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Running Head: PRINCIPAL-AGENT, ATTACHMENT, AND NEGOTIATION

Do Agents Negotiate for the Best (or Worst) Interest of Principals?

Secure, Anxious and Avoidant Principal-Agent Attachment

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Abstract

This study examines how attachment styles affect business negotiations, particularly, impasses that negotiation research has rarely investigated. Extending attachment theory to the managerial principal-agent literature, this paper explains when and why agents effectively negotiate on behalf of their principals. We experimentally primed distinct principal-agent attachments (i.e., secure, anxious, or avoidant). In the simulation, negotiators' underlying interests were incompatible—the negotiation had no actual bargaining zone. However, agents were motivated to reach a deal, which would not be in the best interest of their principals. Agents securely attached to their principals avoided ill-fated deals (at their own expense); whereas agents avoidantly attached were most likely to agree to an ill-fated deal, thereby jeopardizing their principals' interests. An analysis of participants' own descriptions of why they reached such decisions reveals that secure agents negotiated for the best interest of their principals; whereas anxious and avoidant counterparts were oblivious to the principals' underlying interests.

Most people do not have the knowledge or time to act as a principal in all of their negotiations. Thus, hiring and working with agents is a common aspect of negotiation. However, lack of perfect alignment between the principal's interest and that of the agent, known as the principal-agent problem, threatens the quality of principal-agent trust (Eisenhardt, 1989). Previous research on agency focuses on external methods of controlling agent self-interest and performance, e.g., performance-based incentives (Jensen & Zimmerman, 1985), or monitoring, effort to increase the principal's ability to control or at least observe the agent's actions (Conlon & Parks, 1990).

However, scholars argue that the rational, self-interest based model underlying the agency problem is incomplete (e.g., Bottom, Holloway, Miller, Mislin, & Whitford, 2006). For example, effort put forth by the agent is often unobservable; thus, it is difficult to reward the effort level the agent pursues the principal's desired amount of effort (Jacobides & Croson, 2001). The fundamental issue, i.e., whether agents understand their principals' best interests and while unmonitored, stay faithful to the principals' interests, remains puzzling.

This paper shifts the focus of agency research from rational, external control to a relational focus. We use attachment theory (Bowlby, 1969) to inform our understanding of different types of social relationships between principal and agent and the implications they have for the performance of the agent that satisfies (or disappoints) the principal's best interest. Attachment theory is one of the most influential theories in the relationship literature in developmental and social psychology (Mikulincer & Shaver, 2007). Although human relationships at workplace have pervasive effects on work outcomes (Dutton & Heaphy, 2003), attachment theory has inactively been integrated into the organizational behavior literature (Lee & Ling, 2007). We extend attachment theory to non-close relationships in work contexts.

Attachment Theory

Attachment theory differentiates the distinct attachments people feel toward relationship partners. *Anxiously-attached* individuals are uncertain about the availability and supportiveness of their partners, doubt their self-worth, and seek assurance of their acceptance by their partners. *Avoidantly-attached* individuals—rejected and unresponded on the part of their partners—prefer keeping distance from partners and generally mistrust others. *Securely-attached* people have received consistent care and support from partners and thus, assured of their partners' approval and believe that they are worthy individuals and that overall, others are benevolent, trustworthy, and dependable (Ainsworth, Blehar, Waters, & Wall, 1978; Bowlby, 1969).

Attachment theory has been commonly used to investigate individual differences in attachment styles. Recent developments in attachment research adopt a social-cognitive approach, viewing attachments as dynamic relational-schemas based on specific episodes in past relationships (Baldwin, 1992). Because individuals have multiple social relationships in life, their cognitive structures necessarily contain relationship-specific memories of distinct partners. Different relationship-specific attachments can be made momentarily more accessible under some conditions (Mikulincer & Shaver, 2007). Thus, a momentary state, not the trait degree of attachment, can be manipulated at a given time—although these changes would be short-lived.

The Principal-Agent Attachment and Agency Performance

Grounded in the social-cognitive view, we examine a particular type of a relationship-specific attachment at work: the attachment agents feel to their principals. In communal relationships as well as exchange relationships, features of the context can make different relationship-specific attachments momentarily more accessible (Baldwin, 1992; Pierce & Lydon, 2001). Thus, our premise is that state-like aspects of agents' attachment representations of their

principals can be made temporarily accessible by a particular episode in the work context. Moreover, such temporarily-activated constructs will influence subsequent behavior.

Securely-attached people are committed to their partners and respond to each other's goals and needs sensitively (Corcoran & Mallinckrodt, 2000). Thus, agents securely attached to their principals should understand the principals' perspective, committing to a negotiation outcome that reflects the best interest of their principal. And because securely-attached people are assured of their partners' support and confident about their self-worth (Bowlby, 1969), secure agents should remain faithful to their principals' instructions although doing so engenders impasses. Indeed, secure people are more honest and moral than anxious or avoidant ones (Gillath, Sesko, Shaver, & Chun, 2010; van IJzendoorn & Zwart-Woudstra, 1995; Vrij, Floyd, & Ennis, 2003). Secure individuals do not worry about performance failure at work (Hazan & Shaver, 1990). Thus we hypothesize that agents securely attached to their principals should reach a decision on behalf of their principals that satisfies the principals' heart-felt interests.

