

Understanding Negotiating Power



The landscape of power

Negotiations are unlikely to go well without clearly identified sources of power and an effective strategy to deploy them. Take control of the negotiation process, timing and outcome by putting your power to work. This e-book gives negotiators essential insights into the nature and use of negotiating power.

Sources of Power



Exploitation of Power



Success or failure at the negotiating table is driven by the prevailing power dynamic.

1. Who holds the power? 2. How much power do they wield? 3. What kind of power? 4. How, when and where is power deployed?

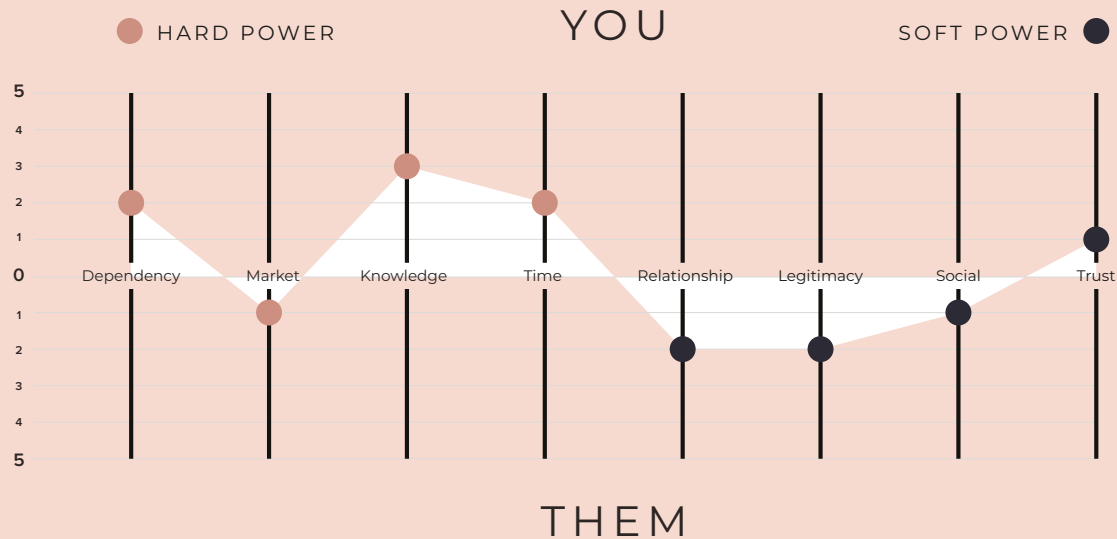
Negotiating power isn't uniform. It takes many different forms, derived from two sources, hard and soft. Hard power is tangible and real-world. Soft power is subtler, belief-driven, but just as potent. Each negotiation has a unique mix of these power types. Negotiators exercise power over their opponents through a combination of incentives and sanctions.

Explore the diagram to learn more about the landscape of power.

How Power brings Control

IDENTIFY THE POWER BALANCE

Keep control at the negotiating table and you steer the deal-making process to your advantage. Control comes from understanding and exploiting the balance of power. First, assess the power landscape and the various sources of hard and soft power. Very few negotiations are one-sided, so evaluate where you and your opponents hold power. Quantify the 'Power of You' versus the 'Power of Them' before deploying your sanctions and incentives. Remember, the power balance may shift as negotiations proceed so prepare to reassess and, if necessary, revisit your strategy.



MIND OVER MATTER

Power isn't always based on reality. Although very influential, much of soft power relies on subjective belief rather than solid fact. Some negotiators deliberately exploit their opponent's knowledge gaps to gain extra leverage. They may suggest incentives or sanctions that are unrealistic or unachievable, such as false promises of future benefits. Always take an objective view of the facts and be prepared for the occasional underhand trick or disingenuous tactic.



TAKING ON OPPONENT POWER

Managing the power balance is as much about dealing with the other party's power as it is asserting your own. Resisting your opponent's hard and soft powers require different approaches. Hard power is best countered by creating strategic alternatives, exploring new tactics or resorting to more advantageous power types. Soft power can be overcome by being aware of its source and background. Knowledge of the other party's intentions will help you anticipate and neutralise their effects.

Hard Power

Hard power is quantifiable and based upon demonstrable factors.

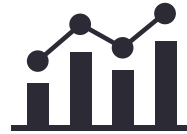


DEPENDENCY

This is the extent to which one party is dependent upon the other. You are at a disadvantage if you rely exclusively on your opponent in some way, or the only alternatives to engaging with them are high-risk. Your opponent may be critical for the future direction of your business. Switching could be dangerous, costly or complex.

