



HHL

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GRADUATE SCHOOL
OF MANAGEMENT

Beyond the first offer Decoding negotiation openings

Prof. Dr. Remigiusz Smolinski

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**The purpose of life is to search for your passion.
The meaning of life is to share it with others.**



Prof. Dr. Remi Smolinski

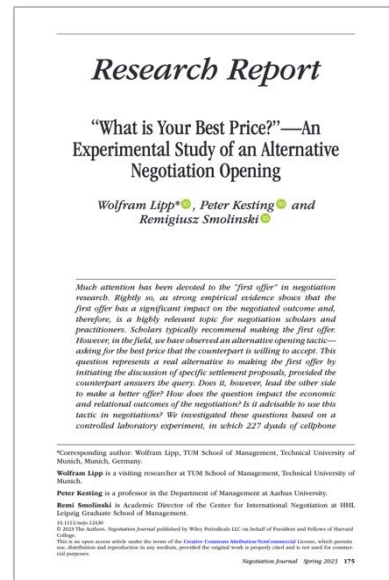
Academia

- HHL Leipzig Graduate School of Management, Ph.D.
 - Program on Negotiation at Harvard Law School
 - The Fletcher School at Tufts University
 - Dispute Resolution Research Center at Kellogg School of Management
 - Sichuan University
- IESEG School of Management, Assistant Professor for International Negotiation, Lille and Paris
- Aarhus University's School of Business and Social Sciences, Research Associate
- HHL Leipzig Graduate School of Management, Negotiation Professor
- Founder and Academic Director of the **Center for International Negotiation** and founder of **The Negotiation Challenge**

Business

- Lycos Bertelsmann, Business Development Manager, Warsaw and Gütersloh
- eBay International, Strategic Initiatives Manager
- mobile.de, Country Manager Eastern Europe, Berlin
- Otto Group, Ecommerce Corporate Development, Head of Innovation Management, Hamburg
- Commerzbank/comdirect bank AG, VP Business Development and Innovation Management, Hamburg
- Betreasury Asset Management AG, CEO, Shanghai
- Axel Springer hy, SVP, Berlin
- Innovation and Negotiation Advisor, Founder, Investor, Venture Builder, Interim Manager

Decoding Negotiation Openings is our recent research program



Wolfram E. Lipp



- Visiting researcher at Technical University of Munich, PhD student
- 14 years professional experience in Strategy Consulting and Purchasing/Category Management

Peter Kesting



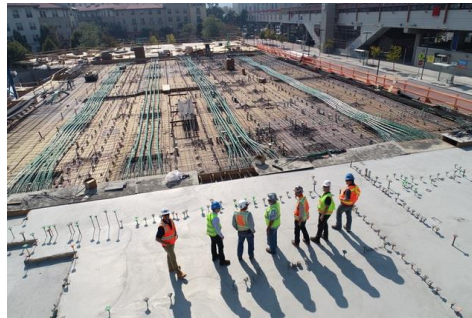
- Associate Professor at Aarhus University
 - Research focus on negotiation, innovation and philosophy of science
 - Founder of TNC and INTRA
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Experiment 1 – Let's buy a plant!



- Purchased 2 years ago for \$15m from a nearly bankrupt seller
- Appraised for \$19m 2 years ago
- Similar but newer plant sold for \$26m, 9 months ago

