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***Overcoming the e-mail disadvantage: Humor in online negotiations***

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## Abstract

Two experimental studies are presented that explore the role of humor in online negotiations. Study 1 used 122 executive MBA students to demonstrate that beginning an e-mail transaction with humor resulted in (1) increased trust and satisfaction levels, (2) higher joint gains for the dyad and (3) higher individual gains for the party who initiated the humorous event. Analyses revealed that it was the exploration of compatible issues - as opposed to logrolling issues (i.e. effective tradeoffs) - that increased the level of joint gain. Study 2 used 216 MBA students to demonstrate that first offers in a purely distributive negotiation were more likely to be within the bargaining zone when e-negotiations were initiated with humor, and the resulting final settlements in the humor condition were also more equally distributed between parties (more of an “even split”) than were transactions without a humorous start. Limitations include the highly controlled laboratory setting (the classroom) and we note that future research can aim to apply these findings to a more real-world setting. Implications suggest that managers can benefit by making personal connections in the online realm before engaging in professional communications, such as strategically employing humor at the outset of e-mail negotiations.

Key words: humor, trust, computer-mediated-communication, negotiation

Online communication has become an embedded element of organizational life. Indeed, using online communication has become so commonplace within contemporary organizations that it has been referred to by communication scholars as the new “water cooler” for organizations (Kraut et al., 2006). However, along with the ease and convenience-based advantages to this electronic communication medium, there are clear disadvantages that must be understood as well. In particular, building trust and managing relationships online is potentially more difficult, especially when interaction happens exclusively via online channels (Morris et al., 2002, Naquin and Paulson, 2003). One area of business communications moving into the online realm is negotiations. Especially in our increasingly global economy, many business negotiations occur with others who are not nearby, making e-mail a more widely-used tool for this kind of negotiation, at least for part, if not all, of the negotiation process (Griffith et al., 2003, Nadler and Shestowsky, 2006). For example, contract or merger negotiations might begin with a flurry of e-mail messages between corporate lawyers for both sides, and then progress to phone calls, marked-up documents, and finally face-to-face meetings. Those engaging in e-mail negotiations, then, would be well-advised to better understand how these particular relationships develop and what strategies might either help or hinder the development of trust in this arena, especially if they are used at the outset of negotiation processes. Though we here study only the case of negotiations completed start-to-finish over e-mail, this aims to offer even deeper insight into the workings of this process, for any part of the negotiation process that is conducted via e-mail.

When compared to e-mail communication, a wealth of research has demonstrated the relative superiority of face-to-face interaction, which comes with a wider “social bandwidth” (Barry and Fulmer, 2004), for building trust. This wider bandwidth in face-to-face

communication allows for cues not contained in the words themselves (e.g., expressions, tones of voice, gestures, etc.), and is thus considered the most “natural” form of interaction (Kock, 2004). Accordingly, trust is both harder to develop and easier to break when communication happens in a virtual environment (Rockmann and Northcraft, in press, Naquin and Paulson, 2003). In this paper, we explore one mechanism for potentially overcoming the inherent disadvantages that text-only media such as e-mail communication contain. Specifically, we look at humor as a social mechanism for facilitating successful online negotiations.

### Online Negotiations, Humor, and Trust

Negotiating with a stranger can be intimidating even under the best of circumstances, and having this opponent be faceless and voiceless can add even more discomfort to this process. Previous research has demonstrated that people approach online negotiations with lower levels of trust than they approach face-to-face negotiations (Naquin and Paulson, 2003), perhaps in part because online interactions may be fraught with more exaggerations, bluffs, and lies (Belkin et al., 2008), as well as a greater degree of unethical, negative, or hurtful behaviors (Kelman and Hamilton, 1989, Kurtzberg et al., 2005, Naquin et al., in press). This may also be due, in part, to the separation in space and time between people, resulting in lesser feelings of accountability to one another. However, the empirical research in this area suggests that once the faceless “other” feels more like a person whom one can identify with (by exchanging biographical information, for example), then the ensuing negotiation has greater trust levels and more outcome success (Morris et al., 2002, Moore et al., 1999). We suggest here that perhaps this can be accomplished as well by sharing a humorous event. To our knowledge, the use of humor in online deal making has not been empirically explored so far (more on this below), and

as such, our research has the potential to contribute to our knowledge of trust in the online arena, effective tools for computer-mediated-communication (CMC), and negotiations.

Following the definition put forth by Wyer and Collins (Wyer and Collins, 1992, p. 663), we conceptualize a humorous event (or stimuli) as “any social or nonsocial event, occurring purposely or inadvertently, that is perceived to be amusing.” This definition has several notable characteristics (Wyer and Collins, 1992) in that humorous events can be (a) either, verbal or non-verbal or a combination of both, (b) contextual, (c) either intentional or not, and (d) defined in terms of perceptions of the receiver. Humor has thus, of course, become as embedded in online exchanges as it has in other communication media (Baym, 1995, Hubler and Bell, 2003).

