

Why it's a Mistake to Offer to Split the Difference

By Roger Dawson

In this country, we have a tremendous sense of fair play. Our sense of fair play dictates to us that if both sides give equally, then that's fair. If Fred puts his home up for sale at \$200,000, Susan makes an offer at \$190,000, and both Fred and Susan are eager to compromise, both of them tend to be thinking, "If we settled at \$195,000 that would be fair, because we both gave equally." Maybe it's fair and maybe it isn't. It depends on the opening negotiating positions that Fred and Susan took. If the house is really worth \$190,000 and Fred was holding to his over-inflated price only to take advantage of Susan having falling in love with his house, then it's not fair. If the house is worth \$200,000 and Susan is willing to pay that, but is taking advantage of Fred's financial problems, then it isn't fair. So, don't fall into the trap of thinking that splitting the difference is the fair thing to do when you can't resolve a difference in price with the other side.

With that misconception out of the way, let me point out that Power Negotiators know that Splitting the Difference does not mean splitting it down the middle. Just split the difference twice and the split becomes 75 percent/25 percent. Furthermore, you may be able to get the other side to split the difference three or more times. I once negotiated with a bank that had a blanket encumbrance over several properties that I owned. I had sold one property out from under the blanket, and our contract entitled them to a \$32,000 pay-down of the loan. I offered them \$28,000. I got them to offer to split the difference at \$30,000. Over a period of weeks until this four-unit building closed, I was able to get them to offer to split the difference again at \$29,000; and at \$28,500 and finally they agreed to \$28,250.

Here's how this Gambit works:

The first thing to remember is that you should never offer to split the difference yourself, but always encourage the other person to offer to split the difference.

Let's say that you're a building contractor. You have been working on getting a remodeling job that you bid at \$86,000 and for which they offered \$75,000. You've been negotiating for a while, during which time you've been able to get the owners of the property up to \$80,000, and you've come down to \$84,000 with your proposal. Where do you go from there? You have a strong feeling that if you offered to split the difference they would agree to do so, which would mean agreeing at \$82,000.

Instead of offering to split the difference, here's what you should do. You should say, "Well, I guess this is just not going to fly. It seems like such a shame though. We've spent so much time on this proposal, and we've come so close to a price with which we could both live. It seems like a shame that it's all going to collapse, when we're only \$4,000 apart."

If you keep stressing the time that you've spent on it and the small amount of money that you're apart on the price, eventually the other people will say, "Look, why don't we split the difference."

You say, "Let's see, splitting the difference, what would that mean? I'm at \$84,000 and you're at \$80,000. What you're telling me is you'd come up to \$82,000? Is that what I hear you saying?"

"Well, yes," they say. "If you'll come down to \$82,000, then we'll settle for that." In doing this you have immediately shifted the negotiating range from \$80,000 to \$84,000. The negotiating range is now \$82,000 - \$84,000, and you have yet to concede a dime.

So you say, "\$82,000 sounds a lot better than \$80,000. Tell you what, let me talk to my partners," (or whatever other higher authority you've set up) "and see how they feel about it. I'll tell them you came up to \$82,000, and we'll see if we can't put it together now. I'll get back to you tomorrow."

The next day you get back to them and you say, "Wow, are my partners tough to deal with right now. I felt sure that I could get them to go along with \$82,000, but we spent two hours last night going over the figures again, and they insist that we'll lose money if we go a penny below \$84,000. But good golly. We're only \$2,000 apart on this job now. Surely, we're not going to let it all fall apart when we're only \$2,000 apart?"

If you keep that up long enough, eventually they'll offer to split the difference again.

If you are able to get them to split the difference again, this Gambit has made you an extra \$1,000 of bottom line profit. However, even if you can't get them to split the difference again and you end up at the same \$82,000 that you would have done if you had offered to split the difference, something very significant happened here. What was the significant thing that happened?

Right. They think they won because you got them to propose splitting the difference at \$82,000. Then you got your partners to reluctantly agree to a proposal the other side had made. If you had suggested splitting the difference, then you would have been putting a proposal on the table and forcing them to agree to a proposal that you had made.

That may seem like a very subtle thing to you, but it's very significant in terms of who felt they won and who felt they lost. Remember, the essence of Power Negotiating is to always leave the other side thinking that he or she won.

So the rule is never offer to Split the Difference, but always encourage the other person to offer to Split the Difference.

Key points to remember:

1. Don't fall into the trap of thinking that splitting the difference is the fair thing to do.
2. Splitting the difference doesn't mean down the middle because you can do it more than once.
3. Never offer to split the difference yourself; instead encourage the other person to offer to split the difference.

4. By getting them to offer to split the difference, you put them in a position of suggesting the compromise. Then you can reluctantly agree to their proposal, making them feel that they won.

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