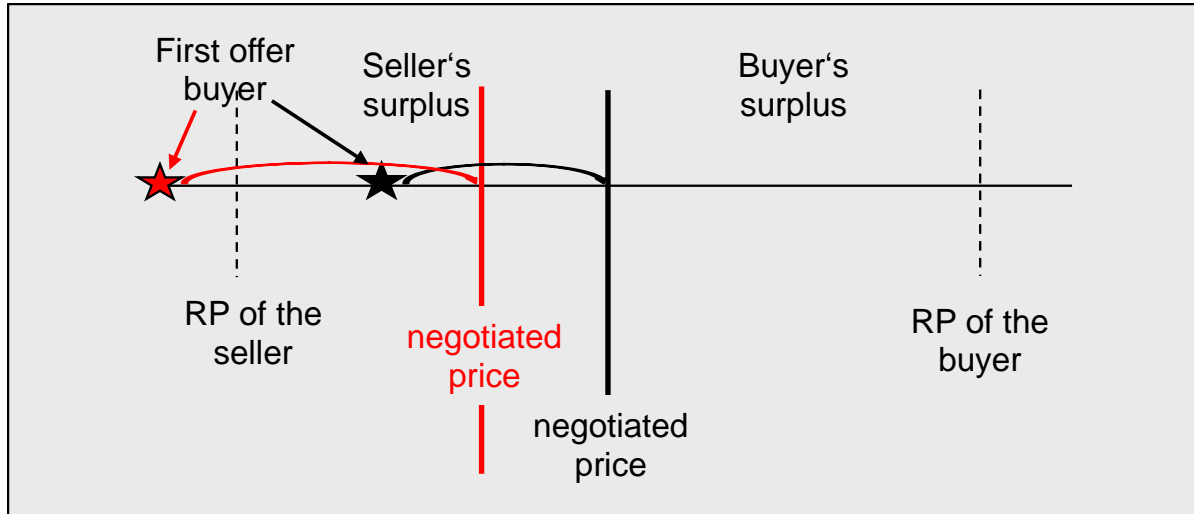
- Buyers' BATNA: \$25m – cost to build a new plant, which in an ideal case, would take at least a year to be fully operational



**What would be
your first offer?**



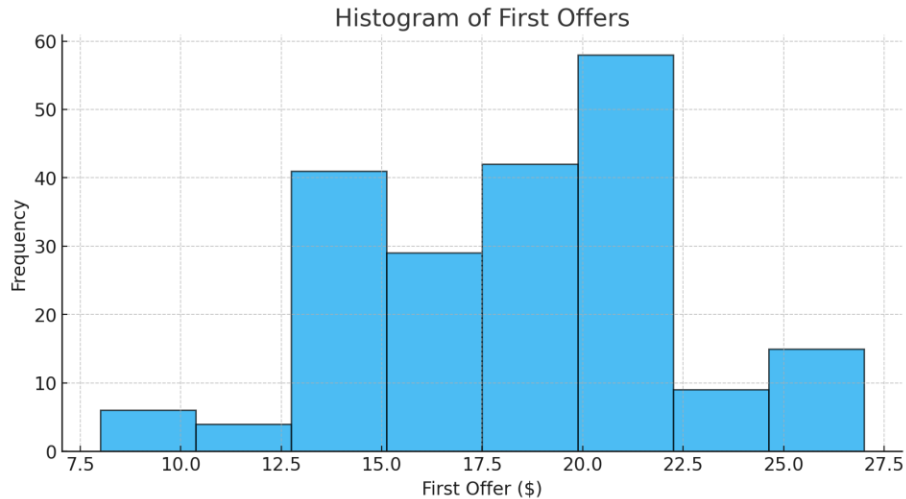
First offers have a strong impact on the results of negotiations



