



Can Alcohol Help You With Negotiations?

What research tells us about the art of negotiating under the influence.

In many cultures, it is customary to have a drink during a negotiation. In Russia, for example, morning meetings that include a round of vodka shots are not unheard of. In China, a business relationship usually starts with a banquet that calls for celebratory toasts. In France, it is not unusual for business lunches to involve a generous flow of local wines. While the practice of drinking during business negotiations is on the wane in the United Kingdom and especially in the United States, executives still frequently enjoy business meals that include alcohol. In Saudi Arabia or Malaysia, however, the custom dictates abstinence.

In Japan or Korea, it may be considered rude to decline a drink from your business partners, leading to potentially serious consequences. Dong-Young Kim, a fellow professor of negotiation, has an anecdote from an interview he conducted a long time ago in Korea. A government official from the Ministry of Environment went to negotiate with farmers about water quality. Wanting to assert power, the farmers waged what Koreans call a *ki* fight (*ki*, also spelt *gi* or *chi*, means energy in your body or mind). In this particular case, *soju* liquor was the “weapon” of choice in every meeting, so much so that the poor government negotiator ended up in hospital with liver problems.

Despite this cautionary tale, we don’t want to

Visit **INSEAD Knowledge**
<http://knowledge.insead.edu>

advocate abstinence (or drinking), but merely shed some light on the consequences of having a drink before or during a negotiation. You can then make an informed decision about this practical issue.

The experimental evidence

Since prior research has revealed a link between alcohol and violence, one might anticipate some negative implications. Besides invoking aggressive behaviour, alcohol has been shown to slow physical and cognitive functioning, including decision making. This, in turn, makes an intoxicated individual more vulnerable and prone to mistakes. However, alcohol also helps break the ice and dispel inhibitions, possibly leading to better relationship building. In addition, a meek negotiator who has had a drink or two may be inclined to use more assertive arguments. So, to drink or not to drink? The answer is not straightforward.

To help solve this dilemma, we referred to Schweitzer and Gomberg’s **paper**, “The Impact of Alcohol on Negotiator Behaviour: Experimental Evidence”. The researchers conducted two experiments in which they paired 42 and 50 participants, respectively, into negotiating dyads. The first study included *sober-sober* and *inebriated-inebriated* dyads. The quantity of alcohol was moderate at a target blood alcohol level (BAL) of

.06, or about two and a half glasses of beer.

Sober pairs reached better agreements (higher total point score) compared to the other pairs. Despite their lower results, most *inebriated* participants claimed that they were unaffected by the alcohol.

In the second study, the researchers isolated intoxication effects from purely expectancy ones by pairing sober and inebriated participants, neither of whom knew whether they had consumed an alcoholic or non-alcoholic beer. (Researchers used a few tricks, including running taste tests to pick ambiguous-tasting beers.) Just like in the first study, inebriated participants reported not feeling debilitated during the negotiation. However, the transcript of the negotiations (which were recorded in this instance) revealed that *inebriated* participants were more likely to use aggressive tactics in the form of insults, misrepresentations, bluffs and threats, among others. *Inebriated* negotiators also made more mistakes than their sober counterparts. However, contrary to what researchers expected, they were not less likely to ask questions than *sober* negotiators.

The assumption made in the research was that asking questions was a proxy for integrative or collaborative moves. In our opinion, measuring the number of questions asked is not enough. For example, we do not know if the sober participants asked more win-win questions such as “How can we make this happen together?” vs. more win-lose ones like “Who said so?” Such qualitative measures could have helped us understand whether *inebriated* negotiators’ questions were more aggressive and thus win-lose moves.

Interestingly, researchers found that, overall, alcohol harmed the performance of the negotiators who faced an *inebriated* partner more than it affected the performance of the inebriated negotiators themselves (-16.44 points vs. -10.80 points). Here again, information about the types of questions asked by the *inebriated* negotiator could have helped explain this surprising finding. Is it possible that inebriated negotiators intimidated their counterparty into giving more? Extrapolating further, one could even imagine that *sober* negotiators, after failing to rationally persuade their inebriated counterparty, preferred to settle for less than to lose the deal altogether.

This doesn’t mean that sober negotiators who deal with an inebriated counterparty always fare worse. Negotiator personas seem to play a role, too. For instance, sober employers who negotiated with inebriated agents still won more points, but with a much smaller differential than usual. And when both the employer and the agent were inebriated, the agent vanquished the usual employer’s edge. The

lesson here is that you shouldn’t drink for the sake of affecting your counterparty’s performance.

Bottoms up?

So the data indicate that alcohol invokes aggressive tactics, makes a negotiator more prone to mistakes and leads to lower-value deals. Given these undesirable effects, it is still not clear whether it is worth having drinks before or during a negotiation. Another **paper**, “Bargaining under the Influence: The Role of Alcohol in Negotiations”, by Schweitzer and Kerr, helps formulate some prescriptions.

Every negotiation involves three parallel processes: communication, relationship and substance. Since alcohol can help with relationship building while hindering communication and substance, the decision to consume alcohol can be based on the stage of the negotiation.

If your overall tolerance level is high and the meeting is mainly for relationship-building purposes (or if your goal is to find out as much information about your counterparty as possible), then drinking could be appropriate and maybe even helpful. If the meeting concerns discussing technical aspects, it would pay off to have a sharp mind, not only to communicate with clarity but also to counter incoming arguments. In such a case, abstinence would be the most prudent course of action. A quote from Shakespeare on drinking might help summarise these ideas: “It provokes the desire, but it takes away the performance.”

If you want to make a good impression on someone of higher rank or if the potential for conflict escalation is high, it is also advisable to avoid drinking. However, if you are the more powerful party and believe that showing a more irrational version of yourself would be beneficial to the negotiation, then a few drinks could help. That said, bear in mind that drinking alcohol does not improve the performance of the drinker, but rather reduces that of the counterparty. So this move could potentially destroy value, unless you are negotiating a zero-sum, all-or-nothing issue.

Of course, culture is another aspect to take into account. In many countries, business drinking is expected, and declining the offer could offend your host. But if you don’t drink or just choose not to, know that in most drinking cultures, partaking in the activity is often more important than the drinking itself. Therefore, participating in the important rounds of toasts without necessarily downing drinks is often sufficient to please the host in Russia or China. In Japan or Korea, you may accept a drink but leave the glass unfinished to indicate the intention not to be involved in heavy drinking... and to prevent your glass from being refilled by attentive

hosts.

If needed, you may provide legitimate reasons for abstinence, such as: You don't drink alcohol, doctor's orders, you are on antibiotics or you have stomach issues. This will help your host understand that you are grateful, but can only have one sip, one glass or nothing at all. Such reasonable arguments are accepted in most countries and situations. However, if your hosts still insist that you drink, it would be normal to become suspicious of their negotiation intentions.

Horacio Falcão is a Senior Affiliate Professor of Decision Sciences at INSEAD. He is also the programme director of **Negotiation Dynamics**, part of the school's suite of Executive Development Programmes. He is the author of **Value Negotiation: How to Finally Get the Win-Win Right**.

Alena Komaromi (INSEAD MBA '12D) is a financial services professional.

Follow INSEAD Knowledge on **Twitter** and **Facebook**.

Find article at

<https://knowledge.insead.edu/strategy/can-alcohol-help-you-with-negotiations-8776>

Download the Knowledge app for free

