

How to Enhance Your Power in Negotiating

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Salespeople lament:

"Power! Are you kidding? Our customers have all the power? How can we negotiate when they're holding all the cards?"

Managers complain: "I really fell like I have no alternative but to work through X department. I mean, they're the people who are supposed to help us, and it's like trying to get blood from a stone!"

Purchase Agents ponder: "That vendor is a sole supplier. I feel powerless, that I have to put up with any price or conditions that they set. They've really got us over a barrel — at least for now!"

In numerous seminars with salespeople, managers, and others who have to negotiate for internal or external resources, we find an interesting phenomenon. Most people in approaching a conflict feel that they are in a less powerful position than the other party. In fact, Fisher, Ury & Patton in *Getting to Yes* note that "Some people seem to prefer feeling powerless and believing there is nothing they can do to affect the situation." This self-defeating attitude leads to inaction. Both parties may be interested in reaching a workable agreement, so why is there concern about being less powerful?

Actual power is difficult to assess, so most of us rely on our perception of power. This perception may be based on previous experience or situations, or lack of preparation or planning. Determining the "power balance" may affect the manner in which you negotiate. For example, if you feel that the power shift is in your direction, you may not take the time to prepare. In addition, you may treat the other party in a manner that precludes a good working relationship. If you feel the other side is more powerful, you may become discouraged at the prospect of reaching agreement, and again not plan sufficiently to fully explore a Win/Win scenario. Most of the tactical planning for a negotiation is usually done in a moving vehicle — usually at the eleventh hour before a meeting with the other side. Preparation improves our confidence level and our perception of power. But, what can you do about real power in a negotiation.

There are many misconceptions about the relationship between power and Win/Win. For example, one author asserts: "When you destroy the guy across the table, that's negotiating. When you make him thank you for it, that's POWER!" From our point of view, Win/Win is not only a function of both parties meeting their underlying needs, but also the relationship is sustained or improved in the process. Thus, HOW you negotiate as well as WHAT you negotiate affects the outcome — Win/Win, Win/Lose, or Lose/Lose.

Here are some ideas to help you evaluate and expand your power in negotiating. Keep in mind one simple rule —

In negotiating, power is a function of alternatives.

What alternatives? Think of alternatives on three levels:

- **Alternative Sources,**
- **Alternative Currencies,**
- **Alternative Skills (Behaviors)**

Consider these levels as cascading. In other words, explore Alternative Sources first. Having exhausted that category, develop your list of Alternative Currencies. Finally, consider what Alternative Skills and Behaviors you could use to maximize your power in presenting alternative currencies, or in brainstorming other alternative solutions with the other party.

POWER IN ALTERNATIVE SOURCES

Needs versus Wants

First, what is your basic need? — not what you **want** but the **need** that must be satisfied. To paraphrase Mick Jagger “You can't always get what you want, but if you try....., you can get what you need”. The first mistake in negotiating is to equate needs and wants. For example, you want a new car. In shopping car dealerships, you focus on a certain make and model, and you may discover that there are a number of dealers in your geographic area who handle this car. There is no sole source. Now you are confident that you do not have to take the first deal. This is the first step in discovering your power in alternative sources. Fisher and Ury suggest looking for “BAT-NA”s — Best Alternative To a Negotiated Agreement — with the other party.

Alternative Sources of Supply

But, don't stop here — push your thinking. Develop alternative sources of supply. Even if you are in love with a specific make, model, color, design etc. there are others new cars you could select. In fact, you might even consider a used car. Is the “status quo” as an option? Do you really “need” a new car? What is the problem that purchasing a new car solves? — reliability, status, etc. Let's step back a moment and focus on the real need. The underlying need could be as simple as reliable transportation. When reduced to this elemental term, we can expand the list of alternatives even further — public transportation, bicycle, roller blades, car pooling, or motorcycle. What steps could you take to make the “status quo” a more viable option?

In a similar fashion, the car dealer has alternatives as well — other customers who might purchase the same car you want. Consider the situation of the Mazda Miata. When Mazda introduced the two-seater Miata in 1989, it represented the only vehicle of its type in the price range. Those who tried to buy (at any price) were placed on dealer waiting lists. Mazda was sole source — high power. This represented a virtual “take it or leave it” position. Now, with the introduction of similar models, you are in a much better position to negotiate.

In most retail sales situations in the US the supplier adopts a “take it or leave it” position. Here's the price clearly marked on the tag. Why? Because retailers have alternatives — customers to purchase the products and services they offer. As Cohen says, “everything is negotiable”. But, in many situations the other costs are more important. For example, if a grocery

store negotiated every food purchase, the lines would never clear the registers. You could negotiate with a news vendor for the Wall Street Journal. You: “I’ll give you 50¢.” Vendor: “No way, the price is 75.” “OK, how about 60.” “Get lost!” Meanwhile, you’ve just spend over a minute on a transaction that should have taken 10 seconds. If you make \$100K a year, that conversation cost you about 80¢ and you still have to buy the paper for 75¢. Was it worth it?

Let’s take an example of an internal negotiation. A distribution manager want to update a computer system to more effectively manage product distribution. In approaching the MIS department, the manager is told to “get in cue with the rest of the users, there is a six month backlog of work orders.” The MIS manager has lost people and budget in the last consolidation. What are the distribution manager’s alternatives? First, what is the underlying need? — information to leverage distribution efficiency. The manager should ask “are there any other ways I could get this information? — Yes, I could fax or phone to get the information, but that would be time consuming and inefficient. Not a viable alternative. Other sources of programming services might be other departments, outside vendors, or even a ‘packaged program’.

Picture a continuum with one end labeled “Most Viable Alternative” (MVA), and the other end — “Least Viable Alternative” (LVA).