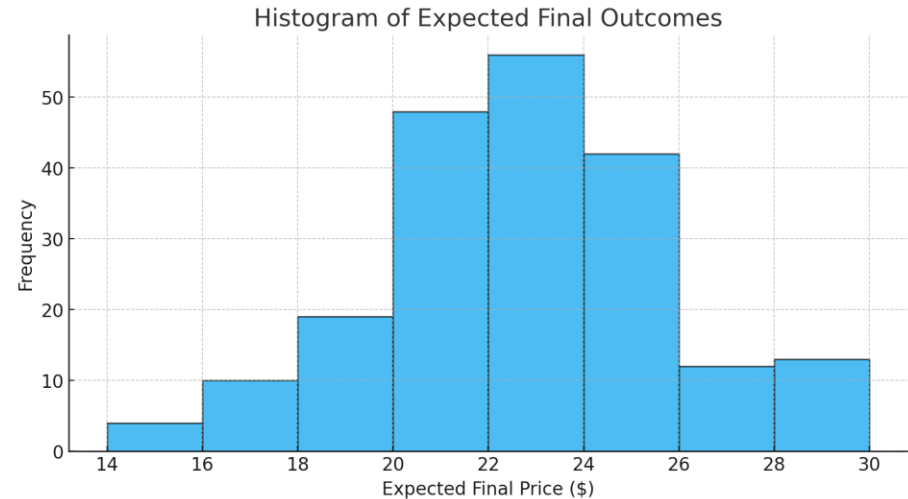
But: the higher the first offer, the higher the risk of a deadlock

Experiment 1 – Results and discussion

First offers



Estimation of final outcome



First Offer Antecedents

Determinants of First-Offer Proposer (4)

- Training (Maaravi & Levy, 2017)
- Experience (Galinsky et al., 2002)
- Power (Magee et al., 2007)
- Entitlement (Neville & Fisk, 2019)

Determinants of First-Offer Value (25)

- Expectations and Impressions Regarding Counterpart (6)
 - Other BATNA (Buelens & Van Poucke, 2004)
 - Fairness (Gächter & Riedl, 2005)
 - Perceived Wealth (Maaravi et al., 2011)
 - Humor (Kurtzberg et al., 2009)
- Own Goals and Possibilities (6)
 - Aspirations and Goals (Larrick et al., 2009)
 - Own BATNA (Schaefer et al., 2015)
- Action-Specific Knowledge (6)
 - Task Experience (Rapoport et al., 1990)
 - Professional Experience (Orr & Guthrie, 2005)
 - Preparation (Mannix & Innami, 1993)
- Gender (1) (Kray et al., 2001)
- Negotiation Context (3)
 - External Parties (Birkeland, 2013)
 - Minimum Offers (Tripathi, 2016)
- Negotiator Role (3) (Chertkoff & Conley, 1967)

First Offer Types and Characteristics

Standard First Offers (see Outcomes) (Kristensen & Gärling, 2000)

Precise First Offers (9) (Mason et al., 2013)

Multiple Value First Offers (3) (Leonardelli et al., 2019)

Simultaneous First Offers (1) (Chatterjee & Lilien, 1984)

Specially Communicated First Offers (5) (Jeong et al., 2019)

Unrelated First Offers (5) (Whyte & Sebenius, 1997)

Specially Timed First Offers (4) (Mannix & Innami, 1993)

Negotiation Process

Counteroffers and Other Immediate Reactions (11)

- Counteroffer Size (Benton et al., 1972)
- Counteroffer Effect on Outcome (Ritov, 1996)
- Other Reactions (e.g. flinching (Fassina & Whyte, 2014))

Impact on Situation Evaluation (4)

- Check of Own Aspirations (Liebert et al., 1968)
- Inferences About First Offer Sender (Srivastava, 2001)

Impact on Subsequent Negotiation Behavior (4)

- Concession Making (Bateman, 1980)
- Disclosing Information (Jeong et al., 2020)

Measures to Reduce First Offer Effect (6)

- Focus on Other Reference Points (Galinsky & Mussweiler, 2001)
- Emotions (Jung & Young, 2019)

Negotiation Outcomes

Economic Negotiation Outcomes (19)

Subjective Negotiation Outcomes (4)

- Satisfaction (Galinsky et al., 2002)
- Willingness to Negotiate in Future (Maaravi et al., 2014)

Downsides of First Offer (6)

- Impasse (Wang et al., 2008)
- Information Disclosure (Loschelder et al., 2014)

Limitations of First Offer Effect (4)

- Auctions (Galinsky et al., 2009)
- Multilateral Bargaining (Shupp et al., 2013)

Individual Factors of Negotiators (10)

- Gender (Miles, 2010)
- Culture (Ma, 2007)
- Psychological States (Shalvi et al., 2010)

Moderators and Boundary Conditions

Negotiation Context (13)

- Information (Liebert et al., 1968)
- Negotiation Type (Leusch et al., 2018)
- Negotiator Role (Weingart et al., 1990)
- Time Constraints (Srivastava et al., 2000)

Experiment 2 – Let's buy a car!



