

Power in business negotiations



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Introduction

Power in negotiations process has been regarded as one of the elements that contributes to, and influence the outcome of the negotiation. It is through this factor that multinational corporations and large organizations use power to get what they want in a negotiation process. This is achieved through the availability of resources and information at their disposal.

Another factor is the use BATNA (Best Alternative to a Negotiated Agreement), how best negotiating parties use their BATNA the result will be winning in a negotiation process. This essay seeks to discuss how power can disadvantage “ the underdog” in the negotiation process. The discussion will first start by defining negotiation, its characteristics and types of negotiations. Then Power and its sources. I will further on with samples from case studies discuss how power disadvantage “ the underdog”, followed by the theoretical perspectives. Last but not least the recommendations and the conclusion.

Negotiation

French (2008) defines negotiation as a process of making joint decisions when the parties involved have different preferences. On daily activities people are involved in negotiation process, it is worth noting that, because of the different preferences people have; they engaged in a negotiation process in every communication that takes place. In that, negotiation can be considered as a way of finding the best solution with others or coming to agreement in the process of decision making. This is supported by Furnham (2005) who is of the view that negotiation is one aspect of decision making which according to him it is always overlooked. Negotiation takes place

before, during and after decision making. We acknowledge that where more people engage in negotiation the more disagreements are likely to arise over diverse matters on our daily activities.

Salamon (2000) contend that negotiation applies to a particular process of dialogue between different people to resolve their differences so as to reach an agreement. Brett (2007) states that negotiation is " process by which people with conflicting interests determine how they are going to allocate resource or work together in the future". People lead negotiations to discuss different aspects of matters of life affecting them, in that way negotiation come in different forms and in different situations, and the solutions to these situations are different, therefore the strategies must be different too. The scholars shows that negotiation is a dynamic process of which two parties with different objectives will confer together to reach an agreement to reach common goal.

The characteristics of negotiation, which are common in different situations.

With reference to [http://www. pathways. cu. edu.](http://www.pathways.cu.edu)

[eg/subpages/training_courses/Negotiation%20Skills7/Chapter1. htm#1_1](http://www.pathways.cu.edu/eg/subpages/training_courses/Negotiation%20Skills7/Chapter1.htm#1_1) are as follow;

There are two or more parties

There is a conflict of interest between two or more parties

The parties negotiate because they think they can use some form of influence to get a better deal that way than by simply taking what the other side will voluntarily give them or let them have.

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The parties, at least for the moment, prefer to search for agreement rather than to fight openly, have one side capitulate, permanently break off contact, or take their dispute to a higher authority to resolve it.

When we negotiate, we expect give and take.

Successful negotiation involves the management of intangibles as well as the resolving of tangibles

Types of Negotiation

According to Lewicki and Hiam (1999), they state that there are five legitimate negotiation strategies, which are as follow;

Competitive (win-lose) – this is a strategy where the outcome is important but the relationship is not. It is a win-lose strategy used. Competitive is used if one wants to win at all costs and the negotiator has no concern about the future relationship. With regard to big companies using power to manipulate, their way in getting what they want in negotiations, this strategy will work well. As the intentions of these big corporations is to win in any given situation, and relationship seems as if not important in their thinking. In this strategy the big companies uses coercive and hostile tactics to win.

Confrontational and emotional deploy are used in driving the negotiations to their advantage. For example, during elections ruling party and opposing parties attacks each other in negotiating with people of their constituencies to convince them to vote for them.

- Collaborative (win-win) – outcomes and relationships are both important, negotiators therefore attempts at all time to maximize their

outcome on the other hand preserving the relationship. The end results are that both parties find a solution to their needs.

- Compromising (split the difference) – both outcomes and relationship are somewhat important hence the need to take each other's needs into consideration. This strategy is often used when collaboration cannot be met.
- Avoiding (lose-lose) – in this strategy either outcome or relationship are of importance. Negotiator withdraws from active negotiation.
- Accommodating (lose-win) – the outcome is not important rather the relationship. The negotiator is more concerned with keeping a good relationship with another party than achieving good results.