Humor in general is associated with promoting positive feelings among strangers, and may even have a greater positive effect in a tense situation than in a neutral one (Fraley, 2000). In individuals, humor is seen to promote closer social interactions and better coping mechanisms (Abel, 2002). Humor in organizational settings has been linked with greater levels of trust, cohesiveness, stress-reduction, and creativity (Romero and Cruthirds, 2006). Yet, humor at work has been shown to be used more often and more effectively in internal organizational settings than across organizational boundaries (Vuorela, 2005), suggesting that humor is most often used when people already know each other. Accordingly, many may miss out on the opportunity for using humor as a positive relationship-initiation device. Interestingly, though, the relationship between humor and trust is somewhat controversial. While some research has shown that humor is related to greater levels of trust (Swartz, 1996), others have shown that those who displayed humor were rated by peers as being both less intelligent and less trustworthy, although more socially adept (Bressler and Balshine, 2006). The relationship between humor and trust has also been predominantly examined as a personality trait of individuals instead of as an interactive (or

inter-personal) one. For example, research has shown a positive correlation between ratings on each the Coping Humor Scale, the Multidimensional Sense of Humor Scale, and Situational Humor Response Questionnaire with the Trust (vs. Mistrust) Scale (Hampes, 1999). In the present research, we look beyond the individual level and instead explore the effects that humor may have on the interaction of two communicators in a virtual context. More specifically, we explore whether using humor to introduce one's self helps to build trust between online negotiators.

Further complicating matters, humor online might not act in exactly the same way as humor in face-to-face settings. In fact, early research on communication has suggested that only 7 percent of what we understand someone to have said comes from the words themselves, while 55 percent of the meaning comes from facial expressions and posture, and another 38 percent comes from voice inflections and tone (Mehrabian and Weiner, 1967). Accordingly, in an e-mail context, this may indicate that the meaning and the intention of the sender can easily be misinterpreted by the recipient of the e-mail, who can only read the words and may miss out implicit connotations usually conveyed through non-verbal communication (e.g., tonal inflections, facial expressions, gestures, etc.). For example, when exchanging e-mails with someone it can be difficult to distinguish well-intentioned joking from sarcasm from downright rudeness, especially without the benefit of having experience with this person's tone of voice or facial expressions. Moreover, research has shown that senders of sarcastic or funny e-mails greatly overestimate the ability of recipients to grasp the joke (Kruger et al., 2005), since people tend to overestimate their own abilities to convey ambiguous information in general due to egocentrism and the difficulty in stepping away from one's own perspective when looking at

how others might perceive the sent information (sometimes also called the “curse of knowledge”) (Fussell and M., 1992, Samuelson and Bazerman, 1985).

Nevertheless, we argue that sharing a humorous moment before online deal making will allow one to trust the other side more than one would without this interaction. Particularly at the very beginning of a new relationship the introduction of humor may pave the way for judgments in favor of trust. For example, research has shown that using a self-depreciating or self-mocking type of humor in an online context helps to de-emphasize the social hierarchy and signals the ability of a sender to overcome potential adversity (Hubler and Bell, 2003, Norrick, 1993), which in turn can help promote trust among partners. Also, Holcomb (1997) observed that humor helps to build rapport among communicators, since sharing a laugh helps individuals to better identify with each other and keep each other’s interests in mind. Our assertion that humor, especially of the type labeled “affiliative” (Romero and Cruthirds, 2006) which includes inside jokes about a common content area, will help build trust in this context is also strengthened by the stream of previous work that demonstrates that humor is one of the vehicles that promotes positive emotions. Positive emotions can, in turn, encourage greater feelings of trust and satisfaction with online interactions, and even improve negotiation results (Belkin, 2007, Thompson and Nadler, 2002).

Before proceeding, we feel a closer explanation of our treatment of the construct of trust is in order. Our definition of trust comes from the integrative perspective presented by Cummings and Bromiley (1996) as a belief that another individual or group (a) makes good-faith efforts to behave in accordance with both explicit or implicit commitments, (b) is honest in whatever dealings preceded such commitments, and (c) does not take excessive advantage of another even when the opportunity is available. This definition of trust is compatible with other

definitions presented by the psychological approach to the literature (for a review of the psychological approach versus the economic approach see Lewicki et al., 2006) which, generally speaking, tends to be comprised of a willingness to accept vulnerability and positive expectations about the other party's intentions, motivations, and behavior.

Trust, theorists have argued, can come via one of two different mechanisms: a more cognitive (i.e., rational) and a more relational (i.e., affective) channel (Lewicki and Wiethoff, 2000, Lewicki and Bunker, 1995, Lewicki and Bunker, 1996). Cognitive evaluations of trust are based upon collecting and processing information about the relationship (Lewis and Weigert, 1985), so trust levels are determined via an expected-value type calculation. For example, if one has power to inflict damage to another, one would assume that the other would act in a trustworthy manner to avoid such a negative consequence (e.g., Butler and Cantrell, 1984, Ring and Van de Ven, 1992). Alternatively, individuals can create trust through emotional processes that are viewed by the majority of the literature as complimentary to cognitive processes and are believed to form through interpersonal interactions that encourage a development of social-psychological bonds between people (e.g., Lewis and Weigert, 1985, McAllister, 1995). Such social-psychological bonds help create a sense of social identity between parties, motivate communicating partners to share the relationship's intrinsic value for their mutual benefit and provide a basis for developing trust by "reduc[ing] fears of misappropriation because transactors anticipate that others will not voluntarily engage in opportunistic behaviors" (Uzzi, 1999, p. 484).

It is through this affective approach to trust that we would expect humor to play a role by helping to introduce positive feelings at the beginning of the relationship. After all, humorous people may be seen in a more positive light by others due to humor's ability to create feelings of

closeness, attraction, and enjoyment between strangers interacting in a first encounter (Fraley, 2000). Thus, for a relationship that is being formed through a “lean” medium (Daft and Lengel, 1986) such as e-mail, we expect humor to help build trust between those interacting for the first time.

Building on the above arguments, we believe that since personal overtures, such as simple introductions, in online interactions can engender trust development (e.g., Moore et al., 1999, Paulson and Naquin, 2004), humor (or the sharing of a humorous event) may be similarly considered a shared personal experience that can ultimately lead to interpersonal trust among partners.

Hypothesis 1:

Humor offered at the initiation of contact between online negotiators will lead to greater feelings of interpersonal trust.

