

## Should I Make the First Offer?

There are two schools of thought on whether a negotiator should officially start the bargaining process by making the initial offer. One school says that you should *always* make the first offer. The other says avoid making the first offer at any cost.

Under the “always make the first offer” thinking, people believe if you throw a number that is more (or as can be the case sometimes: less) than you think the deal is worth, you will set an expectation on the party. This theory continues that the number is then “set” or “marked,” and that the other party will then change his or her expectation or begin bargaining nearer the number you desire instead of what they might have originally planned.

Often, many people are concerned about offering too little or too much at the beginning if they initiate numbers. There are ways to keep from leaving money on the table, even if forced into making the first offer. One approach is to try a *trial balloon*. A trial balloon is a safer way of making what one might consider an outrageous initial offer. For example, you believe your services are worth between \$350,000-\$400,000 and you are asked, “What do you want for this work?” You have a choice of “hem hawing” around and asking a bunch of questions to stall or you can answer with a trial balloon. A sample trial balloon response might be “Well, in the world of possibility, I’d love to have a million dollars.” This is a true statement. You would like a million dollars, even if you don’t think the deal demands it. Typically, you will be greeted with three responses. On occasion, the party will accept the deal you never thought you would have. Some people will laugh. And some will repond with an angry or exasperated “You’ll not get that in a million years” or “You know we can’t pay that much.” If you don’t receive immediate acceptance, you are in a good position to ask for a counter offer. For instance, you can respond with “I didn’t think you’d pay me that much. What did you have in mind?” or “What do you think is a fair range?”

On the other side of the coin, some folks believe you should wait and see what the other side offers first. This approach offers two benefits. One, you can make sure that you have analyzed the bargain properly. For instance, if the initial offer of the other party is much higher or lower than you first anticipated, you can determine if you need to review your position before making your counter offer. An unexpected response may signal you have not realized exactly what the deal entails or even that you and the other party are talking about different expectations. There is another reason to wait for the other side to make the initial offer. Ocassionally you are thrown a *gift* or a very pleasant surprise. A gift occurs when the other party gives you a much better opening position than you anticipate. This pleasant and surprising initial offer often comes in those negotiations that are more difficult to pin down a value or ascertain a price. For instance, if the negotiation involves services or intangibles or rests on the success or resulting benefits, the value of the bargain may vary to the extremes depending on the services offer and the results promised. One example is that many consulting projects or negotiations regarding management have more variance in pay structures and outcomes than a negotiation that concerns competing companies offering products with similar features and quality.

The problem most people face is they plan on one approach and are flustered when a party does something different than expected. The secret to good negotiation is to remain cool, calm and in control. Plan for both scenarios. Know what you will say if you are told “We’re not making the first offer. We’re not giving you a range. You should know what your services or prices are by now.” Also, plan for the surprises pleasant and unpleasant. If someone throws out an unattractive offer, begin asking questions in a *courteous* and *inquisitive* manner. “Just so I understand, what were you including when you came up with that offer? How did you get to that number? What is that amount based on?” Good negotiators remember that you can rarely ask too many questions.

Also, if you are given a much more favorable initial offer, be careful. If you immediately accept, you could find yourself with a bad result. First, the other party may realize they made a bad deal and spend the rest of the time trying to sabotage it or look for your non-compliance. Also, if the offer is totally unexpected, you may need to reanalyze what the other side expects from you or your position. Make sure you really are getting a good deal. Another reason not to take the initial offer is that it usually is not the best. People typically hold funds or something back to negotiate as a barter chip or concession. (A side observation, there are always exceptions to the “never take the initial offer rule.” For instance, some parties are willing to offer more to settle a case early into the process. Once the opposing party begins investing in litigation costs or additional evidence supports their position, the party can be much more reluctant to settle a dispute. Also, the rule is not true in most layoff packages. For some reason, the first workers to leave or take early retirement packages usually always have a better deal than their co-workers that follow a few months later.)

Negotiations, like the people who are involved, are all different. Regardless of whether you make the initial offer or not, have a plan, map your strategy and remember what your goal is. As long you get to your desired end result, stop struggling with exactly how that result was initiated.

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