

First offers in negotiations: Determinants and effects

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ABSTRACT

In this paper we review the literature on first offers in negotiations. We explore the determinants of who will make the first offer, how extreme that first offer will be, what effect the first offer has on the value of the final outcome, and how first offers influence post-negotiation evaluations.

KEY WORDS: First Offers, Negotiations, Bargaining

In every negotiation, someone must go first. Whether bargaining over the price of a used car, seeking agreement on a starting salary, or resolving a household dispute, all negotiators either make or receive the first opening offer. The question of whether to go first often plagues many negotiators. Should I begin the negotiation, or should I wait to hear what the other person offers? The uncertainty surrounding most negotiations and the often mixed motive nature of negotiations only complicate this issue. In such an exchange, the first offer can serve several purposes. For the recipient of the first offer, it can be the first available piece of substantive information, providing insight into the nature of the bargaining zone. For the hesitant, uncertain negotiator, the first offer can help to smooth the process and get the dance going. For the presenter, it can be a strategy for acquiring information, a message about tactics, a symbol of intent, or a valuable anchor.

First offers have powerful effects on outcomes (e.g. Chertkoff & Conley, 1967; Galinsky & Mussweiler, 2001; Van Poucke & Beulens, 2002; Yukl, 1974). Because of this power, negotiation scholars and practitioners need to know more about the antecedents and consequences of first offers. A review of the various aspects of the first offer is necessary not only because all negotiations contain a first offer. At this time a review can consolidate links between existing spheres of knowledge and lead to new questions and newly recognized links. Our purpose is to examine the determinants of the first offer and its effects on the process and outcomes of negotiations. This review will contribute to negotiation scholarship by providing a summary and analysis of important psychological and strategic processes surrounding the first offer. We intend to provide insight into the factors that may predict who is more likely to make the first offer, how extreme that offer might be, how the first offer may guide and influence the

final outcome, and how the first offer might affect evaluations of outcomes. We also examine the prescriptive question of who should make the first offer and when.

Factors Affecting Who Will Present the First Offer

In most negotiations, both parties have an opportunity to make a first offer. Sometimes, the first offer is a list price; for example, in buying a house, the seller makes the first official offer by supplying a list price. However, in this situation the first offer by the buyer can sometimes be considered a first offer. In situations where no price has yet been mentioned, we have a pure form of opportunity to present the first opening offer. What contextual factors lead one or the other negotiator to make that first offer? There are no hard and fast rules for whether a buyer or seller should be the first to step in. Inexperienced negotiators do possess beliefs about appropriate actions in a negotiation, but a content analysis of their cognitive scripts reveal no assumptions about who should make the first offer (O'Connor & Adams, 1999). We next describe some of the factors that affect who will present the first offer.

Power is one determinant of who will open a negotiation. Power in a negotiation is often determined by the strength of one's alternatives to the negotiation, by one's BATNA (Best Alternative To A Negotiated Agreement). A strong BATNA is a source of power because it allows the negotiator to be less dependent on the current negotiation to meet his or her needs. Power has been shown to activate the behavioral approach system (Keltner, Gruenfeld, & Anderson, in press); those with power experience and express more positive affect (Keltner, Young, Heerey, Oemig, & Monarch, 1998) are more extraverted (Anderson, John, Keltner, & Kring, 2001), and show a heightened sensitivity to rewards and strategies for acquiring those rewards. All of these results suggest that power should lead to action, that those with power

should take action. In negotiations this is indeed the case. Negotiators with better alternatives are more likely to make a first offer in a negotiation (Galinsky, Gruenfeld & Magee, 2002). In addition, when a negotiation is placed in a low power role (e.g., candidate in a typical job negotiation), they are less likely to make a first offer (Galinsky, Kray, & Thompson, 2003). Overall, power, defined either as the strength of alternatives or structurally, predicts who makes the first offer.