The next element we explore here is how humor, and the subsequent trust development, may influence the negotiated outcomes. It is remarkable to note that humor in negotiations has primarily been analyzed in face-to-face settings as an element embedded in the verbal exchange of the actual negotiation conversation, but has not yet been explored (a) in the online setting, (b) as a tool to initiate a relationship, nor (c) as a means of promoting trust separated from the negotiation content, as we aim to do here. Bonaiuto, Castellana, and Pierro (2003), for example, analyzed the transcripts from four face-to-face bargaining groups and concluded that the role humor played was to legitimize one’s proposals or de-legitimize others’ proposals. Filipowicz (2002) demonstrated, similarly, that laughter and humor were related to increased joint gains

when they were used to signal agreement, and were associated with lower gains when they were used to reject ideas or for relationship repair. Mediators in conflicts, according to Forester (2004), can use (respectful) humor to signal authority, to acknowledge difficult issues, and to provide hope for collaborative progress. O'Quin and Aronoff (1981) similarly demonstrated that when influence attempts were issued in a humorous way, they were met with more compliance on average. Finally, by analyzing transcripts of conversations across a variety of settings Norrick and Spitz (in press) found that in face-to-face settings humor can mitigate interpersonal conflict and self-deprecating humor can work more effectively to diffuse conflict and aggression than can humor directed at other participants. To further advance this area of research, our study is differentiated from prior negotiation or conflict management research in that it seeks to explore humor as a means of developing a positive, trusting relationship in online contexts leading to better negotiated outcomes— not when humor is used as a conversational device or as a persuasion tactic.

We build off of the seminal work in negotiation research that demonstrates that greater joint gain in negotiations can result from increased levels of trust (see Bazerman and Neale, 1992, Thompson, 2005, Bromiley and Cummings, 1995) and positive emotions (Belkin, 2007, Baron, 1990, Carnevale and Isen, 1986) between parties. Joint gains are a common measure of the level of integrativeness in a deal, since the more integrative a deal is, the larger the “pie size” to split between the parties. High levels of joint gains require cooperative approaches and trust is often linked to cooperation (Chaudhuri et al., 2003, Wilson et al., 2006).

Given our argument that a humorous start to an online negotiation will result in greater trust, we also posit that humor can begin a successful path (through creating trust) towards

increased levels of joint gain in the online environment. Thus, in addition to Hypothesis 1, we also hypothesize the following:

Hypothesis 2:

Humor offered at the initiation of online contact will lead to greater levels of joint gain.

Hypothesis 3:

Trust will mediate the relationship between humor use and joint gain level in an online negotiation.

And, based on the simple idea that trusting negotiations with higher joint payoffs are more likely to be satisfying for people to engage in, we hypothesize:

Hypothesis 4:

Humor offered at the initiation of contact in online contexts will lead to greater levels of satisfaction.

## Study 1 Method

### *Participants and Research Design*

Participants were 122 executive-level MBA students (most of whom were currently working professionals) who participated in this study as part of a negotiation class assignment. This population was 19% females, had an average age of 37 years, was 1% non-US citizens, had 13% minority racially, and had an average work experience of 13 years. The experimental design

had one manipulation – negotiating dyads either started the negotiation by sharing a humorous cartoon ( $n = 60$  individuals / 30 dyads) or not ( $n = 62$  individuals / 31 dyads). All participants negotiated online. Participants were randomly assigned to experimental conditions. In addition, the party (i.e. role) assigned to introduce the humorous cartoon at the beginning of the negotiation was counterbalanced between roles.

### *Procedures and Materials*

Participants in this two-party negotiation were randomly assigned to assume the role of either a recruiter or a job candidate. All participants received the case materials via an e-mail containing their confidential instructions, negotiation role information, and the humorous cartoon if appropriate (only one party introduced the humorous cartoon in the experimental condition; in the control condition, no cartoon was received by either side). In the confidential instructions, participants in the humor condition (counterbalanced by role) were instructed that before they began negotiating they should share a preliminary e-mail with their partner containing the funny cartoon about negotiating. In both conditions, participants were explicitly instructed that their goal was to maximize their (individual) payoff and that they had 10 days in which to complete the negotiation. They turned in the details of their agreement via an e-mail to the instructor.

The cartoon was created by cartoonist Scott Adams and portrays a popular character, Dilbert, “ruining” a negotiation as soon as it begins by first trying to accept an offer before it had been made - and then by immediately alluding to another (and “better”) offer before any first offer had been introduced into the negotiation. This is a nationally syndicated cartoon suggesting that, generally speaking, people will find it humorous (as we did).

The specific negotiation task used was called New Recruit (Neale, 1997), and involves the negotiation of 8 issues to be settled about an employment package. Unbeknownst to the

participants, the payoffs were such that two issues were purely distributive (i.e. one person's gain came at the other's loss), two issues were purely compatible (i.e. both parties wanted the same thing), and four issues contained logrolling potential—in other words, the possibility to sacrifice all of what one side wants on a particular issue in order to attain all the value of a different, and more highly prized, issue (these four issues thus equal two logrolling opportunities).

After finishing the negotiation, participants completed a post-negotiation questionnaire containing items on trust, satisfaction, and sense of humor (displayed in Appendix A), in class via pen and paper. The class results and study were then fully debriefed.

