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# Delay Your Offer, Not Your Deadline



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**They may be disliked but “exploding” offers remain common corporate practice as an offer strategically delayed is, almost always, a negotiator's best bet.**

The length of a negotiation usually depends on how the parties balance their eagerness to close the deal against their desire to play the field. So-called “[exploding offers](#)” are designed to curtail courtship and secure a hasty marriage. Nevertheless [experts agree](#) they aren’t always the best way to make friends. Few people enjoy having to make an important decision - such as whether to accept a job or business partnership - under duress. Further, researchers caution that exploding offers [produce sub-optimal alliances](#), [reduce firms’ financial performance](#), and often [provoke retaliation](#). Despite these risks, they remain a favoured tactic with corporate negotiators of all stripes.

Our [recent working paper](#) helps explain this apparent contradiction. We show that there are very good reasons for recruiters, et al. to reduce their deadlines to as close to zero as they can get away with. In fact, the strategic

incentives are so strong that in a purely rational world, the optimal move would always be to make an offer that expires on the spot. There is a lone exception to the rule (see below). However, timing is everything. Rather than allowing ample time for counterparties to mull over an offer, negotiators should bide their time, waiting until the moment is ripe to place an exploding offer.

## **Modeling offers**

We constructed mathematical models of common real-world, deal-making scenarios in which two parties who could eventually come to a business arrangement, continued to scout for outside alternatives. In our model, as in life, one can't stay on the market forever. However, a mutual deal will be struck only when both parties are reasonably certain of deriving the maximum possible advantage within the time allotted for search.

The main argument in favour of extended-deadline offers, is that giving your counterparty an attractive fallback option during their search induces them to become more selective and thus less likely to take up someone else's proposal (negotiation theory terms this "search deterrence"). The problem, as our results indicate, is that longer deadlines cede to the counterparty valuable search time, without bringing sufficient payoff to the proposer. In the end, people will tend to use all the time you give them and will accept the best offer they can get, no matter when it appears. Consequently, negotiators can only crimp their own options by allowing generous deadlines.

We found that exploding offers yielded superior outcomes across variants of the model that replicated job search scenarios (where only one of the two parties was able to make an offer) as well as those that replicated partnerships, trade deals, etc. (where both agents could propose a deal). The mutual ability to make offers did not significantly change how deals played out. In these cases, the less eager party (i.e., the one with the more favourable outside options) acted as de facto proposer, unless the more eager one had the ability to make a credible ultimatum offer — in which case a deal could be struck earlier.

## **Accounting for optimism**

A key feature of the search processes is that the quality of one's alternatives changes with time. For example, the heightened interest newly listed properties attract on the real estate market tends to flatten out as the listing

ages. But given more optimistic parameters, where high-value alternatives were likely to pop up later in the game (even in small numbers), our model suggested there could be more value to be gained from deadline offers than exploding ones. In this scenario, having a deadline offer already in hand incentivises people to hold out for highly desirable but elusive opportunities set to appear later in the search, rejecting low-value offers proposed along the way.

## **Strategic delay**

While arguing persuasively for the strategic utility of exploding offers, our findings emphasise the importance of placing the offer at the right time — which typically means, with a strategic delay. There are three chief reasons why delays are advisable.

First, an exploding offer proposed too early risks rejection out of hand, if your counterparty is unwilling to forego the search process just as it's getting started. Most negotiators have a minimum intended timeframe for exploring market opportunities, and will automatically reject offers that expire before it elapses.

Second, time to search is just as valuable for you as it is for your counterparty. Pulling the trigger on an exploding offer before you've explored the options thoroughly can be as detrimental as a misplaced extended-deadline offer.

Third, it is more difficult to present a credible ultimatum right out of the gate, especially if the size of the offer betrays great eagerness. The emboldened counterparty may view you as already committed and opt to hold out for an even better offer later, from you or someone else. Failing that, they may interpret your initial offer as a fallback option that could be accepted at the eleventh hour.

## **Social acceptability**

The results of our study suggest that, assuming it's preceded by a judicious delay, the ideal offer would be one that allows no time for deliberation at all. But tactics that are impeccable on paper sometimes prove impracticable. Counterparties are liable to interpret zero-deadline offers as insulting, self-serving, and manipulative—a sour note on which to begin a business relationship. [A previous INSEAD study](#) implies that exploding offers are

more likely than extended-deadline offers to provoke bitter reprisals down the line. In addition, there are practical constraints on quick decisions - such as the need to consult one's family, administrative processing time, etc. - that must be accommodated as well.

In summary, the practical advice from our analysis is not to shrink the deadline as much as possible, but to shoot for the shortest feasible deadline that would also be socially acceptable. It may be possible to make an imminent deadline socially acceptable by providing a sensible justification, e.g. a position needs to be staffed immediately or else a vital project won't start on time. In general, sticking to the extreme low end of the standard deadline range in your field is a good rule of thumb.

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