- Low mileage with approx. 50,000 km
- Market price 8,500-10,500 EUR
- Test drive was pleasant, and you would like to buy the car

Then you start the negotiation, and the seller opens it with the following statement:

I want €11,000
for the car

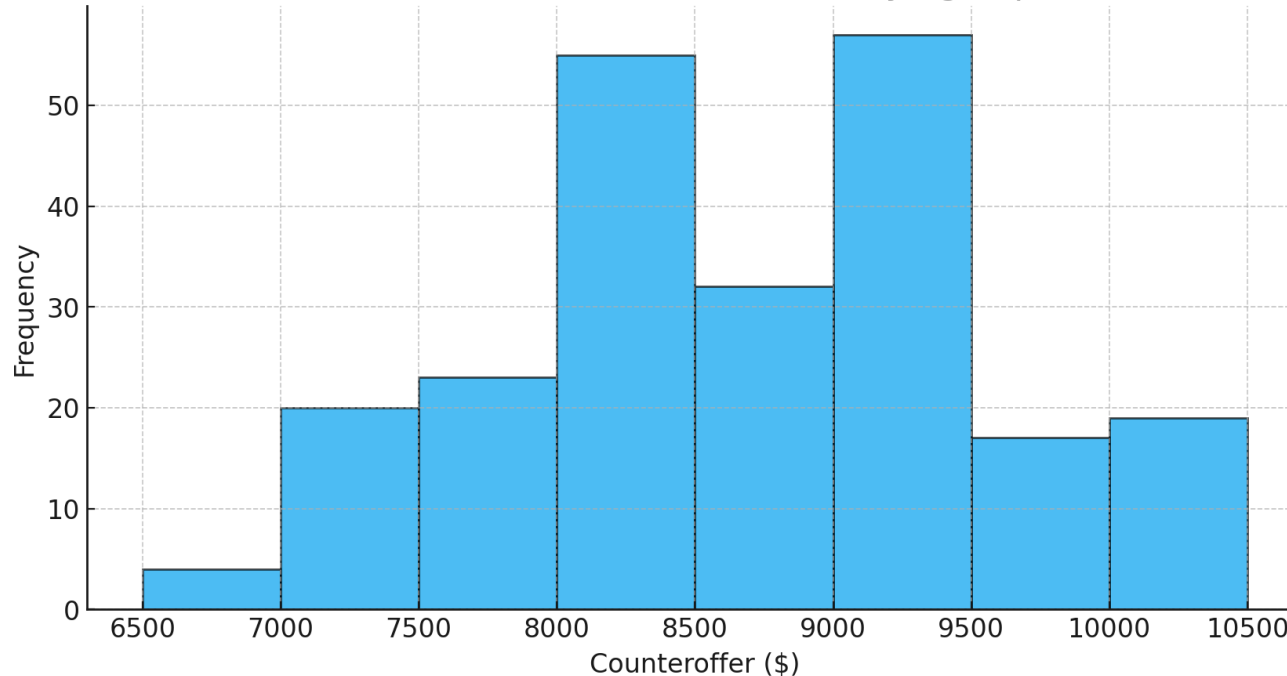


**What is your
counteroffer?**



Experiment 2 – Results and discussion

Distribution of Counteroffers in Car Buying Experiment



Findings from our recent study (Lipp, Smolinski, Kesting)



The **counteroffer predicts negotiation outcomes**, as the first offers do.¹



The **anchor zone** (distance between first offer and counteroffer) predicts the distance first offer and agreement.