### *Dependent Measures*

*Trust.* To assess interpersonal trust in their group members, and in line with our definition of trust, we used the Organizational Trust Inventory – Short Form (OTI-SF) developed and validated by Cummings and Bromiley (1996). We used 11 items from this scale geared toward assessing the three dimensions of trust, here labeled (1) reliability, (2) honesty, and (3) good faith in the other party with respect to fulfilling their commitments. We slightly modified the OTI-SF to be more appropriate for a negotiation setting by asking negotiation-based questions (e.g., substituting the words “the other party” where the original questionnaire stated the name of the “other department” or “unit”). The reliability for this measure in the presented study was acceptable with Cronbach's  $\alpha = 0.76$ . The modified OTI-SF is presented in Appendix A.

*Satisfaction.* We also asked participants three questions that targeted negotiators' sense of satisfaction on the same questionnaire as the OTI. Specifically, we asked participants to rate on a scale of 1 (strongly disagree) to 7 (strongly agree) the following three questions: (1) “I would want to work with this individual again in the future”, (2) “Overall, I had a pleasant experience

dealing with this individual”, and (3) “I had fun in this negotiation.” The reliability of this measure was adequate with Cronbach’s  $\alpha = .78$ .

### *Results*

We utilized two methods to insure that the humor stimulus that we chose was indeed funny. First, we pilot-tested the cartoon on a separate group of MBA students in negotiations classes, and found that these participants rated the cartoon as above the mean on a humor scale on average, and in class discussion they anecdotally also informed us that they found it humorous. Second, we analyzed the responses to the single questionnaire item and found that participants in dyads subjected to humorous condition reported a more humorous counterpart ( $M = 4.07, SD = .63$ ) than those in the control condition ( $M = 3.30, SD = .74$ ),  $F(1, 59) = 19.53, p < .001, \eta^2 = .25$ , giving us confidence in this stimulus.

First compared were all dependent variables across role assignment (either candidate or recruiter) with results indicating no difference between roles for any of the dependent variables. Consequently, the data were collapsed across roles for all subsequent analyses.

*Trust.* Consistent with hypothesis 1, participants were more trusting in negotiations where they shared a humorous cartoon. Specifically, negotiating dyads in the humorous condition reported being more trusting ( $M = 4.78, SD = .51$ ) than similar dyads in the control condition ( $M = 3.69, SD = .49$ ),  $F(1, 59) = 72.77, p < .001, \eta^2 = .55$ . At the individual level of analysis, and replicating the basic pattern at the dyad level, negotiators in the humorous condition reported greater levels of trust ( $M = 4.71, SD = .69$ ) than those in the control condition ( $M = 3.60, SD = .73$ ),  $F(1, 120) = 58.47, p < .001, \eta^2 = .32$ . When examining only those in the humorous condition there were no differences in trust as a function of who introduced the cartoon.

*Joint Outcome.* Objective outcome here is measured by joint gains (i.e. the size of the “pie” being divided between parties). Supporting hypothesis 2, those who started the negotiation with a humorous event ended up negotiating a more integrative joint outcome ( $M = 9920.00$ ,  $SD = 1991.43$ ) than did those who began negotiating without humor ( $M = 8658.06$ ,  $SD = 2427.72$ ),  $F(1, 59) = 4.91$ ,  $p < .05$ ,  $\eta^2 = .08$  (out of a possible 13,200 total pie size).

*Mediation analysis.* To test hypothesis 3, analyses were done to explore the potential mediating role that feelings of interpersonal trust might have. The mediation analysis was conducted as per the four steps set forth by Kenny *et al* (1998). The three variables of interest to the mediation analysis include (1) humor (either present or not), (2) interpersonal trust (the purported mediator), and (3) the objective joint outcome. First, a regression analysis demonstrated that a humorous start was correlated with objective outcome,  $\beta = .28$ ,  $t(59) = 2.22$ ,  $p < .05$ , thus establishing that there was an effect that may be mediated and satisfying the step 1 criterion for mediation.

Next, a regression analysis was conducted using participants’ reported perceptions of interpersonal trust as a criterion variable and the humor condition as a predictor which demonstrated that the humor condition was correlated with the purported mediator,  $\beta = .65$ ,  $t(59) = 6.74$ ,  $p < .001$ , thus satisfying the step 2 criterion for the proposed mediator. Then, using objective outcome as the criterion variable in a regression equation with (a) the humor condition and (b) perceived trust as predictors, it was found that perceived trust, the proposed mediator, was correlated to the dependent variable of joint outcome,  $\beta = .53$ ,  $t(59) = 4.86$ ,  $p < .001$ , and remained significant even when controlling for the humor condition,  $\beta = .62$ ,  $t(58) = 4.26$ ,  $p < .001$ . Thus, the step 3 criterion was met, and interpersonal trust was found to statistically mediate

the relationship between the humor condition and joint outcome. Thus, hypothesis 3 was supported.

Finally, in step 4, when controlling for perceived trust in this regression equation, the significant relationship between humor and objective outcome,  $\beta = .28$ ,  $t(59) = 2.22$ ,  $p < .05$ , was reduced to non-significance,  $\beta = -.13$ ,  $t(58) = -.92$ , *ns*. Thus, interpersonal trust is a full mediator in this relationship (versus a partial mediator), providing stronger support for hypothesis 3.

*Joint Outcome – Revisited.* Though not directly hypothesized, after determining that trust was a mediator for this pattern of findings we decided to delve deeper into the *why* or *how* trust is influencing the integrative tactics in a negotiation. We went back to the negotiated outcomes and coded the deals as to the type of integrative techniques that were employed. Recall that this case, New Recruit, had clearly defined issues: two compatible issues, two logrolling pairs of issues (four issues total), and two distributive issues. We focused on the compatible and logroll issues, which could potentially expand the size of the pie and thus were integrative in nature. The distributive issues, by contrast, may have influenced the individual payoffs, but not the joint gain. The joint outcomes were coded as to how many compatible issues they realized (thus, ranging from zero to two) and how many of the logrolling issues they realized (thus, also ranging from zero to two).

