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Power and negotiation: review of current evidence and future directions

Michael Schaerer, Laurel Teo, Nikhil Madan and Roderick I Swaab

This review synthesizes the impact of power on individual and joint negotiation performance. Although power generally has positive effects on negotiators' *individual performance* (value claiming), recent work suggests that more power is not always beneficial. Taking a dyadic perspective, we also find mixed evidence for how power affects *joint performance* (value creation); some studies show that equal-power dyads create more value than unequal-power dyads, but others find the opposite. We identify the source of power, power distribution, and competitiveness as critical moderators of this relationship. Finally, we suggest that future research should move beyond studying alternatives in dyadic deal-making, identify strategies to overcome a lack of power, increase empirical realism, and take a more dynamic view of power in negotiations.

Introduction

Negotiations are a central aspect of social and organizational life. Whenever people cannot achieve their objectives without others, they have to negotiate. For example, people negotiate the prices of goods and services, their salary, and where to go for dinner. In the past few decades, psychologists, economists, sociologists, and organizational scholars have produced a substantial body of work examining the factors that affect outcomes and evaluations in negotiation [1].

One factor that is widely acknowledged to shape negotiator performance is power. The prevailing assumption is that the more power one has, the more one can demand, and the better one performs at the bargaining table. While it is certainly true that having more power *can* lead to better negotiation outcomes, a closer look at the existing literature reveals a more complex picture. Although several studies suggest that more power generally helps one to claim more value (i.e. obtaining a larger piece of the pie), recent evidence suggests that it can also hurt value claiming. Likewise, whereas some studies have suggested that greater power can result in more joint-value creation (i.e. extending the size of the bargaining pie), others have shown that more power has either no effect or diminishes value creation. These mixed results highlight the need for future research to examine when power helps or hurts value claiming and creation. The present paper integrates foundational work on power and negotiations with recent evidence to provide an overview of the state of the field and identify fruitful avenues for future research. We begin with a short review of a diverse list of sources of negotiator power. We then examine how power is related to *individual performance* by contrasting findings pointing to both positive and negative effects of power on negotiators' ability to claim value. We then take an interpersonal perspective to consider how power (im)balance between two or more negotiators influences *joint outcomes*, with a particular focus on value creation. We close with suggestions for developing new ways of viewing power in negotiations and for pushing the boundaries of what has become a relatively established field.

Sources of negotiator power

Power typically refers to an individual's ability to alter other people's thoughts and behaviors [2]. In negotiations, power has been defined as 'the probability that a negotiator will influence a negotiation outcome in the direction of his or her ideal outcome' [3], p. 606]. Research has identified numerous sources of power that can help negotiators achieve their ideal outcomes [4]. The most frequently studied source of power is a negotiator's BATNA, or *Best Alternative To a Negotiated Agreement* [5]. BATNAs provide power because they

enable one to offer or deny something tangible. Typically, having a strong alternative provides more power than a weak or no alternative [6,7], a certain alternative offers greater power than a probabilistic alternative [8], and multiple alternatives provide more power than a single alternative [9].

Other sources of power may also be relevant to the negotiation. First, power can be derived from the amount of information negotiators have: possessing information about the underlying interests builds the basis for value creation [10] and information about an opponent's BATNA provides an opportunity to claim more value [11]. Second, power can come from one's status: negotiators who are respected and admired tend to receive more generous offers [12] and create more value in the negotiation [13]. Third, power is afforded by one's social capital: negotiators with greater access to other negotiation partners are better positioned to identify and secure more rewarding opportunities [14] and are more likely to be included in coalitions [15]. Fourth, negotiators gain power through their expertise, which can also help negotiate better deals [16,17]. Finally, power can be derived from the ability to coerce others into compliance: negotiators who can punish their opponent [18] or are dominant and threatening [19,20,21] tend to claim more value.

The effects of power on individual negotiation performance

A vast body of work demonstrates that being high in power affects people's cognition and behavior in a way that helps them secure better individual outcomes. Powerful people are more likely to make the first offer, which sets the tone for the remaining negotiation and exposes opponents to a numerical anchor from which they tend to adjust away insufficiently, thereby biasing the negotiation outcome in favor of the first-mover [13,22]. Stronger alternatives also lead negotiators to make more ambitious first offers [7] which, in turn, allows them to claim more from their opponent [7,23]. Moreover, being powerful also helps negotiators reap the benefits of their emotional states more effectively. For example, the experience of anger (versus happiness) made high-power negotiators more cognitively focused and behave tougher than low-power negotiators [24].

Powerful negotiators are not only more proactive and ambitious, but are also less sensitive to others' value-claiming tactics. Compared to low-power negotiators, high-power negotiators are less likely to concede – and more likely to retaliate – when others intentionally display anger [25,26]. Similarly, powerful individuals feel less distress and compassion in response to others' suffering [27], which reduces the likelihood of making concessions. These effects of power appear to be relatively consistent across different sources of power, such as alternatives [6], status [12], social capital [14], coercion [18], and others.

However, more recent work suggests that the relationship between power and individual performance is more complex, particularly when power is operationalized through BATNAs with known values. This work has demonstrated that alternatives not only make negotiators feel more powerful but also anchor them. For example, Schaerer *et al.* [7] found that negotiators with weak alternatives (i.e. low power) anchor on the low reference points that their alternatives provide and, as a consequence, make lower first offers and claim less value than those who have no alternatives (i.e. no power). Similarly, negotiators with multiple (versus a single) alternatives form biased perceptions of the bargaining range, causing them to make less ambitious offers and claim less value [9].

