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When You Don't Have an Alternative in a Negotiation, Try Imagining One

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Conventional wisdom suggests that negotiators need alternatives to succeed. Alternatives give negotiators the confidence to negotiate offers more ambitiously, to push for more optimal outcomes, and to walk away from the table when needed. But negotiators often have no alternative at all. For example, a recent survey by GMAC suggests that the average MBA graduate only has a single job offer to choose from, suggesting that many MBAs have to negotiate their job offer without an alternative to fall back on.

So what can you do if you lack an alternative? How can you walk away from the table with a better outcome?

In our recent paper, forthcoming in the *Journal of Personality and Social Psychology*, we found that negotiators can actually reap some of the benefits that alternatives typically offer by simply imagining having an attractive alternative.

The power of imagination

In earlier research we found that alternatives not only make negotiators feel more powerful, they can also serve as high or low reference points, helping to frame the negotiation. We wondered whether negotiators needed actual alternatives to get these benefits, or whether simply imagining one would be sufficient. Across seven studies, using samples of over 2,500 MBA students, online participants, and working professionals, we hypothesized that imagining an attractive alternative offer would give them a reference point and motivate them to demand more from their opponents.

In one study, 306 online participants were told to sell a second-hand CD to a potential online buyer (fictitious) and make the first offer. The participants were divided into three groups: one was told that a different buyer offered \$8 for the CD (a strong alternative); another group had no alternative offer; and the third group was told to imagine that they had secured a strong alternative – we asked them prior to the negotiation to imagine what this alternative offer would look like, what it would feel like to have this alternative, and how it would affect their upcoming negotiation. Consistent with our hypothesis, negotiators who mentally simulated an alternative made more ambitious first offers than those with no alternative — \$11.20 vs. \$8.65 – though, not surprisingly, they offered up less than those who had a strong alternative.

To assess whether the effects of imaginary alternatives carry over into more profitable final agreements, we conducted another study with 300 laboratory participants, asking them to negotiate the price of a Starbucks mug face-to-face with each other. They were grouped similarly: some had an actual alternative, some had no alternative, and others were told to simulate an alternative. We gave them an incentive to negotiate as ambitiously as they could: they could earn the money they made off the coffee mug and/or keep it.

There were two rounds in the negotiation. In the first round, all negotiators were told that the price for the mug typically ranges from €3-10 and we manipulated the presence or absence of an alternative. Participants in the actual alternative group received a strong alternative offer of €8. Participants in the imaginary alternative group did not receive this alternative offer but were told to mentally simulate having an attractive alternative first. Finally, participants in the control group neither received an alternative nor the instruction to mentally simulate one. All participants then proceeded to the next round, which involved actually negotiating. We found that

participants in the imaginary alternative group demanded more in negotiating and sold their mugs for \$1 more compared to negotiators in the control group. We also found that they performed almost as well as those with a strong alternative.

These studies show that mentally simulating having attractive alternatives may help boost your aspirations and outcomes in negotiations. This could mean thinking about what an attractive but realistic alternative offer looks like, for example, for a product you're selling or an alternative job offer before you head to the negotiation table.

Alternatives have to be good

Despite these positive effects of mental simulation, we also want to note some important caveats. Our other studies demonstrated various situations where imagining an alternative offer did not yield a better outcome or potentially even backfired. First, we found that the type of alternative simulated matters. When we asked negotiators to imagine an unattractive alternative rather than an attractive alternative, they performed much worse because doing so lowered their aspirations. This is consistent with a previous paper of ours showing that negotiators can be "weighed down" by the low anchor a weak alternative provides, setting them up to fail.

Second, we found that who is imagining an alternative matters. In a simulated job negotiation for a sign-on bonus, we had MBA students in Singapore and France either play the role of a recruiter or job candidate. We instructed either one or both negotiators to engage in mental simulation before the negotiation started and instructed one to make the first offer. We found that the benefits of mental simulation only materialized when negotiators were able to make the first offer and when their opponent did not also engage in this mental simulation. Thus, imagining an attractive alternative is particularly effective when you move first in a negotiation and when you're the only one to use this strategy.

In a final study, we found that mental simulation can also prevent agreement when negotiators' positions are difficult to reconcile, such as when their price limits do not overlap. We had sellers of a restaurant demand a higher price than buyers were able to offer. Both sides could only come to an agreement if they uncovered additional features (such as a job guarantee) that would "expand the pie." Under these situations, the more aggressive offers resulting from mental simulation made negotiators actually more willing to declare an impasse rather than come to agreement.

Although strong alternatives are important for a successful negotiation, we often need to negotiate without the luxury of having them. Our findings suggest that you can partially compensate for this lack of power by mentally simulating a realistic but ambitious alternative. The key is to have a good alternative top of mind, to make the first offer if possible, and to have walkaway points that overlap.

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