Results indicated that humor and the subsequent trust influenced the likelihood of discovering the compatible issues, but had no influence on logrolling. Specifically, those who had a humorous start to a negotiation were more likely to uncover and realize the full value of compatible issues ( $M = 1.63$ ,  $SD = .67$ ) than were those in the control condition ( $M = 1.16$ ,  $SD = .63$ ),  $F(1, 59) = 7.97$ ,  $p < .01$ ,  $\eta^2 = .12$ . No such differences were found in the discovery of logrolling issues,  $F(1, 59) = .49$ , *ns*. Thus, it appears that humor in this online context, and

subsequent trust, had an influence on certain types of integrative potential (compatible issues), but not others (such as logrolling).

*Individual Outcome.* Similar to the above pattern, those participants in the humor condition also had a larger individual payoff ( $M = 4960.00$ ,  $SD = 1729.81$ ) than did those in the control condition ( $M = 4329.03$ ,  $SD = 1737.37$ ),  $F(1, 120) = 4.04$ ,  $p < .05$ ,  $\eta^2 = .03$ .

Though not hypothesized, we also examined the results of just those participants in the humor condition, and differences were also found as a function of who introduced (or received) the humorous cartoon. Specifically, those individuals who sent the cartoon tended to have a higher individual payoff ( $M = 5666.67$ ,  $SD = 1825.93$ ) than did those who were the recipients ( $M = 4253.33$ ,  $SD = 1311.68$ ),  $F(1, 29) = 11.86$ ,  $p < .001$ ,  $\eta^2 = .17$ . This suggests that in addition to the integrative gains as seen in the joint outcome analysis, the introduction of humor also seems to influence how individual gains are distributed. More of the negotiated resources went toward the one who introduced the humorous cartoon than those who received it.

*Satisfaction.* To test hypothesis 4, we examined participants' satisfaction levels as a function of condition. On the dyad level, participants reported a greater degree of satisfaction in negotiations which started with the humorous cartoon ( $M = 4.39$ ,  $SD = .47$ ) than did those in the control condition ( $M = 3.78$ ,  $SD = .49$ ),  $F(1, 59) = 24.86$ ,  $p < .001$ ,  $\eta^2 = .29$ , supporting hypothesis 4. On the individual level of analysis, negotiators in the humor condition were also more satisfied ( $M = 4.39$ ,  $SD = .68$ ) than were those in the control ( $M = 3.78$ ,  $SD = .72$ ),  $F(1, 120) = 22.47$ ,  $p < .001$ ,  $\eta^2 = .16$ . There were also no differences in satisfaction as a function of who introduced the cartoon.

### *Study 1 Discussion*

The reported findings support the prediction that negotiators who start an online transaction with a humorous experience will have more interpersonal trust, greater joint gains, and more satisfaction with the process and their partner. It is interesting to note that the higher levels of joint gain seen in the humor condition seem to be the result of maximized value on the compatible issues rather than the logrolling issues. This may be because, as we observed, the humor seems to allow for more trust and perhaps this promoted a greater willingness for each side to share their true feelings about what they hoped to achieve in the negotiation. When negotiators fail to achieve high value on compatible issues, a likely explanation is that both sides preemptively assumed a fixed-pie mentality (“if it’s good for me it must be bad for the other side”), and thus they “concede” to accept a lower value before they ever share their true interests (Thompson, 1991). Having shared a humorous moment, and thus subsequently having created some trust (and likely some positive emotions as well), negotiators may be freed from this type of thinking and instead may feel open and honest enough with each other to avoid this pitfall. By contrast, to achieve high value on logrolling issues, negotiators need to be not only honest and open about their priorities, but also insightful enough to realize that issues are linked and tradeoffs and packages containing multiple issues need to be created. Apparently, the humor manipulation and subsequent trust felt by participants did not necessarily encourage this insight. It is possible that negotiators did not want to “muddy” the positive and trusting tone of the negotiation by digging deeper into the issues, proposing more packages, etc. in ways that might have led to discovering the more complex logrolling solutions. Thus, humor and trust may actually have had the unintended side-effect of limiting the exploration of all avenues for possible value-creation. Though not tested here, it may be the case that some degree of

“satisficing” (i.e. the propensity to agree to a deal that is acceptable but not optimal) could be the result of this type of online trust development.

It is interesting to note that trust levels were not different for each participant in the humor condition. That is, it seems that both parties shared an equally trusting relationship by the end of negotiations, as opposed to, for example, having the recipient trust the humor-sender more. Similarly, within the humor dyads both parties were equally satisfied at the conclusion of the negotiation. For this reason we believe that a positive two-way relationship is built by the initial sharing of a humorous moment between e-mail negotiators, who are then attuned to creating offers and outcomes that seem fair to both sides throughout the negotiations. However, the actual outcome value was not uniformly shared. Those sending the cartoon walked away with a bigger portion of the value, perhaps indicating that there was some power to be gained by initiating this kind of interaction with humor. We explore this idea in greater detail in the General Discussion section below, but first we offer a second look at how this power advantage might play out in the offer-making process of an online negotiation. To do so, we designed a second study to explore whether humor influences a sense of fair play in online deal making.

