
In Practice

Defusing the Exploding Offer: The Farpoint Gambit

Robert J. Robinson

Situations in which offers are made with an expiration date attached are common in negotiation. In a way, all offers are inherently limited by time: One cannot, for example, leave a car dealership, return several years later, and attempt to accept the last offer made by a dealer who may or may not be employed there any longer. Obviously, the validity of an offer is affected by the passage of time. "Exploding offers" in contrast, are deliberate, calculated strategies. They are typically offered together with an extremely short, artificially-imposed time limit. Consider, for instance, the following common manifestations of this phenomenon:

- Mary is looking for an apartment in a new city, and finally finds one that suits all her needs. When she asks about the rent, the landlord says: "The rent is \$900 per month, but I tell you what — give me a check for the security deposit today, and I'll make it \$850. Otherwise it's \$900."
- John needs to buy a car. He haggles for several hours with a dealer, getting the price lower and lower. Finally an impasse is reached: John is still not happy with the price, but the dealer is unable to offer a more attractive deal. As John gets up to leave, the dealer says: "Look, it's the end of the month. If we can do this today, I'll make my quota, and that's worth another \$500 off the price to me. But if you come back on Monday, we start all over again."
- Pat is an MBA student looking for a summer job between the first and second years of the program. The school has a recognized recruitment "season" when various companies come on campus, interview students and,

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in many instances, offer summer employment. On the first day of the interviews, Pat interviews with Company X. After about 30 minutes, the Company X spokesperson says, "Well, we'd like to offer you the job," (and names a very generous salary) "but you must say yes or no right now."

Each of these examples illustrates what has become known as an exploding offer. However each case probably evokes a different affective response in the reader, and has different implications for the protagonists in the vignettes: Mary has the choice of saving \$50 per month rent but can still have the apartment if she delays until the following day; John probably will not purchase the car unless he takes advantage of the temporary \$500 concession; and Pat has the chance to get an attractive summer job — which disappears if Pat's next response is anything but acceptance of the offer. In this brief article my goal is to further refine the notion of exploding offers (the problem faced by Mary, John, and Pat) and suggest some ideas on how to deal with them, including a tactic that I call the "Farpoint Gambit."

Characteristics of Exploding Offers

Many negotiation scholars use the notion of an exploding offer in informal discussion, and the concept is directly related to analyses of the role of threats and time in negotiating. What, specifically, what makes an offer "exploding"? In my opinion, five characteristics separate "exploding" offers from offers that have naturally-decaying life spans. They are:

Power asymmetry. Exploding offers generally only exist in situations where there is a considerable asymmetry of power between the offeror and the person receiving the offer. Thus in the cases of Mary and John, one might consider the offers as tactics being used between consenting adults in relatively equal power positions, which might not arouse any sense of discomfort. In Pat's case, the situation is more ambiguous. Faced with a large company offering a choice between a job or possible unemployment for the summer, a student burdened with loans might feel great pressure to accept, as a result of the exploding offer. An even more extreme example is provided by the academic job market which is filled with newly-minted Ph.D. recipients who are looking for faculty positions. Colleges routinely make exploding offers which are the equivalent of offering a person dying of thirst a glass of water — if the person accepts right away. This leads to the second condition of concern.

A pressure-inducing "test of faith." The exploding offer often places great pressure on the person receiving the offer. This is not in itself unusual or necessarily reprehensible. However, the situation becomes more complex when the pressure is excessive, and is built on power imbalances. Thus in the case of the faculty candidate, I have personally witnessed situations where the person receiving the offer is placed under excessive pressure by the argument that "if you're one of us you'll accept now." This not only applies "normal" negotiation pressure but also raises the threat that accept-

ing later risks making the organization angry with you for “holding out.” This makes the act of attempting to negotiate further somehow vaguely (or explicitly, depending on the degree of coercion being applied) treasonable, and leaves the person receiving the offer with no option but to accept, or withdraw completely. In another situation I witnessed, excessive pressure was applied by means of an interesting variation, which consisted of offering the job to the individual, and telling them that they were the person that the company wanted above all others — followed by informing the individual that if they were unable to accept the job *that day*, the offer would be withdrawn, at least until “further candidates have been considered and interviewed for the position.”

Restricting choice. Another characteristic of the exploding offer is its use as a tool that deliberately restrict the choice of the individual. While there is an element of this factor in the case of Mary (the landlord does not want her looking at other apartments) and John (the salesperson does not want him looking at other cars), it is somewhat peripheral in both of these negotiations, which are aimed at closing a deal. In Pat's case, however, the exploding offer as a means to restrict comparative shopping *is the primary tactic*, and rests on not letting Pat get any other offers or even see representatives of other companies. In fact, it might even emerge that Company X is interviewing particularly early in order to prevent the candidates from seeing anyone else.