Power

Salacuse (2000) contends that Power is an intensely practical subject for all international negotiators, who by their very missions are intensely practical persons. With relation to the question at hand, it is important to have an overview of the concept of power and how does it disadvantage the underdog in the negotiation process and benefit those who have power.

(French, Rayner, Rees & Rumbles, 2008) are of the view that “power is the ability to get someone else to do something you want done, or the ability to make things happen or get things done in the way you want”. Looking at the point in the question at hand, that Multinational Corporation and other big organizations use power to get what they want in negotiations, it therefore, shows that power can indeed disadvantage “the underdog” in the negotiation process. That is one party is disadvantaged where the other holds formal power, there is that relative power positions in negotiations.

With this regard one can argue that the big organizations have the ability to move decisions in their desired way. This point is supported by (Wolfe & McGinn 2005) who argues that imbalances in power are evident in most relationships whether at inter-organizational level or at international level. They are of the view that the power imbalances stems from asymmetry in dependence between parties.

Sources of Power

Information sources of power / Expert Power

Having knowledge/Information that will influence the outcome of the negotiation, therefore planning and research increases information.

Power based on position

Legitimate power and resource control power are based on the position ones holds. With reference to the argument of how power can disadvantage the underdog, resources are essential tool in negotiations; therefore, if one party has control of that, then this will disadvantage another party.

Power based on personality and individual differences

(Lewicki, Barry & Saunders 2010) contend that individuals have different psychological orientations to social situations. Personal, cognitive, motivational and skills, enables one to have power.

Contextual sources of power. This refers to the fact that power is based on the context, situation or environment in which negotiation takes place. If one party is negotiating within its environment that can boost power.

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According to Wolfe & McGinn (2005) they are of the view that power imbalances are there in all levels of relationships at international level, inter-organizational or inter-personal levels. The author argues that relational theories of power vary with regard to whose perspective is considered – the target of influence, the influencing agent or both parties. Scholars hint that theories of power examine the power relationship from the perspective of target of influence. This then lead us to the fact that for one to know exactly how much power he/she has, will evaluate that during the negotiations, in that way one will be able to assess the other party at the negotiation table who are at that time the focal point of comparison. Assessing ones power accurately serves a critical social function and awareness of the distinctions from and similarities with a counterpart (Gill and Swann 2004). This is derived from subjective cost benefit analysis derived from Social exchange theory rooted from economics, psychology and sociology.

How Power can Disadvantage “ the underdog” in the negotiation Process

Having discussed on the concepts of negotiation and power, I will now show how power can disadvantage “ the underdog” in a negotiation process. As it is already mentioned in the discussion regarding power factor in the negotiation process, it is imperative to argue that power influence in decision making between parties involved in the negotiation process. (Bacharch & Lawler 1981) contend that, Power is the central determining factor in negotiation. (Lewicki & Hiam 1999), they are of the view that, the key source of power in negotiation is information. That is, the planning for the negotiation is based on the knowledge that you have about your objectives

and that of another party, with that then you will be informed enough to refute their position or support. The information must be accurate in that as a negotiator you will have more power. The other point is that of expertise, and good communication skills and resources. For example, the case study of the Conoco oils company and the indigenous people of Ecuador. This is a typical example that when a big company like Conoco had information and the resource, the company managed to manipulate and convince the government of Ecuador, that the project of drilling oil will benefit the people, hence there were some other negative consequences, which were going to affect the indigenous people. In this scenario the underdog were the indigenous people of Ecuador whose lives were going to be impacted on negatively. Power asymmetry between a stronger and weaker party. Structural analysis argues that the strongest will always win.

Multinational companies have branches in many countries, for example KFC, Ford. The advantage of having these especially in developing countries is that they bring in wealth and jobs, thus increasing the Gross National Product (GNP) and the Gross Domestic Product (GDP) of a country. However there are some problems in the sense that the jobs are often low-skilled or less paid, much of the profit made goes outside the country. The companies may also pull out if the economy of the country goes down, for example in Zimbabwe. In Botswana Hyundai pull out to set its plant in South Africa one of the reason of relocating was that Botswana has a problem of small market.