## Study 2

As described above, Study 1’s exploration of objective outcome is limited to the examination of only the final deal – however, “introductory” humor may also influence how the negotiation begins through the choice of the first offer on the table. This is a critical question because the first offer tends to “anchor” the negotiation and subsequent counter offers tend to be based, in large part, on that first offer (Liebert et al., 1968, Northcraft and Neale, 1987, Yukl, 1974). Thus, a second study was designed to more fully understand the role of humor in e-mail

negotiations by exploring how humor may influence the process of initial offer making in a context of distributive negotiations where one party's gain must come at the other's expense (versus Study 1 which was conducted with an integrative negotiation). The first offer in a distributive negotiation (where price is the only element being discussed) is a simple single number, without the added complexity of trying to balance and position multiple needs, goals, and interests all at once. As a by-product of the one-issue distributive negotiation, an aggressive offer cannot be "disguised" as being advantageous to the other party as can be done within integrative negotiations (Study 1) by including a strategic mixture of alternative issues.

Based on the findings of Study 1, it is our prediction that those who make first offers will be tempered (less aggressive) in the humor condition. As seen in Study 1, beginning a negotiation with humor tends to engender interpersonal trust on both sides. It is this element of greater trust in the humor condition that leads us to believe that negotiators will not want to take unfair advantage of the opposing party (Rousseau et al., 1998). This leads us to predict that when negotiations begin with humor, the first offers made by either the humor-sender or the recipient will be more likely to fall within the bargaining zone, where both parties are likely to be making gains, than to be an extreme opening offer in an attempt to claim more value for the self.

Hypothesis 5:

Negotiation dyads that begin with humor will be more likely to have first offers inside the bargaining zone than will dyads with no humorous introduction.

## Study 2 Method

### *Participants and Research Design*

Participants were 216 full time MBA students who were enrolled in a negotiation class. The class was part of an MBA population that was 27.5% female, with an average age of 27, with 20% non-US citizens, with 8% minority racially, and an average of 4.3 years of full time work experience. As with Study 1, the experimental design here had one manipulation – dyads either started their online deal making by sharing a humorous cartoon ( $n = 110$ ) or not ( $n = 106$ ). The same humorous stimulus used in Study 1 was used again here. Participants were randomly assigned to experimental conditions. In addition, the party that introduced the humorous cartoon into negotiation was counterbalanced between roles.

### *Procedures and Materials*

The negotiation case used in this study, Synertech-Dosagen (Greenhalgh, 1993), was a purely distributive negotiation. Participants assumed the roles of either a buyer or a seller of a manufacturing facility. Both parties were explicitly informed in their written case information of the value of their alternative to a negotiated settlement (i.e. their BATNA – best alternative to a negotiated agreement), which created a walk-away point of \$17 million for the seller and \$25 million for the buyer. Thus, there was an \$8 million dollar bargaining zone, or range of values where both parties could benefit from a settlement.

As with Study 1, participants were randomly assigned to the role of either the buyer or seller. All participants received a package of material via e-mail containing their confidential instructions, negotiation role information, and the humorous cartoon if appropriate. Again here, only one party introduced the humorous cartoon (again, the same one used in Study 1), counterbalanced by role. In the confidential instructions, participants in the humor condition were instructed that before they start negotiating they should share with the other side a funny cartoon about negotiation. Participants in the control condition were not given any special

instructions and they started the negotiation with no manipulation. In both conditions, participants were explicitly instructed that their goal was to maximize their (individual) payoff and that they had 5 days in which to complete the negotiation. They turned in the details of their contract, as well as their first offers, via an e-mail to the instructor. The case and the study were then fully debriefed.

### *Dependent Measures*

There were two dependent variables measured: (1) the first offer on the table and (2) the negotiated outcome.

### *Results*

First compared were all dependent variables across role assignment (either buyer or seller) with results indicating no difference between roles for either of the dependent variables. Consequently, the data were collapsed across role for all subsequent analysis.

*First Offer.* Supporting Hypothesis 5, there was a notable difference in first offers as a function of condition on whether they were inside the bargaining zone or not. Results indicate that the first offer was more likely to be in the bargaining zone (between 17 and 25 million) in the humor condition (73.6%) ( $M = 21.44$ ,  $SD = 5.74$ ) than in the control (38.1%) ( $M = 23.66$ ,  $SD = 14.09$ ),  $\chi^2(108) = 13.70$ ,  $p < .001$ . Differences in the mean level of first offer was not significant  $F(1, 106) = .97$ ,  $ns$ , which makes sense because extreme offers from each buyers and sellers ought to even out when averaged. This pattern supports Hypothesis 5 and, as theorized, is suggestive of a potential concern for fairness and equality instead of for self-centered aggressive tactics aimed at gaining more value at the opponent's expense.

*Negotiated Outcome – Dyad Level.* There were no impasses in this negotiation. In a distributive negotiation such as this one, the joint surplus is always the same amount (here, \$8

million), and the interesting questions reside in who received how much of this surplus. Thus, joint gains cannot be analyzed in this case. This makes sense because in a distributive negotiation, by definition, one person's gain equals the other person's loss on a one-to-one basis, so there is no way to expand the values of the joint outcomes.

However, it is interesting to note that the range of agreements was smaller in the humor condition ( $M = 21.09$ ,  $SD = 2.84$ ) than in the control ( $M = 22.11$ ,  $SD = 6.59$ ), indicating that the deals in the humor condition were more likely to approximate the "split the difference" solution of \$21 million, while the deals in the control condition were more likely to favor one side over the other. To examine this balance of gains between individuals, a Kolmogorov-Smirnov test was utilized (see Sheskin, 2000), which compares two distributions to see if they are equal. Higher levels of variation in one condition relative to the other might be indicative of a greater willingness to claim gains at the other's expense, whereas a smaller variation might suggest a tendency toward more "balanced" and seemingly fair deals. Results suggested that the humor condition ( $M = 21.09$ ,  $SD = 2.84$ ) had significantly lower variance than the control ( $M = 22.11$ ,  $SD = 6.59$ ), Kolmogorov-Smirnov  $Z = 1.38$ ,  $p < .05$ . In total, those in the humor condition had a smaller range of outcomes than did those in the control condition.