Lack of consideration and respect. Exploding offers involve arbitrary deadline which are unnecessarily rigid. They can create enormous hardship for individual involved, who may be called from family duties, may be forced to break leases, or may suffer other financial hardships in order to accept the offer. Appeals for flexibility and consideration are routinely ignored by the offeror, displaying an utter lack of regard for the other negotiator.

Lack of good faith. Exploding offers are sometimes because a negotiator is ambivalent about the person or proposal in question, or is using this strategy as a means of resolving internal strife within the negotiator's organization. This is a somewhat cynical viewpoint, and it is not uncommon for one side to make an exceptionally self-advantageous exploding offer. If the offer is accepted, then a fine bargain has been achieved; and if the offer is rejected, the offeror can move on to other options. The problem is that the offer, as made, was not a serious, good faith attempt to reach a settlement. Thus while Pat might be told that he or she is the candidate that Company X wants, the reality is more likely that Company X wants a warm body with Pat's qualifications, and if Pat won't accept, then an interchangeable individual will be substituted.

Why are Exploding Offers Made?

It is not difficult to understand the thinking behind the use of exploding offers, in terms of the perceived advantage this affords the offeror. The abil-

ity to impose terms and back them up with a tight time limit may force the other side to capitulate or agree before it might otherwise have done so, increasing the value of the deal for the party making the offer. In many ways, the exploding offer is the ultimate hard bargaining tactic: Party A makes a final offer and then threateningly says, "And that's good until noon tomorrow. After that, you can find another partner." In essence, the tactic defines an end to the negotiation process: An exploding offer is not only an offer in the traditional sense but is also the last offer. Rejection will automatically terminate the negotiation, and in some cases, the relationship as well.

In terms of the vignettes mentioned earlier, it is easy to understand how exploding offers can serve the interests of the offeror. In Mary's case, the landlord wants to tie in the new tenant that very day. Perhaps the landlord is going away, and wants to get the apartment filled. Or maybe she just thinks that Mary is the kind of tenant she wants in the building, and is trying to sweeten the deal. Perhaps the rent really is \$850, and the landlord is disingenuously offering the \$50 discount. Whatever the reason, it is worth \$50 per month to the landlord to commit Mary that day, rather than undergoing the opportunity cost of continuing to search for other tenants.

Similarly in John's case, the dealer may in fact be trying to meet the quota for the month, or he may be looking for a way to make a sweeter offer without undercutting the "going" price for that model car. In any event, having John leave the dealership is to be avoided at all costs, and the \$500 exploding offer is an incentive for John to stay and make the deal.

In Pat's case, Company X is presumably interviewing several MBA students over the next several days. The company must pay to have the interviewer stay in a hotel until the process is concluded. During that time, the interviewer makes offers and waits for the students to pick among several offers; if rejected, the interviewer might make another offer; and so on. How much simpler it is to tie up the first likely-looking individual the interviewer meets, and go home.

There is also another reason why the exploding offer is used. It can be a sign of offeror weakness that might be at all apparent to the recipient of the offer, but is almost always present.¹ Negotiators who use exploding offers may perceive themselves to be at a disadvantage relative to their competitors in terms of salary, conditions of sale, etc. Or they may have severe time or budget constraints. Once again, the function of the exploding offer can be either to force a quick acceptance by ending the negotiation (and thus avoiding the necessity of sweetening the deal to an unacceptably high level) or to restrict the ability of the recipient to comparison-shop, and therefore discover that the market was willing to pay at a significantly higher level.

Dealing with Exploding Offers: Try Being Reasonable First

In the tradition of *Getting to YES* (Fisher and Ury 1981), and *Getting Past No* (Ury 1991), there are a number of possibilities which exist for the individual faced with an exploding offer. Most of these involve getting away from

positional stances, in order to explore underlying interests, and to look to create value via "principled negotiation" (Lax and Sebenius 1986). It is important to realize that exploding offers can be dealt with using these techniques, especially if there is some degree of goodwill in the interaction. An exploding offer is often made by a party who believes it stands to lose out in the negotiation, or is unsure of its power. Building trust and appealing to reason can go a long way toward addressing this underlying concern, resulting in the exploding aspect of the offer being withdrawn.