The companies are interested in making profits. Therefore, these big companies hold power in the sense that they have the resources, money in <https://assignbuster.com/power-in-business-negotiations/>

its varieties is a powerful tool in negotiation. As highlighted most of these multinational companies as they come to developing countries in their journey to make profits, they turn to use and abuse the lay people who are so desperate to make ends meet in trying to fight poverty. For example in Botswana, the Chinese building construction companies most of them win tenders from government and other organizations, but they do not produce good projects which lasts, because after they have won tenders, some of the services they out source to local companies but at a lower price and pay lower wages to its employees which are locals. Whilst they gain more profit the weaker partner suffers. The stronger side gains its power from the magnitude and diversity of its resources.

Wolfe & McGinn (2005) comment that, “ in an asymmetric relationship, in which the power balance between the parties is unequal, the relatively high-power party is likely to have his or her interests addressed during a negotiation, while the interests of the lower-power party may be ignored.” The relative power is seen in a case in South Africa where drug companies use their muscles over the poor. “ Glaxco SmithKline, Merck, Pfizer and Eli Lilly – the big four, and there are others in Europe and the U. S. almost as big – wield such enormous financial and political clout. It is a cartel and like all cartels they want monopoly power – it is a basic economic tenet that monopolies lead to higher prices which is why many governments try to break them up.” McCullum (2010). In this case the big four pharmacies do not like the idea of cheap drugs for diseases like HIV/AIDS to be imported, the attempt of the case is to block the government from importing cheap generic medicines from developing countries like Thailand. As they are more

concerned with their profit making not with the fact that poor people are dying because they cannot afford expensive drugs. The case is supposed to take place in Pretoria. (The big four and 42 pharmacies against the government of South Africa). Back at the British, Swiss, American and German headquarters of the Big Four they claim “ patent protection” for a minimum of 20 years on their intellectual property which means no generic manufacture. The argument they make is that poorer countries cannot afford even cheap medicine, and they “ donate” the drug to them. In this we see manipulation tactics used in this negotiation process. A competitive approach is used. The companies are more concerned with their win over the negotiation. It is reported that companies have spent three years and millions of American dollars preparing their case. However, one can see that in broader prospect the interest does not lie with the poor people but the big four to enrich themselves, it should be observed that these companies are from developed countries as mentioned. The case is still ongoing.

Another case study is that of ASDA(Asquith and Dairies) – it is a British retail chain store, founded in 1965. It became a subsidiary of American chain store Walmart in 1999. ASDA is the second largest store in the UK, its marketing strategy has always been based solely on low price. It has been reported that ASDA’s parent Walmart has made bid to South African retail group Massmart. It has put in a non-binding proposal.

However a memo has been leaked out that, the document lays out how to structure a meeting with suppliers’, “ Use this opportunity to take control and set the agenda. Open outrageously (include plenty of fat). The bigger the opening figure, the bigger the settlement figure.” Buyers should have

prepared “ three concessions that cost Asda nothing but will assist their trading position. Only concede if you have to. Be tactful, but be firm. A threat is only a threat if it is followed through. Remember always that we are negotiating on behalf of our customers!” Asda issued the document to buyers last year and the strategies used by major supermarkets have come under greater scrutiny. This case study shows how the giant tore like ASDA is starting to manipulate their way into the Africa market, their tactics in negotiations reflect the kind of negotiation strategy they are using, which in this scenario is the Competitive strategy (win-lose). Another factor that is over looked by Asda is the morals and ethics in the business. The misrepresentation to opponents’ network and they are more focused on their power motive over the suppliers in South Africa. As indicated ASDA’s mandate is based on low prices, therefore they will negotiate with suppliers to bring the suppliers to sell at a more lower prices so that ASDA at its end product will make more profit. Therefore, “ the underdogs” in this case are the suppliers- who are expected to sell at a lower price to ASDA, hence their profit making will be lower. The consumers are also going to buy the products at a higher price which will be costly. Contradiction to the ASDA’s mission of selling at a lower price.