*Negotiated Outcome – Individual level.* Again here, the range of individual gains was smaller in the humor condition ( $M = 4.01$ ,  $SD = 2.83$ ) than in the control ( $M = 4.00$ ,  $SD = 6.65$ ), Kolmogorov-Smirnov  $Z = 1.54$ ,  $p < .05$ .

In addition, in the humor condition, it did make a difference in individual payoff whether one was the initiator of humor or the recipient. As was also reported in Study 1 for distributive gains, those who introduced the humorous cartoon tended to have a greater payoff ( $M = 5.51$ ,  $SD$

= 2.40) than did those who were the recipient of the cartoon ( $M = 2.49$ ,  $SD = 2.39$ ),  $F(1, 108) = 43.39$ ,  $p < .001$ ,  $\eta^2 = .29$ .

### Study 2 Discussion

The findings of Study 2 extend the findings of Study 1 by shedding light on another mechanism by which humor may influence the process of online negotiations. Specifically, first offers in the humor condition were more likely to be in the bargaining zone, while those in the control condition were more likely to make an aggressive first offer (i.e. outside the bargaining zone). Although not empirically measured, it is our proposition that sharing a humorous moment with a negotiating partner may make people not only more trusting but also more conscious of the potential fairness of their offers and deals. Again, we note here the possible role of positive affect that is brought about by sharing a humorous moment. As research has shown, positive affect forces people to think more about the other side in the online context (Hubler and Bell, 2003) and to make less extreme offers (Kopelman et al., 2006). In addition, we observe that this concern for fairness does not mean that parties walked away with identical amounts of the bargaining surplus: those individuals who were the initiators of the humorous moment still walked away with significantly higher levels of individual payoff than did their partners.

### General Discussion

Results from these two studies demonstrate some of the effects of humor in online deal making. Humor seemed to increase feelings of trust, feelings of satisfaction with the negotiation and the partnership, and seemed to promote both (1) the individual objective gain of the instigator of the humorous moment, and (2) the dyadic joint gain levels in situations where expanding the pie (integrative negotiations) were possible. The mechanism driving the

integrative gain in our study seems to have come from a realization of compatible issues as opposed to logrolling issues. In addition, with purely distributive deals, first offers were more likely to be potentially acceptable to the opposing party (i.e. in the bargaining zone). In all, it appears humor has an influence on several key aspects of online deal making

The delicate trust created here in the online setting may have the added constraint of limiting the risk-taking behavior of negotiators. As mentioned above, our results from Study 1 demonstrate that although the more-trusting dyads created better deals overall, value was still left on the table with these agreements, on average. Especially for partners who have never met face-to-face, the development of trust in this online setting through a single event such as the cartoon-sharing we prompted here may feel fragile and this may make people wary of introducing too many new options in a negotiation to search for greater value. We can conclude that trust does seem to help the online negotiation process, but also note that the trust developed here was not sufficient to overcome all of the impediments to creating a maximized deal.

And why should it be that individuals who initiate a shared humorous moment would walk away with more individual gain? On the simplest level, it seems to be that the other side is willing to offer more concessions in terms of value to these individuals, either through more generous first offers or through subsequent concessionary behavior. But what inspires these systematic concessions to humorous people? One possible explanation has to do with reciprocity. It is an established psychological fact that people have a strong inclination to respond in kind when they feel that someone has given them something (Cialdini, 1993). Extrapolating from this idea, it may be the case that people feel indebted in some psychological sense to the one who shared a cartoon, and maybe even a laugh, with them. Thus, one possible response could have been to share something funny in return. However, this seems not to be an easily executable

answer, since none of our respondents spontaneously did this. Instead, perhaps they respond by offering more of the “capital” that they had to offer in order to balance out the psychological scales, which translated into giving more value to the other side in the negotiation.

A second possibility is that the offering of the cartoon somehow signaled dominance over the other person and the relationship. By having my negotiating partner start off the negotiation in this way, for instance, I might appreciate that my opponent is willing to make assumptions about who I am, what I might think is funny, and how to establish the relationship on his or her own terms. In fact, this idea is supported by previous research (Vuorela, 2005), which has asserted that humor in professional settings is a display of power, by demonstrating who has the right to use humor in their communications. Though our two negotiating partners were ostensibly on equal footing in terms of power before the negotiation began (and the humor-initiating participant was counterbalanced by role), this interpretation of dominance could potentially have translated into more concessions by the other side as a mild form of intimidation took hold.

A third explanation is that the humorous person may be seen as more likeable and more interesting than an otherwise faceless opponent, and the concessions are offered as a way of flattery and ingratiation with the hopes of being liked in return. For example, research has found (Hampes, 1999) that the two individual traits of humor and trust also tend to be associated with the traits of extroversion and self-esteem, making it more likely that those who display humor may be thought of as individuals who may well be extroverted and have high self-esteem, traits that may be attractive to another. Or, the increased positive affect that humor generates may also help explain this result. When one has been sent a cartoon, the resulting smile or laughter may lighten one’s mood and encourage more sharing of resources with the sender, who now may feel more like a friend and less like an “opponent”.

There are, of course, limitations to our research that should be noted. For one, the idea that *both* parties in the humor condition ended up with higher levels of trust and satisfaction, than did non-humor condition participants could potentially be an artifact of the timing of our measures. While this finding is plausible, both of these measures occurred after the negotiation had been completed, disallowing us to rule out the possibility that positive emotions over the more objectively successful outcomes bled into the ratings of the other person and of the satisfaction with the entire experience. This particular issue tends to be a general limitation within negotiation research as trust and satisfaction both tend to be measured post-hoc within the literature. Thus, though being in line with current research, we point this out with hopes that future research can address this more precisely.