For example, apartment-hunter Mary might say, "I understand you'd like a check today. Let me be honest. I really like this place, and I want to take it for \$850 a month. But I have to see a few other places. How about I call you in the morning, first thing?" This might suffice. Or in the automobile dealership case, John the customer could say, "I really appreciate the \$500 reduction. But I need to think this over. What if I call you 9 a.m. Monday? Can we make the offer good until then?" The dealer can accept, in which case the deal is still alive, or reject the counteroffer, in which case John is faced with the same decision as he had before he made the suggestion. If the dealer really wants to make a quota, a sales agreement could be drawn up, dated that day, but requiring John's agreement on Monday before it goes forward (John should probably not pony up any money until Monday).

These are relatively easy situations to resolve. However, the classic exploding offer scenario, replete with elements of hard-bargaining, cynicism, and coercion is the job offer case involving Pat, the student. Here there needs to be a real addressing of interests. My advice to students in Pat's situation is to have them point out to the organization that, since it wants its employees to be happy and productive, it is in the organization's interests to let the student feel that they have freely chosen this position as the most attractive option. The way to achieve this is to make the most attractive offer, not to constrain choice. Also, if the student is really the one that the organization wants, then the employer should be prepared to wait for that individual, rather than treating him or her like an interchangeable part.

The recipient of the exploding offer should also be prepared to make sensible counteroffers. He or she should be able to say when they *would* be in a position to accept, and to explain why this date makes sense (as opposed to choosing an equally arbitrary future time such as a week or ten days). I usually tell my students about my most enjoyable employment experience, when I was made an offer and told, in effect, "take your time deciding. You're the one we want, and we want you to do the thing that's right for you. We are here to help you make that decision in any way we can." The contrast between this kind of attitude and an exploding offer, both in terms of an individual's feelings and the likelihood of a good future relationship for the parties, should be obvious. I have academic friends who are tortured, years after accepting their jobs, with the question of what would have happened if their employers had allowed them the time to take one more interview, or await the decision of another school.

My first recommendation is, then, to engage in problem solving with respect to uncovering interests, generating and exploring options, moving to creative solutions, and emphasizing relationship issues. However, this can fail if the other party is unsympathetic, or locked into a positional or cynical stance. In such an instance, particularly if one feels that the other side is behaving in an ethically questionable fashion, I recommend the “Farpoint Gambit.”

Fighting Fire with Fire: The Farpoint Gambit

While I always recommend first attempting a “principled” or integrative solution, I believe that when such tactics prove untenable, more assertive steps need to be taken. Doing this successfully depends on understanding where the power of the exploding offer resides. Exploding offers pivot on a credible, inviolable deadline. If the deadline is violated and the negotiation continues, the credibility of the explosion (the removal of the offer) is destroyed. And if the other side has depended on this threat as a central tactic, their entire position may collapse, putting the recipient of the initial offer in a very advantageous position. The technique I recommend, which I call the “Farpoint Gambit,” is from the catalog of “hoist-them-by-their-own-petard” tools, which sometimes makes it particularly satisfying to employ.

The Farpoint Gambit derives from an episode of the science fiction television show, *Star Trek, The Next Generation*, in which the crew of the *Enterprise* (the spaceship from Earth) is put on trial by a powerful alien, “for the crimes of humanity.” (The episode is called “Encounter at Farpoint,” hence the name of the technique.) The alien creates a kangaroo court with himself as judge, and the captain of the *Enterprise* (Jean-Luc Picard), defends the human race. At a certain point, the alien judge becomes piqued by the captain’s spirited defense, and says to the bailiff, “Bailiff, if the next word out of the defendant’s mouth is anything but guilty, kill him!” He then turns to Picard and asks, “Defendant, how do you plead?” Picard thinks for a moment as the bailiff menacingly points a weapon at him, then firmly announces: “Guilty.” As the courtroom gasps (and after an inevitable television commercial break), he adds, “Provisionally.” This is essentially the Farpoint Gambit.

The alien has presented Picard with the ultimate coercive offer: Say you’re guilty or I’ll kill you. Obviously, Picard doesn’t think he’s guilty but he doesn’t want to die. The power of the threat depends on getting Picard to admit that he’s guilty — he does, but in such a way (“provisionally”) that the alien judge is compelled to ask, “And what is the provision?” Picard then proceeds to talk his way out of the jam (as always happens with television heroes), and all is well. The point is that the alien is caught in his own trap: He’s still arguing with Picard, who is still not guilty or dead. In the same way, an exploding offer can be defused by *embracing it*, using the Farpoint Gambit.