EXAMPLE:

Your opponent provides a high proportion of your revenues and losing their custom could have a catastrophic effect.



MARKET CONDITIONS

The current state of the wider market or predicted future trends could be used to build a case either in your favour or against you. Considerations such as market value, volatility, growth and scale of supply or demand come into play. Specific issues such as a party's current performance versus market average could help to build or erode credibility.

EXAMPLE:

Your opponent could make excessive demands based upon their performance or market share or because of limited availability of their product /service.



KNOWLEDGE

What you (or your organisation) knows versus what your opponent knows can have a profound effect on the power dynamic. Possessing expertise or intelligence that your opponent doesn't could give you the upper hand. Equally, being better prepared and researched than your opponent will give you a clear power-advantage.

EXAMPLE:

Your opponent could secure a superior negotiating position by holding useful information about your organisation that you don't.



TIME

The time-factor is used commonly to influence the pace and outcome of negotiations. Immovable deadlines imposed by the other party could put pressure on you to concede and accept their demands. Offers of tempting incentives to be discussed on a later date can sometimes tip the balance to achieve a speedy resolution.

EXAMPLE:

Your opponent could use the amount of time already invested in the negotiation as an excuse to refuse any further change of position.

Soft Power

Soft power is less tangible and more belief-driven.



RELATIONSHIP

When your opponent holds influential relationships with your business colleagues outside the negotiating room, it can work for or against you. There may be longstanding personal relationships at senior level that ease or trump decisions made in the negotiating room. Alternatively, historic hostilities can obstruct the path to a successful deal.

EXAMPLE:

Your opponent's close friendship with your CEO could undermine your negotiating position.



LEGITIMACY

How credible are your opponents? Are their arguments logical, watertight and proven? Does their historical behaviour point to a track record of legitimate commercial activity, maintaining good relations and fair, reasonable negotiation? Perceived credibility is a powerful factor in the negotiation room, helping to set expectations and provide reassurance.

EXAMPLE:

Your opponent has a recognised history of intimidation and enforcing punitive deals that put suppliers out of business.



SOCIAL

Social context often plays a part in amplifying or suppressing a party's self-confidence in their negotiating power. Negative comparisons can isolate, demoralise and force concessions. Dominance can result from physical intimidation, high-pressure environments, superior title or elevated authority.

EXAMPLE:

Your opponent claims your negotiating position is unreasonable because no other organisation is making such demands.



TRUST

Trust is fundamental to any negotiation. The more trust that exists between parties, the fewer conditions are necessary and the faster they can reach a satisfactory agreement. Sensitive issues disclosed by one party empower the other with valuable information which could be harmful if handled indiscreetly.

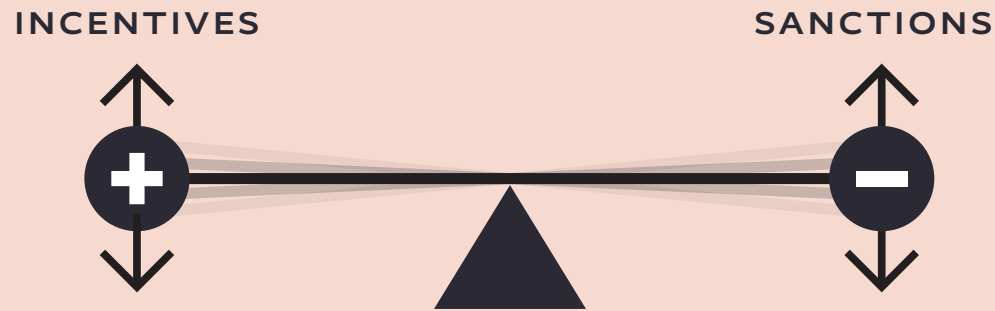
EXAMPLE:

Resolution is made quicker and easier because previous negotiations have been sincere and proved successful on both sides.

Incentives and Sanctions

THE CURRENCY OF POWER

During any negotiation, all powers on both sides remain latent until the moment they are applied as incentives or sanctions. These are the currency of power, carrots and sticks you employ to drive the deal-making process forward and secure a more successful outcome.



EXPLOIT AND NEUTRALISE

Having assessed the balance of power you are ready to decide the most effective way of exploiting your powers and disarming your opponent. Sometimes it's best to incentivise the other party, to make it easy for them to say 'yes'. Alternatively it may be better to apply sanctions that punish your opponent for non-compliance and make it difficult for them to say 'no'.

