# Objectives

1. What is Reactive Devaluation?
2. What influences Reactive Devaluation?
3. How do we manage Reactive Devaluation?

## WHAT IS REACTIVE DEVALUATION?
Defining Reactive Devaluation

“A proposal can look less desirable than it otherwise would merely because a counterpart offered it. This phenomenon is known as ‘Reactive Devaluation.’”

Reactive Devaluation Research

US-USSR Disarmament Proposal Study

The Experiment
• 1986 sidewalk survey of a nuclear disarmament proposal
• Participants were variously told that the same proposal was devised by the US, the USSR, or a group of neutral strategy analysts
Reactive Devaluation Research

US-USSR Disarmament Proposal Study

The Results

- 90% supported the proposal when Reagan was the author
- 80% supported the proposal when the neutral strategy analysts were the author
- 44% supported the proposal when Gorbachev was the author

Talking Reactive Devaluation

“I have had a philosophy for some time in regard to SALT, and it goes like this: The Russians will not accept a SALT treaty that is not in their best interests, and it seems to me that if it is in their interests, it can’t be in our best interest.”

– U.S. Congressman Floyd Spence of South Carolina on the Strategic Arms Limitation Talks (SALT)
Defining Reactive Devaluation

“Reactive Devaluation in a negotiation refers to the fact that the very offer of a particular proposal or concession - especially if the offer comes from an adversary - may diminish its apparent value or attractiveness in the eyes of the recipient.”

Reactive Devaluation Research

Stanford University’s Divestment Proposal Study

The Experiment

- Stanford University students were asked to evaluate the magnitude of two proposals the university was considering for divesting of holdings in South African companies
- Students were told the university supported one of two plans or the university had not decided which plan to support

Presented by M. Ryan O’Connell | ACR 2014 | www.viaconflict.com
Reactive Devaluation Research

Stanford University’s Divestment Proposal Study

The Results

• The experiment supported the Reactive Devaluation hypothesis not because Stanford was considered an adversary but because Stanford supported one plan and not the other

• Students consistently ranked the “non-offered” plan as a greater concession from the university in both surveys and experiments

Talking Reactive Devaluation

“Please accept my resignation. I don’t care to belong to any club that will have me as a member.”

- Groucho Marx’s telegram to the Friar’s Club of Beverly Hills to which he was a member
Defining Reactive Devaluation

Reactive Devaluation, "result[s] from the dynamics of the negotiation process itself," and means "the evaluation of specific package deals and compromises may change when they are put on the table, especially if they have been offered or proposed by one's adversary."

Reactive Devaluation Research

Professor-Student Negotiation Study

The Experiment

- Participants, who were graduate students, were asked to review a scenario involving a dispute between a professor and a graduate student
- Participants then evaluated one of two offers made by the professor to resolve the dispute
Reactive Devaluation Research

Professor-Student Negotiation Study

The Results
- The experiment tied the US/USSR survey and the Stanford survey/experiment together to show that Reactive Devaluation is not dependent on a adversary but increases in magnitude when the parties’ relationship is adversarial

Talking Reactive Devaluation

“We should support whatever the enemy opposes and oppose whatever the enemy supports.”
- Chairman Mao
### The Three A’s of Reactive Devaluation

1. **Adversarial Relationships**: An option presented by an adversary is undesirable solely because it was presented by an adversary.

2. **Asymmetrical Interests**: The default assumption often made in conflicts is that of asymmetrical interests.

3. **Availability of Options**: The availability of an option affects that option’s desirability.

### Finding Reactive Devaluation

![Image of a scene from a Western film](image-url)
WHAT INFLUENCES REACTIVE DEVALUATION?

Categories of Influence

- **Perspective**
  - Fixed Pie Bias
  - Naive Realism

- **Protection**
  - Loss Aversion
  - Social Pressure

- **Preference**
  - Reactance Theory
  - Aspirational Level

Presented by M. Ryan O'Connell | ACR 2014 | www.viaconflict.com
**Perspective**

- The **Fixed-Pie Bias** is the notion that a gain for one party will correspond with an equivalent loss for the other party.
- **Naive Realism** “hold[s] that people think, or simply assume without giving the matter any thought at all, that their own take on the world enjoys particular authenticity and will be shared by other open-minded perceivers and seekers of truth.”