These counterintuitive effects of power on individual performance could be explained by a number of factors. First, the negative effects documented above are constrained to studies that operationalized power as numeric alternatives, which implies that the salience of reference points plays an important role. Second, the effect of strong alternatives on value claiming is strongest when negotiators make the first offer [9,28]. Third, both studies by Schaerer *et al.* were based on less commonly used comparisons such as no versus low power [7] and one

versus multiple alternatives [9], which could also account for differences between findings from this work and those from prior work. This implies that future research could benefit from moving beyond the dichotomization of power into ‘high’ and ‘low’ to more fully appreciate how power affects individual negotiation performance.

The effects of power on joint negotiation performance

Although prior research has focused extensively on how the level of power affects an individual negotiator’s performance, many of these studies ignore the mutual dependence between negotiators and the relational nature of social power. To fully understand the relationship between power and joint performance, it is important to not only consider the level of power (e.g. high versus low), but also the distribution of power within dyads (equal versus unequal). Past research examining the effects of power level and the distribution of power has yielded inconsistent findings. Whereas some studies found that equal-power dyads created more value than unequal-power dyads [29,30,31, 32, 33, 34, 35], other studies found that equal-power and unequal-power dyads did not differ in their ability to create value [20,29,31,32,35,36], or even that unequal-power dyads created *more* value [6,30].

A closer look at the existing literature suggests that these mixed findings can be explained by several factors. First, the source of power may play a critical role as some studies show that equal-power dyads create more value than unequal-power dyads when power is operationalized as status [30] or social capital [29]. However, the differences between equal-power and unequal-power dyads are substantially weaker and sometimes even absent when power is operationalized as an alternative with a known numerical value [37]. A possible explanation for these differences is that status and social capital manipulations offer a stronger experience of power than numeric alternatives. Another explanation is that, unlike other sources of power, numeric alternatives serve as anchors that bias negotiator behavior [7,9].

The mixed effects of equal-power and unequal-power dyads on value creation could also be explained by the level of power within the equal-power conditions. Because several studies collapsed between high-power and low-power levels when comparing the effects of equal and unequal conditions, it is unclear whether value creation effects are driven by the level of power, its distribution, or both. A closer inspection of studies reveals that equal-power dyads create more value than unequal-power dyads, but only when both negotiators have a lot of power [29,30,31,33]. However, when both negotiators have little or no power, equal-power dyads actually create *less* value than unequal-power dyads [6,36]. This suggests that the effects of power on value creation depend on both the level of power and its distribution [30].

Finally, the mixed effects could be explained by the competitiveness of the negotiation. The level of competition matters because it affects the emphasis on and sensitivity to power, such that negotiators who perceive the situation as competitive tend to focus more strongly on their own and others’ power and have a higher propensity to use power tactics than those who perceive it as cooperative. Under conditions of equal and high power, this could motivate negotiators with a competitive mindset to strive harder for more ambitious agreements, resulting in more value creation. Indeed, equal-power and high-power dyads create more value than unequal-power dyads, especially when negotiators adopt a pro-self (versus prosocial) orientation [29], when they set more (versus less) aggressive targets [33], and when the negotiation itself has more competitive (versus cooperative) potential [31].

Future directions

Moving beyond alternatives and dyadic deal-making

Although the literature on power and negotiations has matured in recent years, the majority of work reviewed has conceptualized power as alternatives in two-party deal-making. This

provides two fruitful avenues for future research. First, power scholars have suggested that not all sources of power are created equal and that they can have diverging effects on thought and behavior [38]. Thus, it would be worthwhile to examine whether different sources of power lead to diverging negotiation outcomes. Although our review suggests that the source of power may influence joint value creation and some studies have attempted to contrast multiple sources of power [15,16], a systematic assessment of their unique and combined effects is still lacking. Second, future research should examine the role of power beyond dyadic deal-making settings characterized by low levels of interdependence. High levels of interdependence (e.g. in disputes or multi-party negotiations) are likely to change the meaning of power and limit the extent to which negotiators can use it to influence each other.

Negotiating from a position of powerlessness

Another fruitful area of research would be to examine how negotiators can reach better outcomes when they lack power. Scholars and practitioners are quick to point out that having power is important, yet increasing one's power is not always a possibility and many negotiators sit down at the bargaining table without much leverage. An emerging stream of research has started to identify strategies that compensate for a lack of power. For example, negotiators can engage in mental simulation of hypothetical alternatives [28] or forming if-then plans [39] to boost their aspirations. Other ways in which powerless negotiators may still get ahead is by being unpredictable [40] using humor [41], or disclosing their weaknesses [42].

Increasing realism and taking a dynamic perspective

Finally, the majority of power research has focused on hypothetical scenarios in which strangers engage in one-off interactions and never meet again. We believe that the field would benefit from more realistic operationalizations of power. Instead of providing negotiators with hypothetical power, scholars could manipulate power more realistically through the use of confederates [28] or by creating interactive markets of buyers and sellers [34]. We also note a striking lack of field studies in negotiation research. Although real-life negotiations are challenging to observe, the increasing digitalization of social interactions may offer valuable sources of field data [43]. In addition, current research fails to consider that people often negotiate with the same person repeatedly, which may limit the effectiveness of using power. This is an important void in the literature because the use of power has long-term negative consequences for the relationship between negotiators [44].

Conclusion

This review highlighted that the link between power and negotiation outcomes is more complex than typically assumed. From an individual perspective, we conclude that negotiators claim more value when they have more power, but also that this may be limited when the source of power serves as a potent anchor. From a dyadic perspective, our review revealed that the effects of power on joint value creation depend on both the level and distribution of power as well as negotiation-relevant contextual factors. Future work should build on these insights by moving beyond the standard paradigms to examine whether, how, and when power affects individual and joint-outcomes both in the short-run and over time.