Stereotype activation is another factor that affects who will make the first offer. Gender stereotypes seem to match Raiffa's (1982) classification of effective negotiators (assertive, rational, decisive = stereotypically male) and ineffective negotiators (weak, emotional, irrational, too conciliatory = stereotypically female) (Williams & Best, 1982). Although gender has no known effect on negotiation propensity (O'Shea & Bush, 2002) and very little effect ($R^2 = .01$) on negotiating competitiveness (Walters, Stuhmacher & Meyer, 1998), a negotiator's consideration of these stereotypes can have a considerable effect on whether or not that negotiator will make the first offer. Given the perceived relationship between effective negotiator traits and gender stereotypes, simply making a negotiation diagnostic of ability is enough to activate a phenomenon known as stereotype threat (Steele, 1997). Stereotype threat is concern a person feels about confirming, as self-characteristic, a negative stereotype about one's group. When a negotiation is made diagnostic of ability women are less likely to make a first offer (Kray, Thompson, & Galinsky, 2001). Thus, although gender per se does not predict who will make the opening offer, once gender stereotypes are activated then gender becomes a determinant of who will step forward first with an offer.

Another factor that determines who will make the first offer is negotiator's past experience with making a first offer. Galinsky, Seiden, Kim, and Medvec (2002) found that negotiators who had a first offer immediately accepted spontaneously generated counterfactual thoughts. Counterfactuals are thoughts of what might have been and they represent alternative realities for past events. Counterfactual thoughts are typically expressed as conditional propositions that link an antecedent and a consequent, are often characterized by expressions of "if only...." (Roese, 1994), and are often activated when an event nearly occurred (Kahneman & Varey, 1990; Miller & McFarland, 1986) or when antecedents to that event were exceptional in some way (Kahneman & Tversky, 1982; Kahneman & Miller, 1986). Although counterfactual thoughts are often functional in that they help to specify the necessary conditions to avoid replication of previous errors (Roese, 1994), such thoughts can lead individuals to avoidance behaviors and some have suggested that counterfactual thinking and superstitious beliefs are intimately related (Miller & Taylor, 1995). If making an first offer (or an extreme first offer) appeared to lead to a poor outcome, the presenter of a first offer might focus on what might have been had he/she waited to receive the offer and these thoughts may make the person gun shy in the context of future negotiations. Galinsky et al. (2002) found just that effect. People who had their first offer immediately accepted were disinclined from making a first offer in a subsequent negotiation and this unwillingness to make a first offer varied with the amount of counterfactual thinking (Galinsky et al., 2002). Thinking about what might have been in one negotiation can influence the attitude toward making first offers in future negotiations.

Finally, we list two factors that may affect who would make the first offer. Because we have found no empirical evidence in the literature for these factors (and because making a first

offer has only recently become a dependent measure), we include information and expertise in a category of future research that needs to be accomplished. The first factor to consider is information, or more specifically, asymmetries in information across the members of the negotiation dyad. We suggest that when negotiators perceive that the other side has an information advantage, they will be disinclined to make a first offer. That is, perceived information advantage should be positively related to the probability of making a first offer. Related to information asymmetry is the question of expertise. When the expertise is specific to the item to be negotiated or the market in which the negotiation takes place, expertise could be construed as a type of information advantage. Regardless of the specific content of a negotiation, expertise may also be thought of at the procedural level; expert negotiators have intimate knowledge about the negotiating process (Neale & Northcraft, 1986). This general proficiency concerning the process of negotiations may affect the propensity to make a first offer, but it is hard to predict whether expertise will increase or decrease the likelihood. Perhaps negotiation proficiency will make people more sensitive to the conditions that lead making a first offer to have an advantage; expertise about negotiations may allow a negotiator to determine in which negotiations it is wise to make a first offer, figuring out when to use a first offer to anchor an opponent and when to wait for an offer in order to collect information. Thus, expertise may moderate the effect of information asymmetry on willingness to make a first offer.

When looking at all these factors together, the probability of making a first offer appears to be related to confidence, to a phenomenological experience of having control. If one lacks power, defined either structurally or through the available alternatives to the negotiation, one is less inclined to make a first offer. If one is threatened by the activation of a negative stereotype

about one's group, then one is less likely to make a first offer. If one is haunted by counterfactual thoughts, by thoughts of what might have been, then one is less likely to make a first offer. The fact the making a first offer can often confer a distributive advantage at the bargaining table, these variables that lessen the likelihood of making the first offer suggest one mechanism through which the negotiating advantages can become self-perpetuating.

