number of participants from any one country.

Table 2. Trust sub-scale inter-correlations and reliabilities

	benevolence	ability	integrity	identity	deterrence
benevolence (4 items)	*0.94*				
ability (6 items)	.238*	*0.88*			
integrity (4 items)	.293**	.332**	*0.72*		
identity (3 items)	.283**	.108	-.291**	*0.89*	
deterrence (3 items)	-.050	.066	.067	.171	*0.82*

** $p < .001$; * $p < .01$

Note :Scale reliabilities shown on diagonal

Table 3. Sins of omission: Means and standard deviations (italics) for 2-way interactions

	Regulatory Focus				*Power*			
Trust Sub-Component	*Benevolence*		*Integrity*		*Integrity*		*Deterrence*	
	Prevent	*Promote*	*Prevent*	*Promote*	*Low Power*	*High Power*	*Low Power*	*High Power*
Low Trust	0.55 *0.80*	1.09 *1.50*	0.50 *0.69*	1.19 *1.67*	0.92 *1.44*	0.86 *1.32*	0.70 *1.26*	1.26 *1.84*
High Trust	0.46 *0.81*	1.17 *0.85*	0.50 *0.88*	1.05 *1.70*	0.42 *0.72*	1.04 *1.65*	0.64 *0.650*	0.65 *0.98*

Table 4. Sins of commission: Means and standard deviations for 2-way interactions

	Regulatory Focus		*Power*			
Trust Sub-Component	*Identity*		*Benevolence*		*Deterrence*	
	Prevention	*Promotion*	*Low Power*	*High Power*	*Low Power*	*High Power*
Low Trust	0.33 *0.76*	1.00 *1.64*	0.64 *1.59*	0.30 *0.63*	0.43 *0.73*	0.70 *1.18*
High Trust	0.67 *1.37*	0.46 *0.74*	0.46 *0.86*	0.87 *1.18*	0.64 *1.58*	0.48 *0.73*

Figure 1. Taxonomy of trust subcomponents

		Behavioral Guarantees	
		Structural Attributes	*Individual Capabilities*
Foundation	*Affect-based*	*Identity* "This person and I have the same goals"	*Benevolence* "My needs and desires are very important to this person"
	Cognition-based	*Deterrence* "This person knows I can retaliate if they don't follow through on something"	*Ability* "This person's skills will increase the organisation's performance" *Integrity* "This person will try to keep his/her commitments"

Figure 2. Average use of sins of omission as a function of Power, Regulatory Focus and trust sub-components

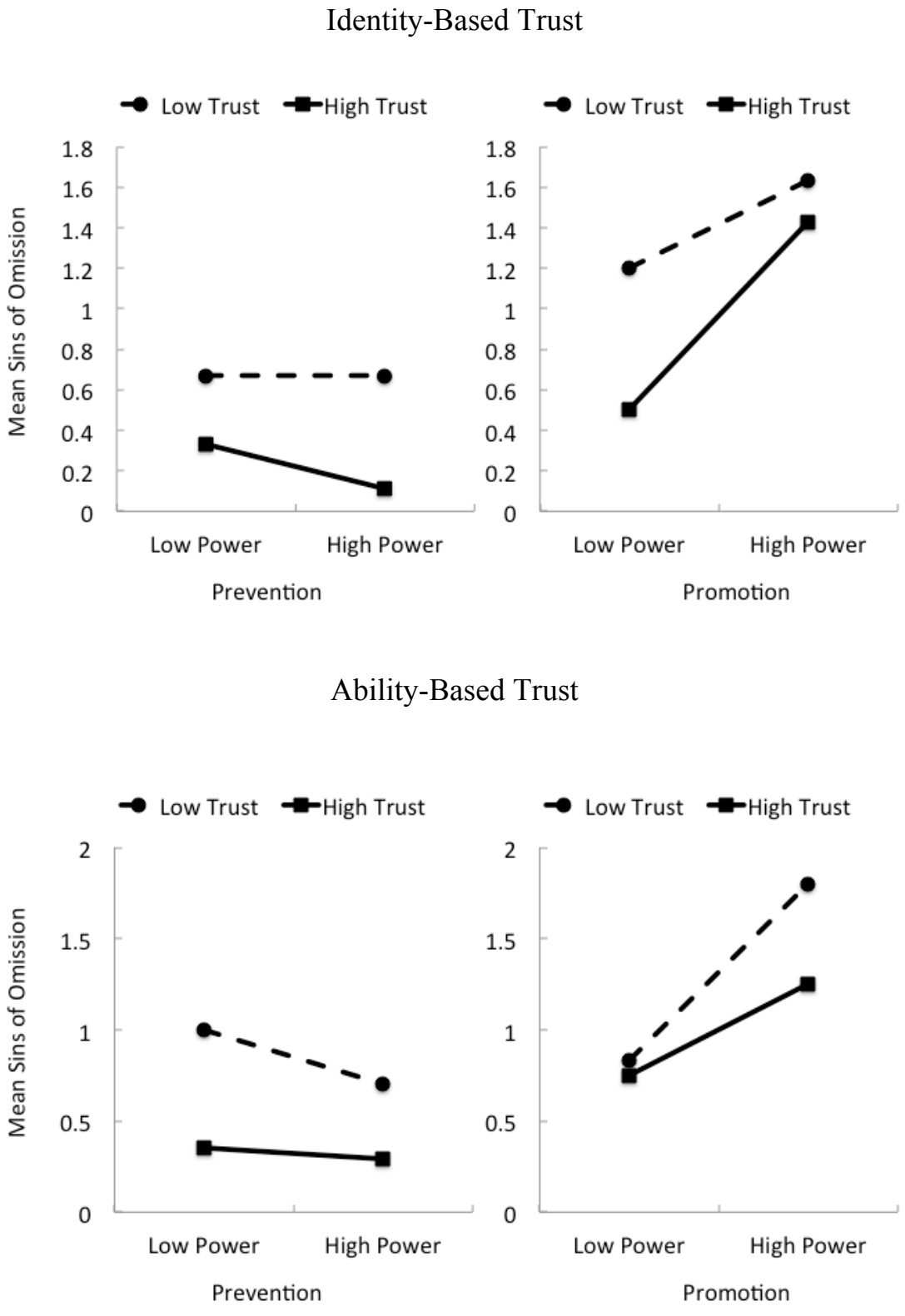

Figure 3. Average use of sins of commission as a function of Power, Regulatory Focus and trust sub-components