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### The four horsemen of negotiator power

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# The Four Horsemen of Negotiator Power

Michael Schaerer, Assistant Professor at Singapore Management University, Adam Galinsky, Professor of Business at Columbia Business School, and Joe Magee, Associate Professor at NYU Stern School of Business | September 12, 2017

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**To maximise their success at the bargaining table, negotiators should maximise their power.**

At the bargaining table, a negotiator's primary objective is to reach the best possible outcome, be it a higher salary, additional accessories when purchasing a car, or acquiring a company at a lower price. No matter what one negotiates about, the single most reliable predictor of the outcome is the amount of power one has. Although having power is important for many reasons, there are two fundamental ways in which power benefits negotiators.

## **Power transforms people into bold negotiators**

The first benefit of power is that it emboldens individuals, making them more confident, optimistic and proactive. Power increases the probability that people consider negotiating in the first place due to higher feelings of entitlement and confidence that a positive result can be achieved. Those who have power also set higher aspiration prices, make more **ambitious first offers** and claim more value from their opponents. This is important because the size of the first offer and which party moves first or second in a negotiation both influence the quality of the outcome. Indeed, **research** has shown that those who have more power are more likely to make the first offer in a negotiation and end up with better deals.

## **Power shields negotiators from the tactics of the other side**

The second way power benefits negotiators is by protecting or shielding them from attempts by others to influence them. Power can increase personal resilience towards what is going on in the environment. For example, those who have more power are less likely to conform to the opinions of others than those who have less power. Having power also makes negotiators less susceptible to the strategic influence tactics of the other side. Research suggests that, for instance, having power reduces the likelihood that facing an **angry counterpart** (as opposed to a happy one) would lead to

larger concessions, or that a negotiator would fall prey to deliberate sympathy appeals of those with less power.

### **The four horsemen of negotiator power**

Given the vast benefits of having power in a negotiation, knowing how to acquire it is crucial. In our article, "**The four horsemen of power at the bargaining table**" in the *Journal of Business & Industrial Marketing*, we identified four important sources of power, where they come from, and how they help (and sometimes hurt) negotiators at the bargaining table.

In our article, we define power in negotiations as the probability that an individual will influence the negotiation towards his or her ideal outcome. The four most important sources of power that can increase a negotiator's chance of reaching his or her ideal outcome are alternatives, information, status and social capital.

#### *The first horseman of power: alternatives*

The strength of one's alternative, or *best alternative to a negotiated agreement* (BATNA), is probably the most important source of power. When negotiators have an attractive outside offer going into a negotiation, they are less dependent on the other party to reach their objectives than when they have an unattractive alternative or no alternative at all. A valuable alternative offer allows a negotiator to put pressure on the opponent, for example, by threatening to leave the negotiation table if the other party cannot exceed one's expectations. Negotiators also tend to use their alternatives as a reference point, or proxy, when they make offers to the other party. Thus, having a strong alternative will provide a more ambitious reference point and cause negotiators to ask for more.

The downside of using alternatives as reference points is that negotiators sometimes focus on their alternatives too much. **Research** suggests that negotiators who have an unattractive alternative end up asking for less than those who have no alternative at all. This is because negotiators' offers are "weighed down" by the low reference point that their unattractive alternative provides. Thus, negotiators should be wary of relying on any alternative but rather focus on generating a single, strong alternative instead.

#### *The second horseman of power: information*

A second source of power comes from having information that is relevant to the negotiation. It is quite valuable, for example, to have information about the other side's preferences or reservation price (e.g. their maximum willingness to pay). If a negotiator learns the counterpart's reservation price, he or she can simply make an offer that is marginally better than that price. Information can also include knowledge of cultural practices – such as tactics which may be offensive to the counterpart – and insight into the opponents' worries and constraints, as well as general expertise in negotiation.

Negotiators can gain information in several ways. First, negotiators can do their homework during the (often underestimated and neglected) planning stage of the negotiation. Second, negotiators can gain information during the negotiation by asking questions such as: "Why do you want to buy (or sell) this item? What are your preferences on this issue?" Third, negotiators can continuously try to take their counterpart's perspective. Putting yourself in the shoes of the other party will help in making an educated guess about their goals and priorities.

#### *The third horseman of power: status*

Yet another source of power in a negotiation is status, or the extent to which a negotiator is respected by others. Because low-status individuals tend to defer to those with higher status, demands made by high-status negotiators are more likely to be granted. High-status negotiators are also viewed as more competent (even though they might not be) and tend to be favoured as negotiation partners by others.

Status tends to be relatively fixed and can only be accumulated slowly over time. Negotiators should thus aim to build status long in advance of the negotiation by building a reputation as a competent, trustworthy player.

### *The fourth horseman of power: social capital*

The fourth horseman of power is social capital. The more social or professional connections a negotiator has, the more likely it is that he or she is seen as being more influential. Social capital is not only its own source of power, but also acts as a facilitator for the other three horsemen of power. For example, by having a large social network, negotiators increase the chances of improving their alternatives (e.g. many people get jobs through their network), acquiring valuable information about the counterpart and gaining the visibility that is a precursor to high status.

Connections do not necessarily have to be close friends or allies to be valuable. Studies have shown that so-called “**weak ties**”, social relationships characterised by infrequent interaction and a low level of closeness, can be useful. Ties with past colleagues or distant friends require less maintenance but can be activated when needed.

The order in which we described the sources of power relates to their relative strength and importance. A strong alternative is probably the most valuable source of leverage you can have. Detailed information about your counterpart can also be quite powerful to have, whereas status and social capital operate in more indirect ways, such as facilitating other sources of power. Having all four horsemen of power is optimal but not always necessary. For example, a negotiator with a weak or no alternative may still be able to negotiate a profitable outcome by relying on information about the counterpart's reservation price or by leveraging one's status.

#### **A negotiation checklist**

The key in any negotiation is proper preparation. Before entering any negotiation, it is useful to go through a checklist of the different types of power. [The more power you can accumulate, the greater the likelihood that you will get a better deal.](#) Thus, you should always ask yourself the following questions:

- How good are my alternatives? Should I use them as reference points? Can I generate better alternatives before I enter the negotiation?
- What kind of information do I have? How much do I know about my opponent's willingness to pay? What are appropriate negotiation practices?
- Do I have positive standing in the eyes of my counterpart? Have I done anything to damage my reputation amongst his or her colleagues?
- Can I use my social network to obtain information, to influence the situation in my favour, or remove constraints that my opponent may face?

Considering these questions can help you maximise your power at the bargaining table and increase the probability of reaching your ideal negotiation outcome.

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