Factors Affecting the Extremity of a First Offer

Extreme first offers can be very beneficial to those who present them, they can anchor the negotiator in one's favor (the anchoring effect of first offers will become clear when we discuss the influence of first offers on final outcomes) (Chertkoff & Conley, 1967; Galinsky & Mussweiler, 2001). However, it should be noted that extreme first offers contain an element of risk. For example, an attempt to anchor an opponent could become an inaccurate signal about the presenter's preferences and what the zone of possible agreements is and cause the receiver to terminate the negotiation. The extremity of a first offer therefore should be positively related to impasses (i.e., a situation in which the parties fail to reach a mutually acceptable agreement). In addition, extreme first offers can increase transaction costs; a less extreme first offer lessens the time to settlement by reducing the number of concessions necessary to reach agreement. Thus, if a negotiator perceives high fixed costs associated with bargaining and needs to reduce the cost of negotiating, he or she will make a less extreme first offer (Rapoport, Weg & Felsenthal, 1990). Several social psychological variables also influence the extremity of first offers.

There are multiple points within a negotiator's bargaining position, from target price—the ideal or most preferred outcome—to a minimally acceptable settlement price on which a negotiator can focus. How do these separate points influence the extremity of first offers?

Classic negotiation theory (Raiffa, 1982; Walton & McKersie, 1965), with its root in game theoretic bargaining models, focuses on negotiators' lower boundⁱ, such as reservation price, in predicting outcomes but is moot on both the role of target prices in predicting negotiated outcomes and what effect these focal points have on the extremity of first offers. Empirical evidence finds that negotiators who focus on their target prices tend to make more extreme first offers than negotiators who focus on their reservation prices (Galinsky, Mussweiler & Medvec, 2002). Power, in the form of alternatives, has been shown to affect aspirations levels in a negotiation (Pinkley, Neale & Bennett, 1994), which in turn have been show to affect the extremity of first offers. Therefore, perceived power should affect the extremity of first offers. .

Stereotypes can also affect the extremity of first offers. In a series of experiments designed to test effects of gender stereotyping on negotiation behavior, Kray et al. (2001) found that conditions designed to create stereotype threat (making the negotiation diagnostic of ability or linking stereotypically masculine traits to negotiator effectiveness) affected the extremity of first offers. Whenever stereotype threat was activated, first offers became less extreme.

Kray et al. (2001) found that stereotype reactance also affected the extremity of first offers. When stereotypically masculine traits are linked to negotiator effectiveness and the link to gender is only at the implicit level, men make more extreme first offers in their favor and women make less extreme first offers. But when this link to gender is explicitly made, when women are told that their gender confers a negotiating handicap, women react against this constraint and make more extreme first offers in their own favor. Reminding women that their gender implies limitations to their negotiating ability, led women to engage in behaviors that ran counter to the stereotype, making aggressive and extreme opening offers.

Two other factors may affect the extremity of first offers: market information and framing. We can report no studies that directly address them; therefore, we will discuss and make predictions about these factors. We hypothesized that information asymmetry may affect who makes the first offer in a price negotiation. Similarly, market information may have effects on the extremity of that offer. Reservation prices are often an indication of either available alternatives in the market or of recent transactions in the market. If a negotiator knows the range of prices for similar, proximal deals, he or she can choose an opening offer that is best for the purposes of anchoring his or her opponent. In an experiment designed to find the effects of first offers in the absence of market information Oesch and Whyte (2002) found that the best anchors were those outside the bargaining zone (above for sellers, below for buyers) but not so far outside as to be discounted or ignored by the recipient. Given this finding, we predict that negotiators with up-to-date market information will have a reasonable proxy for their opponent's reservation price and can therefore target their first offer to maximize their own gain.

Framing of potential outcomes in terms of either losses or gains has robust effects on how people make decisions (Kahnemann & Tversky, 1979). Prospect theory suggests that people are averse to losses more than they are pleased with equivalent gains. Those who frame prospects as a loss are more likely to make riskier choices than those who frame prospects as gains. In negotiations, framing manifests in behaviors such as lower demands, larger concessions, and more settlements from gain frame negotiators (Neale, Huber & Northcraft, 1987). We predict that gain frame negotiators will make less extreme first offers.

Knowledge of a negotiating opponent's frame also affects perceptions and tactics. Negotiators who know that their opponent has a loss frame are biased toward believing that their

opponent will be more cooperative. Thus, they demand more and make fewer concessions from an opponent who they believe to be in a loss frame (de Dreu, Carnevale, Emans & van de Vliert, 1994). We therefore predict that negotiators who believe their opponent to be in a loss frame will make more extreme first offers.