EXAMPLE: INCENTIVISE OR SANCTION?

If you have some specialist knowledge that your negotiating opponent values, you could either:

a) Threaten to withdraw the knowledge if they refuse to accept your demand

or

b) Offer a guarantee of sharing the knowledge if they agree to your demand

There are pros and cons to both approaches. Unsurprisingly, incentives are usually more welcome whereas sanctions tend to be more motivating in the short term.

WARNING OR THREAT?

Sanctions are a negative incentive, a potential penalty or deterrent. They may be interpreted as an aggressive use of power so it's important to deliver them appropriately and in line with the current tone of negotiation. When posed as a threat, a sanction is more likely to receive a confrontational response. Used as a warning, it is usually seen as more objective and reasonable.

EXAMPLE SANCTION WARNINGS:

- "If we are unable to reach an agreement today then sadly we may need to consider (Sanction X)"
- "The consequences of us not agreeing would be (Sanction X). However, as neither of us wants that, what could we do to avoid it?"

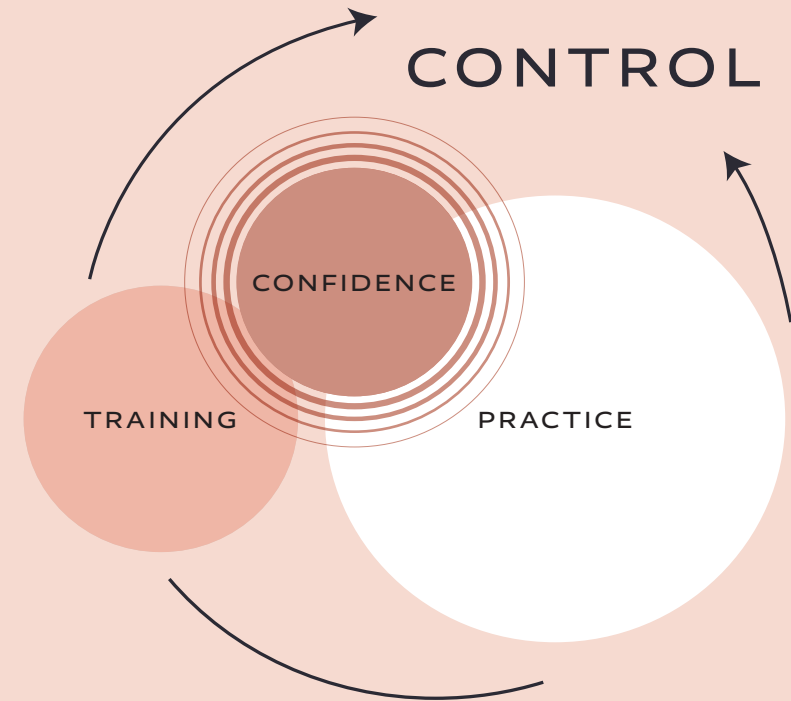
Putting Power into practice

Simply having power isn't enough, a plan is needed for deploying it at the negotiating table. Unfortunately most negotiators are far too reluctant to bring their power to the table, and as a result they do sub-optimal deals. This reluctance likely stems from two counter-productive beliefs:

1. Deploying power at the table will break relationships
2. Gunpowder is best kept dry and up your sleeve just in case it is needed

Instead, great negotiators:

1. Take control by bringing their power and objectives to the table early. This anchors momentum in their direction
2. Are deliberately gentle about how they deploy power to protect relationships
3. Know how to have a show of strength, while simultaneously keeping their powder dry. It might sound like: "Just supposing we were able to offer a better price, could you kick off the project this quarter instead of next?".



WHAT IF YOU TRULY DON'T HAVE MUCH POWER?

Sometimes it is true that you simply don't have much power, and our advice doesn't change, you should be the one in control. Imagine how poorly it might go if you handed control of the proposals over to a more powerful counterpart! When faced with little power, it is even more important to be in control by wielding the small power you have and anchoring the negotiating around your optimistic but realistic objectives.

If you must make concessions because you have no choice, recognise those concessions are a source of power and ask for something in return! Your willingness to make those concessions is your source of power and could potentially be traded for things in return.