MVA _____ **I** _____ **LVA**

Certain options may require more resources on your part to ensure a successful outcome. While at the same time, you may have to consider adjusting your expectations. For example, the manager above may find an outside firm to do the computer programming but it would take six months to get them up to speed on the current system before they could make the necessary upgrades. In addition, there may be an organizational proscription about using outside consultants when there are internal resources.

Sales people, especially in major account situations, often find themselves selling to one or two customers. With fewer alternative sources they really have to rely on creative uses of currencies. In any case, once you have exhausted the “Viable Alternative” sources for satisfying your need, the next step involves assessing your alternative currencies.

POWER IN ALTERNATIVE CURRENCIES

Currencies are tangible or intangible resources that are perceived to have value by the receiving party. When assessing the potential value of a currency keep in mind that currencies tend to have value in proportion to how well they satisfy the needs of the other party. Liquid currencies of fixed value — money — can more easily be valued and therefore are considered more powerful. However, if you explore the underlying needs of the other party and discover alternative currencies, there is a much higher chance of reaching a win/win agreement.

As we demonstrated in Chapter 4: *Currencies of Exchange*, the best possible outcome involves identifying “elegant currencies” —HI VALUE to the other party, LOW COST to you. Creativity in identifying different currencies is often called “expanding the pie”. In general, as the number of available currencies increases so does your power. Since these alternative currencies appeal to the needs of the other party, there is also an increased likelihood that a Win/Win Agreement can be reached.

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Just to review briefly, currencies of exchange are synonymous with resources, as shown below. They can be tangible (money, equipment) or intangible (recognition, time)

Financial - salary, bonus, overtime, budget, money

People - loan of personnel, your own willingness to participate as a "pair of hands"

Information - often referred to as a power source.

Technology - expertise, knowledge of IT solutions.

Equipment - use of your own equipment/facility, agreement to use external source

Time - willingness to extend a deadline, swap with something or someone else, agree to use some of your own time to contribute

Recognition - formal award, willingness to give credit or acknowledgment, praise about an employee given to his/her manager

Sales people often find themselves locked in a battle over price, and regard making a pricing concession as the only way to break the deadlock. In many cases, they miss opportunities to score points with a customer because of "currency myopia". A seller may have premiums or other currencies which are of no cost to them or their company. In fact, some may even be beneficial to both parties. For example, an account manager for a telecommunications firm may offer technical consulting to a customer during a negotiation. The telecom company has technical consultants on staff, so there is no additional cost in using them. And, the customer could use the technical assistance. The hidden value may not be obvious. By providing in-depth consultation, the telecom company can gather useful information about the customer's business and use the information in similar business applications. In addition, the customer wins because the on-site help ensures the best technical application for the company.

Brainstorm with your colleagues or a friend all the possible goods or services you could offer. For example, in a real estate transaction, a colleague was relocating and had chosen a perfect suburban home. The price was just out of reach, and the sellers would not reduce it. So, instead of giving up, he discovered that his new company would pay for a rental for up to three months until his family could find adequate housing to purchase. He paid the price he wanted for the house and the sellers got the revenue of the three month lease — a true Win/Win.

POWER IN ALTERNATIVE SKILLS (Behaviors)

You can enhance your power in a negotiation by using a variety of skills and behavior to improve the relationship. HOW you negotiate is as important as WHAT you negotiate. A skillful and flexible negotiator can often overcome other power disadvantages. For example, if you can present a proposal or currency in several ways or in a unique way, you can change the value of that currency in the other's eyes. It is not only having the currency that is important, but also how you position it so that the other side will appreciate and value it.

A specific example may help. A full-service compensation and benefits consulting firm was negotiating an agreement with a large client to revamp their employee benefits plan. The client balked at the high price tag for the "communications package" (\$50,000) which included brochures, videotapes, presentations, and other media to communicate the message to the employees about the changes to the company's benefit plan. Normally, the consultant would react by defending the price or making a modest concession. However, by skillfully asking the right questions, the consultant discovered that the last time a change like this occurred, the human re-

sources staff dedicated three months to the effort. By further probing, the consultant determined that the presentations did not go well and resulted in many unanswered questions. In the final analysis, the HR function had to install a special hot line with a full-time staff person to respond to inquiries. The consultant then worked up the figures of what this roll-out actually cost. The company realized the bargain they were getting for the communications package at the price in the proposal and accepted that offer. By refining your skills of when to “tell” and when to “ask”, you can increase your flexibility and your power.

The Power of the Relationship

Without question, developing a good working relationship with the other party can do a great deal to ensure a Win/Win agreement. Fisher, Ury and Patton refer to this as the “power of commitment”. We have encountered numerous situations where the “best price” was not the driving criteria for a successful outcome. In many cases, the strength of the relationship can overcome differences between one deal and another. In all probability, you have had the experience of buying some item or even hiring someone, not because they were the cheapest or the best, but because of the high level of trust between the parties.

Some specific behaviors that we recommend to help build relationships include:

- Acknowledging emotions or feelings, yours and theirs
- Working hard to understand their position, and presenting your own in a way that is understandable.
- Separating understanding from agreement — you can understand and disagree.
- Listening — What are they saying underneath what they’re saying?
- Treating the other side with respect even though you disagree.
- Disclosing selectively to build trust.
- When the other side discloses, acknowledging that you recognize the value and appreciate their trust.

In negotiation as with most communication, **every piece of behavior communicates**. Make sure that the message you are sending is what you intent to send.

As you consider an upcoming negotiation, analyze all of your alternatives: sources, currencies and skills. In so doing, you will increase your power even in a situation when the other party seems to hold all the cards.

References

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