Effects of First Offers on Final Outcomes

First offers have a powerful effect on outcomes. Early research in negotiation established a positive relationship between the extremity of first offers and positive in simulated bargaining experiments (Chertkoff & Conley, 1967; Liebert, Smith, Hill & Keiffer, 1968). Subsequent studies revealed that extreme first offers followed by moderate concessions proved to be the most successful strategy in distributive bargaining (Bateman, 1980; Yukl, 1974). While concessions helped negotiators reach an agreement, the first offer had a more powerful effect on the final outcome because negotiators relied on it as information about their opponent's preferences (Chertkoff & Conley, 1968).

Recent research confirms these early findings. These robust effects led to further inquiry into the psychology of first offers and the effects of first offers on subsequent negotiation process. The most accepted explanation for these first offer effects is the common perceptual bias of anchoring and failure to adjust (Bazerman & Neale, 1983). An anchoring error occurs when a negotiator pays inordinate attention to an available piece of information that may not be either accurate or valuable then uses it to assimilate new information (Tversky & Kahneman, 1974). The first offer can act as a powerful anchor when a negotiator assimilates new information into a framework that relies on that first offer as a salient decision standard (Chapman & Johnson, 1999; Galinsky & Mussweiler, 2001).

Assimilative Effects of First Offers. How is that first offers influence final outcomes. The most obvious answer is that a first offer provides valuable information for understanding the other side's preferences. In particular, one's goal in a negotiation should be to achieve a final price as close as possible to one's opponent's reservation price. But often we have no information about what that reservation price might be. When an opponent opens with a first offer, the focal negotiator uses that first offer to estimate what that reservation price might be. Thus, in many cases an extreme first offer by is successful in leading to an outcome that is closer to the opponent's first offer value than to the opponent's reservation price. The final outcome is assimilated to the anchor value.

There are other cognitive underpinnings to the assimilative effects of first offers. Galinsky & Mussweiler (2001) relied on the selective accessibility model of anchoring effects (Mussweiler & Strack, 1999, 2000) to explain how it is that first offers have such a power assimilative effects on outcomes. According to this model, after being exposed to an anchor value, individuals selectively generate knowledge that is consistent with the anchor value, and it is this increased accessibility of the generated knowledge that mediates the influence of the anchor on subsequent absolute judgments. For example, Mussweiler and Strack (2000) found that when participants were given a high anchor in evaluating the price of a car, semantic knowledge consistent with high prices (e.g., luxury features, reliability, low mileage) was selectively made more accessible. Thus an opponent's first offer will lead us to selectively recruit information that is consistent with the implications of the first offer. If we are a buyer, the seller's first offer will lead the positive features of the item to become selectively more accessible and given that first offer legitimacy. Galinsky and Mussweiler (2001) found that in

control conditions whoever, the buyer or seller, made the first offer in a single issue, distributive negotiation, determined the final selling price, with higher final prices when a seller made the first offer than when a buyer made the first offer. In addition, in these conditions over half of the variance in outcomes of simulated price negotiations between experienced managers could be explained by first offers (Galinsky & Mussweiler, 2001; see also Kray et al., 2001 and Van Poucke & Buelens, 2002 for similar findings)

There appear to be a number of conditions that determine when first offers will have a powerful assimilative effect on outcomes. When information is scarce (or in Kahneman and Tversky's (1974) vernacular, when judgments are made under uncertainty) negotiators are more likely to be susceptible to anchoring; therefore, when information is scarce, first offers have the potential to act as powerful anchors. The power of first offers to anchor a negotiation ultimately depends on how that first offer is perceived and then used by the recipient of the first offer. Negotiators respond to reference points when deciding on strategy and evaluating alternatives. Examples of reference points in a price negotiation include reservation price, aspiration price, and information about recent transactions in the market (White, Valley, Bazerman & Neale, 1994). Each of these points has been shown to impact the values of final sale prices. Whereas the simultaneous manipulations of both aspiration and reservations prices across both negotiators have indicated that reservation prices are a better predictor of final outcomes, focusing on aspirations produce more beneficial outcomes via the construction and presentation of first offers (Galinsky, Mussweiler, & Medvec, 2002). Difficult, specific goals improve individual negotiator outcomes while moderate goals tend to enhance integrative agreements (Galinsky et al., 2002; Huber & Neale, 1986, 1987).

