We’ve had a few recent negotiation nightmares in our corporate real estate brokerage firm that have led to considerable losses. In my analysis, colleagues of mine made poor initial decisions, and management (myself included) threw good money after bad until the situation ultimately imploded. How can we keep these disasters from happening in the future?

The phenomenon you’re describing, *escalation of commitment*, is actually quite common. Here’s how escalation generally unfolds in negotiation:

1. A negotiator (or a team of negotiators) chooses and commits resources to a particular decision or course of action.
2. The decision fails to yield the desired outcome, yet the negotiator continues to invest resources to try to turn things around.
3. As the potential costs of failure rise, the negotiator is even more reluctant to change course. With the “sunk costs” of her investments looming large, she pours more resources into the doomed initial decision.

In organizations such as yours, escalation often occurs when negotiators single-mindedly pursue a promising business prospect. A firm might spend years planning a real estate development, for example, and ignore signs, such as a worsened economy, that the deal is unsustainable.

Why do we escalate commitment? First, whenever we commit to a decision, we begin to justify that decision to ourselves to protect our self-image. When the decision is a public one, we will be even more likely to escalate commitment to protect our public image. In fact, we begin to fear that if we reverse course, others will view us as incompetent.

Time pressure and the choices we make along the way, such as those concerning budgets and personnel, can bind us to our initial decision, making it increasingly difficult to change course. Finally, these sunk costs lead us to take irrational risks by investing more resources.

How can you and the other negotiators in your organization reduce the odds of succumbing to this trap?

1. **Set limits up front.** Before you negotiate, set a concrete, public limit on the resources you will invest in your initial decision that will be difficult, if not impossible, to override.
2. **Explore alternatives.** Pursue more than one negotiating opportunity at a time. You’ll be less likely to overcommit to one particular option if you have another promising lead.
3. **Don’t rush.** Beware of the risk of succumbing to time constraints. Whenever possible, avoid making important decisions under pressure.
4. **Get input from trusted advisers.** When you believe you may be entering into a negotiation ripe for escalation, nominate trusted advisers who were uninvolved in the initial decision to determine whether additional investments should be made.
5. **Focus on process.** Finally, to help prevent others from escalating, hold negotiators accountable not only for their outcomes but also for the quality of the negotiation process and the choices they make along the way.

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