Consider again Pat's situation. Essentially, Company X is the alien, saying to Pat, "either the next words out your mouth are 'I accept,' or it's no deal." Pat can attempt to reason with the company's representative, and if that does not work either walk away, accept, or use the Farpoint Gambit, by saying, "I accept. Provisionally." The provision could be anything that takes the negotiation beyond that day, and might be things like: "provided I can meet with the person I would be working for," or "provided my coworkers prove satisfactory," or even, "provided I don't get a better offer from the companies I'm still waiting to hear from."

The key is to make requests that are completely reasonable, but which will eventually result in the deadline being violated, due to the need for further clarification, or the lack of authority of the negotiator making the offer. Once the deadline passes, the credibility of the threat is destroyed, and successive attempts to set arbitrary deadlines can be dealt with in exactly the same way. The recipient of the offer can accept at his or her leisure, or reject the offer based on an unsatisfactory resolution of the provisions of the original acceptance.

The Farpoint Gambit also works by leveraging off fractures in the other side, or the imperfections in their informational strategies. Thus in Pat's case, the company's negotiator may not be authorized to offer moving and relocation expenses, or know what the policy is on day care for children. In such situations it is extremely easy to accept "pending satisfactory resolution of these issues," and then to continue to negotiate those and other issues.

The success of the Farpoint Gambit ultimately rests on the notion that the person receiving the exploding offer can eventually withdraw from the situation if no satisfactory resolution is forthcoming, without the offeror being able (or inclined) to sanction them for doing so. While this technique is about helping people get what they want from a coercive negotiating partner, it is *not* about helping people find a way to wriggle out of commitments given in good faith when they change their minds or get a better offer.

Inevitably, some negotiations, even those resuscitated by the Farpoint Gambit, are bound to fail. However, if conditions are attached to the acceptance — and these are not, by a reasonable assessment, met — then there really is not anything the company can do when the student withdraws, or the faculty candidate accepts an offer elsewhere, although possible reputational damage should still not be overlooked. It may be that each side has as much at stake as the other, which will help to keep both reasonable — no organization wants to get the reputation for strong-arming prospective employees with techniques of dubious morality. In other cases, there may be actual legal provisions which allow the individual to withdraw within a specified time limit after accepting, such as in the case of signing an agreement to purchase a car.

The Farpoint Gambit has a further advantage: It is nonescalative (Pruitt and Rubin 1986) and non zero-sum in nature. Like the crew of the *Enterprise* in their endless quest for new frontiers, the Farpoint Gambit may force

negotiators toward improved solutions at the “Pareto frontier” (see, e.g., Raiffa 1982). It moves the parties in the “right” direction, that is, toward one another rather than apart. In this sense, the Farpoint Gambit is not as dangerous as techniques that require one side to call the other’s bluff, or see who can hold out the longest. In these latter cases, someone frequently wins, and someone loses. The Farpoint Gambit is about both sides being able to take care of underlying interests, and thus able both to “win” and get what they want, with the offeror paying a fair price.

In Conclusion: When to Use — or Not Use — the Gambit

I would strongly caution against using the Farpoint Gambit as a routine technique to gain advantage. Nothing is more frustrating and unacceptable than someone who makes a habit of taking a deal, and who then continues to impose conditions or introduce new issues. Indeed, this is the flip side of the reprehensible lowballing technique employed by shady salespersons. In pondering this, I have come up with some guidelines for situations in which I believe it is legitimate to employ the Farpoint Gambit.

Ideally, I would make sure that all three of these conditions were present before I would feel completely comfortable in using this tactic:

- If the other side is perceived by the recipient of the exploding offer to be behaving unethically, and does not respond to appeals to reason;
- the recipient is truly interested in making a deal but needs more time to make a decision; and-or
- there genuinely are issues that need clarification, which would make the difference between accepting or rejecting the deal.

The Farpoint Gambit is a technique that should not be used lightly, in a spirit of deception, or with a lack of good faith. However, in situations where the individual is trapped by the hardball tactics of an offeror who relies on an exploding offer, the Farpoint Gambit offers a means whereby the pressure applied by the other side can be turned against them, much as a judo expert can use a foe’s momentum to provide the energy which leads to the latter’s own undoing. To be sure, this is itself a hardball tactic (Schelling 1960; Deutsch 1973), and many might not feel comfortable using it. I offer the Farpoint Gambit as someone who has seen many friends, loved ones, and students put under enormous pressure, forced to make critical life decisions under unnecessarily difficult circumstances due to the callous use of power by people and institutions not operating in good faith.

NOTES

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1. Only in the case of a true monopolist, making an offer with many potential buyers, can one argue that the exploding offer is truly an act of self-serving arrogance and convenience on the part of the offeror.

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