But anchoring with an extreme first offer is not universally successful. A first offer may or may not become a salient reference point and/or an anchor. Weingart et al. (1990) found differing effects for buyers and sellers. The relationship between buyers' opening offer and negotiated outcome was curvilinear whereas it was positively linear for the effect of the sellers' first offers. The curvilinearity finding suggested that whatever phenomenon was driving the effects of first offers had its limits. The power of the anchoring effect depends on how a first offer is considered by the recipient of that first offer. For example, extreme first offers have less effect than first offers close to an opponent's expected value (Chapman & Johnson, 1994). A very extreme first offer may be interpreted as an insult or may lead a recipient to believe that no agreement is possible. We next explore the factors that determine successful anchoring of a first offer.

Factors Affecting the Assimilative Anchoring Effect of First Offers. The success of an attempt to anchor a negotiation opponent depends on what that opponent thinks about that first offer. Anchors are most powerful under conditions of uncertainty or ambiguity (Fobian & Christensen-Szalanski, 1994). Several factors have the potential to alter or to remove the effects of anchor in the mind of the recipient and subsequently alter or remove the effects of a first offer on the ultimate outcome. These include negotiator focus, the framing of the initial offer, and the characterization of the issues involved in the offer. Each of these has the potential to either magnify or reduce anchoring effects depending on whether information is assimilated or perceived to be contradictory to the anchor point.

In a series of experiments, Galinsky & Mussweiler (2001) found that anchoring effects were moderated by the effects of negotiator focus. Again using the selective accessibility model

as an explanatory tool, Galinsky and Mussweiler hypothesized that the assimilative effect of first offers on outcomes could be eliminated whenever the recipient of a first offer was able to focus on information that was inconsistent with the implications of the opponent's first offer. When recipients thought about their opponent's BATNA, their opponent's reservation price, or their own target, the effect of first offers on final outcomes disappeared. One's own target and an opponent's lower bound both provide information that is inconsistent with implication of the opponent's first offer. However, when negotiators focus on information that is consistent with the implications of their opponent's first offer (their opponent's target or their own BATNA), the anchoring effect of first offers persists. The reference points, from both their own and their opponent's bargaining position, on which negotiators focus during the negotiation helps determine whether first offers positively predict final outcomes.

The first offer can affect the manner in which its recipient frames the negotiation. Whether a negotiation is framed as a loss or a gain affects final outcomes for both novice and experienced negotiators (Neale & Bazerman, 1985; Neale & Northcraft, 1986). Gain frame negotiators use an outcome reference point that is below their potential outcomes and thus consider their outcomes to be gains and concessions to be small reductions in their gains. Loss frame negotiators rely on an outcome reference point that is above their prospective outcomes and view their outcomes as losses and concessions as increases in those losses (Bazerman & Neale, 1983). Negotiators who view the bargaining session in a loss frame generally receive better outcomes in a distributive negotiation while pairs of gain frame negotiators achieve higher joint outcomes in integrative negotiations (Bottom & Studt, 1993). Of particular interest here is the influence of first offers on adoption of either a gain or loss frame.

This depends on the recipient's belief about prospective outcomes. For example, in an experiment designed to explore the role of reference points and anchors on framing, buyers who perceived an initial offer as a gain made fewer demands and bought at a higher price (Kristensen & Garling, 1997). Therefore, the initial offer itself, in relation to an outcome reference point, can anchor the recipient in a gain frame or in a loss frame and subsequently affect negotiated outcomes. Knowledge of an opponent's frame also affects negotiating behavior. In fact, practice of frame adoption, where a negotiator takes on the frame communicated by an opponent, is well documented (de Dreu, Carnevale, Emans & van de Vliert, 1994). If the first offer is an indication of the gain or loss frame of the offering negotiator, the recipient is likely to adopt this frame as well.

Finally, the composition of first offer can also affect outcomes. In multi-issue negotiations, the first offer is one of a myriad of possible combinations. In an experiment that tested the effectiveness of information exchange, O'Connor (1997) found that first offers had much more effect on the outcomes of compatible issues than did information exchange. This is an example of a recipient receiving information that confirmed his or her initial anchor, perhaps strengthening that anchor in a direction that had positive consequences. Moran and Ritov (2002) demonstrated within-issue anchors when first offers consisted of a combination of issues that could be "log-rolled" into a mutually beneficial solution. Counteroffers consisted of specific levels of individual issues that depended solely on the levels found in the opening offer. These log-rolling initial offers resulted in significantly better joint outcomes even though distributive first offers were rated as more attractive (Moran & Ritov, 2002).