Another limitation to our work is the scope of our research. We examined exclusively e-mail negotiations, and we studied student-participants. Though the students in Study 1 were executives (and thus were working professionals) and those in the second study had at least several years of work experience, it is possible that the academic setting in which we studied behavior might potentially have cued different values than those commonly used in a real business context. We also did not explore the other modes of online communication such as instant messaging or video conferencing, so the possible extrapolation to these media is uncertain. There are many more social cues in play within video conferences, for example, that may or may not impede the influence of a humorous cartoon. Also, the recruiter-candidate situation that we studied would, in actuality, most likely contain several differences from our setting: for one, it is likely that other types of interaction (such as face-to-face meetings or phone calls) would occur in addition to the use of e-mail, potentially changing the dynamics of the relationship that arose during the e-mail portion of the exchange, and for another, it is less likely

that recruiters and candidates would know each other ahead of time than might our student-population. Though these factors limit the generalizability to the recruiting context that we studied, we believe that our results have implications for e-mail exchanges far beyond the limits of the job-recruiting context. Lastly, we also only used a single cartoon as our humor stimulus—it would be interesting to explore whether humor of different types might lead to similar effects. For example, our stimulus was a cartoon about the negotiation process. Would a cartoon or joke on an unrelated topic have as much of an impact? These types of questions will hopefully be addressed in future research.

It is also important to note that humor may be a double-edged sword. While we highlighted a positive consequence of humor (e.g., trust), it is also potentially fraught with danger. What is potentially funny to one may not be funny to another. Along these lines, as a side note, we had difficulty finding the “best” humor manipulation to use in this study—one that was appropriate, not likely to offend or insult anyone, and wasn’t off-color in any way. And as discussed above, humor can be more or less effective as a persuasion tool depending on who is offering it and what format it takes (Decker and Rotondo, 1999, Lyttle, 2001). Thus, while our findings support the notion that humor can reap rewards for the individual, it is again important to remember that this is not necessarily a blanket statement about all things potentially humorous. One’s joke can easily be another’s insult.

Another avenue left open for future research concerns the timing of a humorous moment. Here we only studied humor as part of the introduction process, but it would also be interesting to better understand the potentially different effects of humor offered later in the process. Unlike other studies of humor in negotiation which have explored humor embedded in the give-and-take conversation of the negotiation details (e.g., Filipowicz, 2002), it would be interesting to explore

whether or not humor unrelated to the conversation itself has only a window of time in which it is effective. Would it just seem bizarre to stop in the middle and say, “here’s a joke you might like” instead of offering the same message at the onset? Again, future research can try to tease apart the critical aspects of our results.

In terms of practical applications for managers, this paper reinforces the recent body of work (e.g. Moore et al., 1999; Morris et al., 2002) that demonstrates that interactions such as negotiations occurring over e-mail are better served when one attempts to personalize the other side by way of introduction, friendly chit-chat, or a phone call before the actual work discussion commences. Having some sense of “the other side” as a real person and not just an e-mail address seems to help negotiators build trust and rapport, and thus create better agreements with each other. Humor is seen here to be yet another potential option in this toolkit for establishing a more personal, and potentially more lucrative, connection. Thus, professionals are well-advised to make sure that their e-mail discussions are grounded in a personal connection, be it through humor or another mechanism, to make the working relationship proceed more effectively.

In closing we wish to note that computer-mediated-communication and deal making are both inescapable features of contemporary organizations because of the convenience gains in of both time and location, despite a wealth of findings that indicate that relationships are more difficult to build via e-mail and trust is more limited online (see Jarvenpaa and Leidner, 1999, Kurtzberg et al., 2003, Morris et al., 2002, Naquin and Paulson, 2003). There is thus a growing stream of research that explores ways to best address the limitations of e-mail interactions, especially given that the use of the internet as a mode of communication is on the increase for the foreseeable future. Our research contributes to this small but growing stream of literature.

Humor, it seems, is a tool that a strategic individual may potentially use to help build trust and gain value out of an online interaction.

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## Appendix A

**Your name:** \_\_\_\_\_

### **New Recruit Post Negotiation Questionnaire**

*Instructions:* Complete this sheet after you have negotiated with the other party and complete it while you are in private. Please circle the number to the right of each statement that most clearly describes your opinion of each member of the other party (on an individual basis).

Strongly Disagree	Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

1	I think this individual told the truth in the negotiation.	1	2	3	4	5	6	7
2	I think that this individual met his or her negotiated obligations.	1	2	3	4	5	6	7
3	I think this individual has a sense of humor.	1	2	3	4	5	6	7
4	I think that this individual succeeded by stepping on other people.	1	2	3	4	5	6	7
5	I feel that this individual tried to get the upper hand.	1	2	3	4	5	6	7
6	I think that this individual took advantage of my problems.	1	2	3	4	5	6	7
7	I feel that this individual negotiated with me honestly.	1	2	3	4	5	6	7
8	I feel that this individual will keep his or her word.	1	2	3	4	5	6	7
9	I think this individual did not mislead me.	1	2	3	4	5	6	7
10	I feel that this individual tried to get out of his or her commitments.	1	2	3	4	5	6	7
11	I feel that this individual negotiated joint expectations fairly.	1	2	3	4	5	6	7
12	I feel that this individual takes advantage of people who are vulnerable.	1	2	3	4	5	6	7
13	I would want to work with this individual again in the future.	1	2	3	4	5	6	7
14	Overall, I had a pleasant experience dealing with this individual.	1	2	3	4	5	6	7
15	I had fun in this negotiation.	1	2	3	4	5	6	7