Theoretical Perspective

Competitive positional negotiation/Distributive theory. In this theory the focus is on positions that conflicting parties declare. <http://internetmediator.com> comments that “ competitive negotiation strategy is, essentially, a manipulative approach designed to intimidate the other party to lose confidence in their own case and to accept the competitor’s demands.” This

happens in desperate situations like in cases where companies exploit the ordinary people by paying them lower wages. Competition experienced here is for limited resources. In this theory, power is the central argument, the recent strike of the University of Botswana staff unions over salaries is a typical example of this practice. Because of the limited resources that is the 30 million that was in debate to be shared amongst the staff in general. According to the reports made the two university staff unions formed an alliance and entered into negotiations with the management regarding the salary increment. The two parties did not agree with what the consultant's report proposed, though the management agreed with it. However, the negotiations came to stall, and the unions withdrew from negotiations and went on strike. The management used their cohesive power and threats by a no work no pay notion

The assumption of the competitive theory is that negotiation is the division of the limited resources, when one side gains the other side loss. High opening demands are made and concede slowly. This is done in such a way that the organizations, which have, power gains more than the other does.

Game theory can also be used to elaborate on the concept of power and negotiation. Corvete (2007: 185) contend that game theory is useful in understanding how to develop successful strategies, and the process is like a game in that there is some competition going on. With regard to power disadvantaging “ the underdog”, in relation to the theory; this can be seen as a game as the theory dominate the empirical negotiation predicting bargaining outcomes on negotiators utilities. Multinational corporations and other big organizations use all the utilities and in most instances they are

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able to predict the outcome that weaker parties will surrender to the outcome of the negotiation.

Summary

In summary the question that can be posed is as negotiators how do we make the playing-field level? This playing field, we refer to the negotiation process that we found ourselves or encounter on daily basis. And how do we ensure that all parties regard the process as legitimate? For the process to be regarded as legitimate the issue of ethics should be taken in to serious condition. As power in negotiation process disadvantage “ the underdog”, it is important to highlight on the issue of ethics in negotiations and its importance in its contribution in stabilizing the relationship between parties. It is of importance to acknowledge the fact that collaboration between negotiation parties is important so as to maintain a relationship after negotiations. Furthermore to note that the issue at hand is not in the power balance but in the situation at the negotiation table

Another recommendation is that multinational corporation and big organizations be able to consider and approach negotiation processes on win-win approach, so as to maintain good relationship after negotiation. Taking an example of ASDA/Wal-Mart and suppliers in South Africa. It is important for the corporation to consider their negotiation strategy and focus on maintaining relationship with suppliers, so as the intended goal of providing business in Africa can blossom hence improve the economy.

For small organization, groups or individuals it will be advantageous for them to form alliances to be able to counterpart the big companies, when it come

to negotiations, for example the case study of Conoco oil drilling company. For indigenous people to succeed in stopping the oil drill, the human rights groups and other various international environmental movements formed an alliance and opposed the plan. Salacuse (200) support this statement by commenting that the most effective way for a weaker party to increase its power at the negotiation table is to build supportive relationships with strong third parties who are not at the table. A third party in most cases is the one who has influence over your adversary in the negotiation. The other factor is to use power of competition to leverage power (Lewicki 2010). In the negotiation context a means can be made to distribute power by diffusing that one of big organizations so that negotiation environment can be conducive and accommodative hence use of good tactics can be well practiced to achieve positive negotiation outcomes.

Conclusion

Power is regarded as a tool in negotiation process to be used to disadvantage “ the underdog”. This is highlighted in the definition of both negotiation and power. The case study have been used to outline how the power is indeed used by multinational corporations and big companies in getting what they want in the negotiation process. It is important to note that the weaker party can be generally stronger than first assumed by the stronger partner, taking for example the Conoco case study that though this is a big organization, the smaller human right groups managed to stop the project. This demonstrates that the weaker party has devices and tactics at its command to augment its power and that the stronger party usually does not fully understand or appreciate the potential power of “ the underdog”.

The alliances strengthen their BATNA (Best Alternative to a Negotiated Agreement) to their opponent; small companies can find other means to diffuse the power of big organization in the negotiations. It is therefore imperative for the big organization to take this into consideration and know that they can be outwitted in their game regardless of the resources they have. The recommendation views out the issue of ethics, that by using power the underdog should not be abused or cheated in the negotiation process, therefore collaborative can be used to address the issue of resources to benefit all parties.