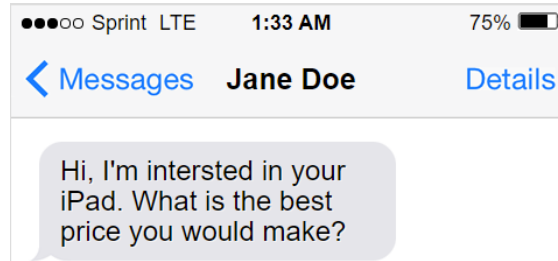
The **larger the anchor zone** (or the more pushback), the **lower the satisfaction** of both negotiators

1) Intercorrelation existing, but not problematic

Experiment 3 – Let's sell an iPad!



- Market price is between 400 and 500 EUR
- Your colleague said he would pay 420 EUR for your iPad

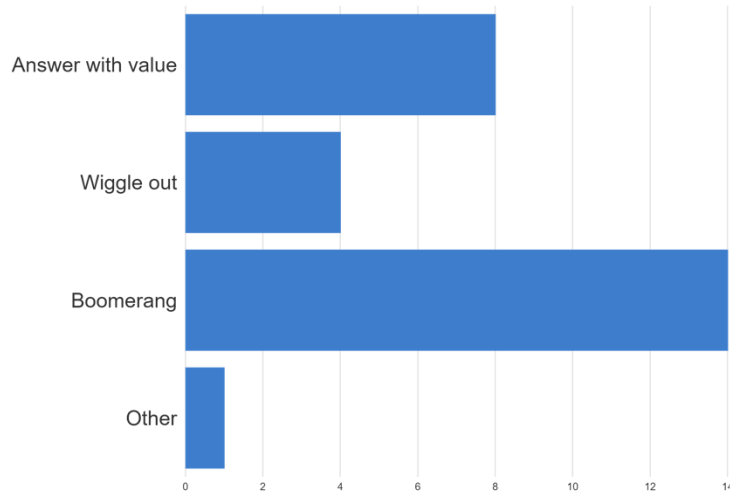


What would you answer?

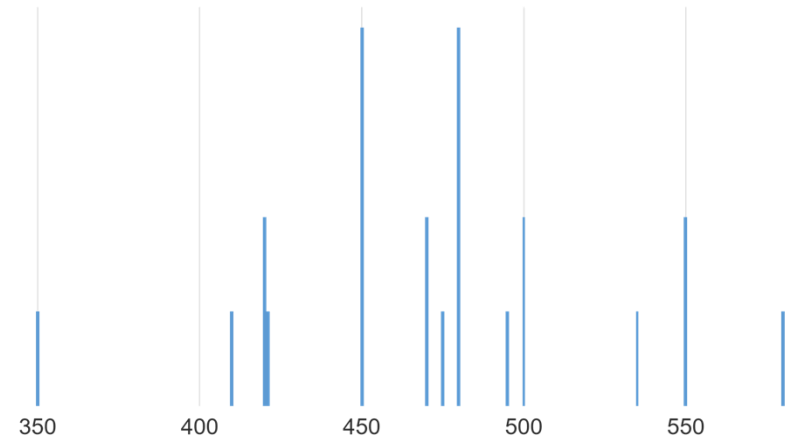


Experiment 3 – Results and discussion

Type of responses



If you had to respond with a number





Our study challenges the traditional view of offer and counteroffer

- Asking about the best price is a relevant opening tactic
 - Asking sensitive questions in negotiations leads to significant response rates
 - In many cases, the question leads to a lower initial offer from the other party
 - The question does not have any significant negative impact on the relationship
 - Is there really no significant difference in the outcome on the first offer?
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Thank you!



Remi Smolinski

Innovation and Negotiation | Professor and Advisor | Negotiator

Talks about #growth, #innovation, #negotiation, and #sustainability

Hamburg, Hamburg, Germany · [Contact info](#)

<https://remigiuszsmolinski.com/>

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