

---

# Imagine Alternatives to Negotiate More Ambitiously



By Michael Schaerer , SMU Assistant Professor of Organisational Behaviour & Human Resources; Martin Schweinsberg, ESMT Berlin Assistant Professor of Organisational Behaviour; and Roderick Swaab , INSEAD Associate Professor of Organisational Behaviour

**Mentally simulating an attractive alternative can provide some of the advantages that real alternatives typically offer.**

Job offers are not as abundant as they used to be. A recent survey by GMAC, for example, suggests that the average MBA graduate only has a single job offer to choose from. This leaves many feeling they have to accept the offers they get because they have no alternatives. In negotiations, it helps to have a good alternative because it enables one to negotiate offers **more ambitiously**.

However, it is sometimes inevitable that negotiators will lack an alternative to fall back on. So what can they do to maximise the potential of their negotiation?

In our recent paper, “**Imaginary Alternatives: The Effects of Mental Simulation on Powerless Negotiators**”, forthcoming in the *Journal of*

*Personality and Social Psychology*, we found that negotiators can actually reap some of the benefits that alternatives offer by mentally simulating having an attractive alternative.

## **The power of imagination**

Across seven studies, we hypothesised that imagining an alternative offer causes negotiators to boost their aspirations and motivates them to demand more from their opponents. In one study, for example, 306 online participants were divided into three groups. They were told to sell a second-hand CD to a potential buyer and were instructed to make a first offer. One group was told that another buyer was offering US\$8 for the CD, which gave them a strong alternative. Another group lacked an alternative offer. The third group also lacked an alternative but was instructed to imagine what it would feel like to have one, what this alternative would look like and how it would affect their upcoming negotiation.

Consistent with our hypothesis, those who mentally simulated an alternative made a more ambitious first offer than those with no alternative. After determining that imagining an alternative gave negotiators the confidence to make more ambitious first offers, we then sought to find out whether imaginary alternatives also led to better negotiation outcomes.

We conducted another study with 300 laboratory participants who negotiated the price of a Starbucks mug face-to-face with either an actual alternative, without an alternative, or with a simulated alternative. Negotiators were also given an incentive to negotiate well because they could potentially earn the money they made and/or keep the coffee mug. There were two rounds in the negotiation. In the first round, negotiators were told that the price for the mug typically ranges from US\$3.50-11.50 and received a strong alternative offer of US\$9, or did not receive an offer from a confederate over the phone. Those who did not receive an offer were either told to immediately continue a negotiation with another buyer face-to-face or to mentally simulate having an attractive alternative first. We found that the mental simulation of alternatives made the powerless negotiators more ambitious: Not only did they demand more in their second negotiation, they also sold their mugs for US\$1 more than those who did not engage in the mental simulation. They performed almost as well as those who had a strong alternative.

Thus, applying the methods from our studies can help boost your aspirations and outcomes in negotiations. This can involve 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 negotiating table.

### **When mental simulation doesn't work**

Despite these positive effects of mental simulation, there are also some important caveats to look out for. We established various situations where imagining an alternative offer does not yield a better outcome or potentially even backfires. First, we found that the type of alternative you simulate matters. When we asked negotiators to imagine an unattractive alternative rather than an attractive one, they performed much worse because the unattractive alternative lowered their aspirations. This is consistent with our [previous paper](#) showing that negotiators can be “weighed down” by the low anchor a weak alternative provides.

Second, we found that the benefits of mental simulation did not materialise when negotiators did not make the first offer but their opponent did or when their opponent also engaged in this mental simulation. Thus, simulating an attractive alternative to boost one's aspirations is particularly effective when you also moves first in a negotiation and you are the only one to use this strategy.

Finally, we found that mental simulation even backfired when the issues to be negotiated were extremely difficult to reconcile (i.e. when negotiators' bottom lines were not overlapping). In these situations, the more ambitious offers resulting from mental simulation only made negotiators more willing to declare an impasse.

Although strong alternatives are important for a successful negotiation outcome, we often have to negotiate in their absence. Under the right circumstances, such as when the underlying interests are overlapping and when negotiators can make the first offer, mentally simulating an attractive alternative can provide some of the advantages that real alternatives typically offer.

***Michael Schaerer** is an Assistant Professor of Organisational Behaviour & Human Resources at SMU.*

**Martin Schweinsberg** is an Assistant Professor of Organisational Behaviour at ESMT Berlin.

**Roderick Swaab** is an Associate Professor in Organisational Behaviour at INSEAD.

Follow INSEAD Knowledge on [Twitter](#) and [Facebook](#).

**Find article at**

<https://knowledge.insead.edu/strategy/imagine-alternatives-negotiate-more-ambitiously>

---

**About the author(s)**

**Michael Schaerer** is an Assistant Professor at Singapore Management University.

**Roderick Swaab** is a Professor of Organisational Behaviour and the INSEAD Chaired Professor of Leadership and Conflict Resolution. He is a co-founder of the **Negotiation and Conflict Management Collaborative** and the Academic Director of INSEAD's PhD programme. He currently directs the **Advanced Negotiations** and **Negotiation Fundamentals** courses.