---

**Preference**

- **Reactance Theory** suggests “the attractiveness of options that are in danger of being lost will increase, while the attractiveness of options thrust upon someone by external circumstance or by another individual will decrease.”
- **Aspirational Level** means that the receipt of a specific concession or conciliatory proposal can alter the recipient’s aspiration or comparison level.
### Protection

- **Loss Aversion** describes, "the fact that the averseness of a given loss tends to be greater than the attractiveness of a gain of the same objective magnitude."

- **Social Pressure** suggests, "When a compromise is proposed in the context of a social or political struggle, it inevitably becomes the object of pointed debate and propagandizing."

### Spotting Bias
HOW DO WE MANAGE REACTIVE DEVALUATION?

The Mediator’s Proposal

- One of the most frequently cited techniques for managing reactive devaluation is obtaining the services of a Mediator
- Based on the literature reviewed, the mediator’s ability to make proposals as a neutral not subject to the parties’ devaluation was primary reason mediation is cited as a viable means of addressing Reactive Devaluation
**Reality Testing**

By helping parties evaluate a proposal in terms of their own interests and alternatives, a mediator may be able to counteract the tendency toward Reactive Devaluation.

-Adapted from *Beyond Winning: Negotiating to Create Value in Deals and Disputes*

---

**Concession Management**

- Creating and Ranking Concession Menus
- Discussion of Issues Prior Bargaining
- Acknowledgement with Concessions

**Presented by M. Ryan O'Connell | ACR 2014 | www.viaconflict.com**
**In Conclusion**

1. Reactive Devaluation arises from the Availability of Options, Adversarial Relationships, and the perception of Asymmetrical Interests.

2. Reactive Devaluation is influenced by several factors related to the party’s Perspective (Fixed Pie Bias & Naive Realism), Preference (Reactance Theory & Aspirational Level), and/or need for Protection (Loss Aversion & Social Pressure).

3. Reactive Devaluation can be managed through a number of techniques including: The Mediator’s Proposal, Reality Testing, and Concession Management.

**Question and Answer**

Presented by M. Ryan O’Connell | ACR 2014 | www.viaconflict.com
### References

**Defining Reactive Devaluation (Description #1)**
- Randall Kiser, Beyond Right and Wrong: The Power of Effective Decision Making for Attorneys (Springer: 2010)

**Defining Reactive Devaluation (Floyd Spence)**

**Defining Reactive Devaluation (Description #2)**
- Arno R. Lodder and John Zelenznikow, Enhanced Dispute Resolution Through the Use of Information Technology (Cambridge University Press: 2010)

**Reactive Devaluation Research: Stanford University’s Divestment Study**
- Robert Mrookin, Scott Peppet, and Andrew Tulumello, Beyond Winning: Negotiation to Create Value in Deals and Disputes (Belknap Press: 2004)
- Randall Kiser, Beyond Right and Wrong: The Power of Effective Decision Making for Attorneys (Springer: 2010)

**Defining Reactive Devaluation (Mao)**

**Defining Reactive Devaluation (Description #3)**

---

### Reactive Devaluation Research: Professor-Student Negotiation Study
- Randall Kiser, Beyond Right and Wrong: The Power of Effective Decision Making for Attorneys (Springer: 2010)

**Defining Reactive Devaluation (Mao)**

**Perspective**

**Preference**
References

Protection

The Mediator’s Proposal
- Dwight Golann, Mediating Legal Disputes: Effective Strategies for Neutrals and Advocates (American Bar Association: 2009)

Reality Testing
- Robert Mnookin, Scott Peppet, and Andrew Tulumello, Beyond winning: Negotiation to create value in deals and disputes (Belknap Press: 2004)

Concession Management
- Randall Kiser, Beyond Right and Wrong: The Power of Effective Decision Making for Attorneys (Springer: 2010)