Anxiously-attached individuals are unsure of their partners' support and preoccupied with their acceptability (Hazan & Shaver, 1987). This hinders the ability to accurately understand their partner's perspective (Corcoran & Mallinckrodt, 2000). Thus, agents anxiously attached to their principals should be less likely to fully understand and negotiate for the principals' best interests. Agents avoidantly attached to their principals should show the similar behavior, because avoidant individuals devalue the relationships with their partners and are emotionally uninvested in the relationship (Hazan & Shaver, 1987). Moreover, because anxious and avoidant individuals are insecure about their failing in performance settings (Elliot & Reis, 2003), they may violate their principals' instructions to evade potential performance failures. Indeed, anxious and avoidant attachments are both related to dishonesty (Gillath et al., 2010; Vrij et al., 2003). Thus, we

hypothesize that the anxious and avoidant (vs. secure) principal-agent attachment will hinder the ability of agents to understand their principal's best interest and to reach a decision that appeases the principal's best interest.

Method

We randomly primed agents with one of three distinct attachment patterns: secure, anxious and avoidant. All participants played the role of an agent in a high-stakes real-estate negotiation. We adopted the priming methodology used in previous attachment research (Baldwin, 1992; Mikulincer, Gillath, & Shaver, 2002) to a principal-agent attachment context. The previous studies have successfully demonstrated that a simple prime of a specific episode changes the momentary state, not enduring trait degree, of attachment—which once activated, leads people to perceive new relationship information consistent with the prime and behave accordingly in a subsequent interaction. Thus, before assuming the role of the agents in a simulated negotiation, our participants in a dyad received the same attachment prime and recalled a specific episode in the past as an agent.

In most circumstances, agents serve their own interests by securing deals. However, it is not always in the best interests of negotiators to reach a deal (Fisher, Ury, & Patton, 1991). Thus, one of the strongest tests of agents' fidelity to their principal would be to place the agent in a context in which the agent should advise their principal to *not* reach a deal. Such a context would provide little or no economic gain for the agent, but ultimately, serve the principal's interests.

Participants

158 MBA students (mean age = 29.2 years, mean work experience = 5.8 years) at a midwestern university in the United States participated as part of a negotiation class exercise. Dyad gender composition did not influence our dependent variables ($ps > .20$).

Procedure

Participants responded to the attachment prime and then reported their competitiveness. They were then provided with a negotiation case and prepared their role as the selling principal's agent (half the participants) or the buying principal's agent (the other half). Participants moved to a private room where they met another participant (the agent on the other side) and were given one hour to negotiate. After negotiation, all participants reported their negotiation outcomes and explained their outcomes via an open-ended questionnaire.

Negotiation Task

The 'Bullard Houses' is a dispute negotiation between agencies of buyer and seller over a historical and prestigious heritage in the New York region (Karp, 2004). In this negotiation, the underlying interests of the principals are incompatible. Specifically, the seller is concerned with selling to a reputable buyer who will fully disclose the intended use of their historic property. For the seller, the essential condition for an acceptable deal is a residential usage of the houses and the preservation of the original site; virtually all commercial use is unacceptable. As it turns out, the buyer is a large commercial hotel group, who not only has intentions to re-zone the site for a high-rise commercial usage by building luxurious hotels, but under no circumstances wants their identity to be revealed to the seller. The buyer's agent is strictly cautioned to not disclose the actual buyer nor his/her intended use of the property. If the buyer's agent behaves with fidelity according to the buyer's interest, the seller's agent cannot be assured that the intended use of the house meets the seller's interest. If the seller did not know the buyer's ultimate intentions, the seller might be hoodwinked by his/her agent who might prevaricate about this private knowledge. Thus, if both agents understand and remain faithful to their principals' interests, they should *not* reach a deal. If the agents focus on finances, not the principals' interests, a positive bargaining

zone exists and an agreement can be made—but only when the buyer’s agent conceals or lies about the potential usage of the site, and/or if the seller’s agent loses sight of his/her principal’s best interest; however, doing so is unethical.

Measures

Principal-agent attachment. Adopting the priming method (e.g., Mikulincer et al., 2002) to a principal-agent attachment context, participants recalled a specific episode of a principal-agent interaction in the past, using the three different descriptions of attachment relationships (Hazan & Shaver, 1987). One third of the negotiating dyads randomly assigned to the secure attachment condition read the following description:

Agency in negotiation is complex. Think about a time in which you represented someone. In particular, recall a situation in which you were secure and comfortable dependent in your client and having them depend on you. You were assured that they highly valued you and your work. You felt very accepted and supported.