It is clear that in many situations, the first offer in the negotiation has a powerful assimilative effect on outcomes. In fact, extremity of first offers will often explain over 50% of the variance in final outcomes (Galinsky & Mussweiler, 2001; Kray et al, 2001; Van Poucke & Buelens, 2002). However, reference points and reference frames have been shown to be important moderators of the assimilative anchoring effect of first offers. Thinking about reference points that are inconsistent with the implications of the first offer can neutralize their assimilative effects (Galinsky & Mussweiler, 2001) and framing and having a negotiation framed in terms of losses can lessen the assimilative pull of first offers.

Effects of First Offers on Evaluations of Negotiated Outcomes

Negotiators tend to evaluate their outcomes against reference points such as reservation price or target price (Blount, Thomas-Hunt & Neale, 1996; Galinsky et al., 2002). An opening offer can also function as a salient reference point for evaluation (Galinsky et al, 2002). If the opening offer is used as an evaluative standard, the negotiator who made that first offer may view all concessions as losses. In addition extremity of first offer can have a negative relationship with evaluations of the final outcomes. Galinsky et al. found that first offers have opposing effects on outcomes and evaluations. Extremity of first offer positively influenced final outcomes but negatively influenced evaluations. Extreme first offers can lead a negotiator to do better but leave a negotiator to feel badly about that objectively superior outcome; extremity of first offers were responsible for systematic disconnect between outcomes and evaluations.

Whereas Galinsky et al. (2002) found that extreme first offers can produce negative evaluations and dissatisfaction, Galinsky, Seiden, et al., (2002) found that wondering whether one's offer was not extreme enough could also produce dissatisfaction. They showed that the

immediate acceptance of a negotiator's first offer, an atypical negotiation sequence but one that results in higher objective outcomes (because the first offerer does not have to make any concessions), activated counterfactual thoughts that led to decreased levels of satisfaction. When a first offer is immediately accepted, the negotiator often speculates whether his/her opening offer was accepted because it was not extreme enough and he/she therefore failed to obtain value that could have been claimed.

Two other factors may predict the effects of first offers on evaluation of negotiated outcomes. The first of these is the inferences that negotiators make about their opponents. Although bargaining behavior is often primarily determined by situational constraints, negotiators often attribute bargaining behavior to dispositional factors (Morris, Larrick & Su, 1999). We predict that these (mis)attributions and their self-fulfilling nature is most likely to be influenced by the extremity of first offers. More extreme first offers are more likely to be attributed to an opponent's dispositional competitiveness or greed. Srivastava (2001) found that negotiators perceived their opponents to be more competitive if those opponents made more extreme counteroffers. This may be a side effect of anchoring; one's own first offer anchored their evaluations and attributions of their opponent's first offer. This focus on causal explanations for their opponents' behavior affected their own bargaining behavior and perceptions of fairness (Srivastava, 2001).

The other factor that may predict first offer effects on evaluations of negotiated outcomes is the primacy effect (Asch, 1946; Luchins, 1957). The order of presentation of information affects which pieces of information become most salient. Primacy refers to the tendency of people to remember information and to be most influenced in attributions and evaluations by

information presented to them first. Because first offers can be susceptible to this effect, we must consider primacy as a factor that could affect evaluations. If a negotiator feels unfairly treated by an opponent, he or she may recall instances within the negotiation process that led to the fairness judgment. The primacy effect suggests that the first offer will be readily recalled. In a parallel instance, participants in a group task were more sensitive to early fairness-related information than to later fairness-related information (Lind, Kray & Thompson, 2001).

First offers have been shown to have direct impact on negotiator satisfaction. Making more extreme first offers (which will produce positive objective effects of outcomes) and having a first offer immediately accepted will increase dissatisfaction. First offers also appear to influence attributions for an opponent's behavior and might also impact fairness-related judgments. What is noteworthy is that, whereas first offers have an assimilative effect on final outcomes, they appear to have a contrastive effect on evaluations. First offers are one mechanism that can lead to a systematic disconnection between outcomes and evaluations.

Conclusion

In this paper we have presented a review of the effect of first offers on negotiations. We have looked at what predicts who will make a first offer in a negotiation, the extremity of those first offers, when first offers will have an assimilative anchoring effect on final outcomes, and what effect first offers, the presentation and their acceptance, have on evaluations of those first offers. It is clear from this review that first offers are a critical determinant of the negotiation process.

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