**SCOTWORK CAN HELP
YOU BECOME A MORE
EFFECTIVE NEGOTIATOR**

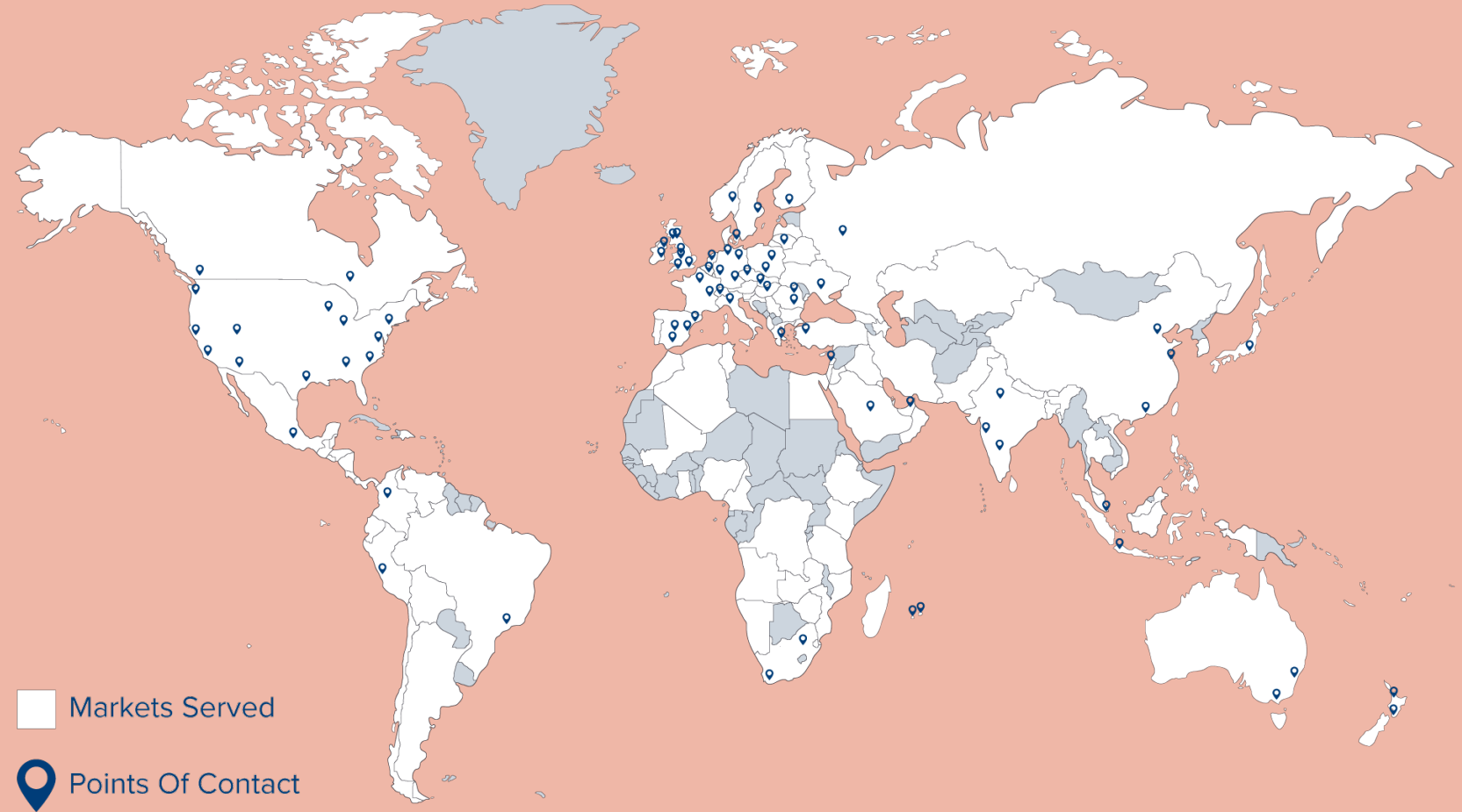
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MAKING A REAL IMPACT WORLDWIDE

Scotwork has coached hundreds of thousands of senior managers in 29 languages. We have grown into the world's number one independent negotiation consultancy, operating in 46 countries. We work with organisations large and small across all sectors. After more than 45 years we are still giving people powerful skills that transform their lives, and handing businesses more successful futures.

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Hong Kong SAR	South Africa
Hungary	South Korea
India	Spain
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Indonesia	Switzerland
Ireland	Turkey
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Japan	United Arab Emirates
Lithuania	United Kingdom
Lebanon	United States of America



Scotwork's negotiation skills courses give you everything you need to manage power effectively and become a great negotiator. Whatever your ability, age or industry background, our courses set you up for a lifetime of skills development. Join us on an open course or one of our bespoke company courses. Either way, the pace, direction and content will be tailored to your needs. Be inspired as our expert coaches take you on a personal journey of self-discovery.

Please contact us to find out more
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