Another third of the dyads assigned to the anxious attachment condition read the following description:

Agency in negotiation is complex. Think about a time in which you represented someone. In particular, recall a situation in which you were anxious because you found your client was reluctant to depend on you as much as you would like. You were unsure whether they valued you and your work. You often worried that they did not really accept you.

The remaining third of the dyads assigned to the avoidant attachment condition received the following description:

Agency in negotiation is complex. Think about a time in which you represented someone. In particular, recall a situation in which you were reluctant to depend on your client and have them depend on you. You thought they wanted to work more closely with you than you felt comfortable. You wanted to keep some distance from them.

After reading the prime, participants indicated when it happened (in one blank line) and described their key thoughts and feelings in that particular situation (in five blank lines).

Negotiation outcome. Dyads were coded “1” if they reached a decision that satisfies the principals’ interests (no deal), and “0” if they reached an ill-fated deal. Among 79 dyads, 52 dyads (65.8%) reached deals, and 27 dyads (34.2%) reached impasses.

Understanding the principal’s best interest. After negotiation, participants described why they made such a decision in their own words in blank lines. Two independent coders blind to our hypotheses read all participants’ descriptions independently and rated on a 3-point scale (0 = *did not understand the best interest*; 1 = *somewhat understood the best interest*; 2 = *fully understood the best interest*). Because participants’ descriptions varied by dyad (ICC(1) = .86, ICC(2) = .92), we averaged two coders’ ratings of both parties’ scores by dyad and used the composite score ($\alpha = .94$) as an index of understanding.

Competitiveness. Negotiating agents often assume that their principals want them to behave competitively, which affects negotiation outcomes (Carnevale, Pruitt, & Britton, 1979; O’Connor, 1997). To rule out the possibility that it is not attachment that predicts negotiation outcomes, but the competitiveness of negotiators, we controlled for the latter. After the attachment prime and before the negotiation, participants responded to two questions on a 7-point scale (1 = *not true*; 7 = *very true*): “I think there is a basic conflict of interests between my party and the counterparty”, “I feel like I am competing with a representative of the counterparty”

(e.g., Jackson & Smith, 1999) ($r = .14, p = .08$). Participants' competitiveness varied by dyad ($ICC(1) = .90, ICC(2) = .95$). Thus, we averaged both parties' scores by dyad and used the composite score as an index of competitiveness.

Results

Figure 1 depicts the percentage of dyads that reached an ill-fated deal by attachment conditions. The overall logistic regression model was significant, $Chi-square(3) = 8.82, p = .03$. With competitiveness controlled for ($p < .04$), avoidant (vs. secure) attachment was significant, $b = -1.42, Wald(1) = 4.68, p = .03$. But anxious (vs. secure) attachment was only directional, $b = -.66, Wald(1) = 1.26, p > .20$. Avoidant (vs. anxious) attachment was not different ($p > .20$). Thus, as predicted, dyads with a secure principal-agent attachment reached decisions that satisfy their principal's interest more so than did dyads with an avoidant attachment. Separate analyses by buyers' agents and sellers' agents showed the similar results.

Next, we analyzed whether participants understood the best interest of their principal. An ANCOVA, with competitiveness as a covariate ($p > .20$), showed that attachment was significant, $F(2, 73) = 10.94, p < .001, \eta_p^2 = .23$. Planned comparison showed that as predicted, dyads with a secure principal-agent attachment understood the best interest of their principal ($M = 1.37, SD = .66$) more so than did those with an anxious attachment ($M = .64, SD = .68, t(73) = 3.99, p < .001$), and those with an avoidant attachment ($M = .63, SD = .68, t(73) = 3.95, p < .001$). The latter two did not differ, $t < 1$. When understanding was entered into a hierarchical logistic regression predicting negotiation outcomes ($p = .001$), avoidant (vs. secure) attachment became non-significant ($p > .20$), suggesting that understanding fully mediated the avoidant (vs. secure) attachment's effect on negotiation outcomes. The distinct attachment conditions showed equal

levels of competitiveness, $F < 1$, ruling out the alternative mechanism by competitiveness.

Separate analyses with buyers' agents and sellers' agents demonstrated the similar findings.¹

Discussion

The key finding of our investigation was that people in securely-attached professional relationships are more likely to focus on other's interests and put aside self-interest. Our work extends attachment theory by examining the effect of distinct principal-agent attachment (a non-close attachment) on agents' negotiation performance outside the principal-agent within-relationships. We suggest that attachment theory can provide valuable insights about professional, business relationships that can inform management science.

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ENDNOTE

1. We measured the state feeling of belonging (Leary, Tambor, Terdal, & Downs, 1995) with the other agent and found equal levels of belonging across the attachment conditions, $F < 1$.

FIGURE CAPTION

Figure 1. Percentage of Dyads that Reached an Ill-Fated Deal as a Function of Attachment

