

# HOW TO NEGOTIATE WHEN YOU HAVE NO POWER

## Overcoming 'take it or leave it'



An Insight Whitepaper

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Negotiation

Jonathan O'Brien explores this frequently asked question and if it is even possible or worthwhile to negotiate when we appear to have no power.

"That is the deal... take it or leave it!" – an ultimatum we can be faced with when we negotiate and one that can compel us to believe we have no alternative but to make that very choice to either 'take it or leave it'. Worse, we may be denied a voice or option to negotiate in the first place with the deal being presented to us on the other party's terms – we can only 'take it or leave it.' And if we have to secure the 'it' no matter what, then we halve our choices to just one option and have to take the deal.

Surely, we will get what we want and not end up with an apparent ultimatum if we have the power in a negotiation? It sounds plausible, yet the reality is often very different and ignorance of the actual power available in all its forms, and more importantly what to do with it, is commonplace.

'Take it or leave it' doesn't necessarily mean we have no room for negotiation. It can often mean we just need to be more creative in how we handle the situation and, vitally, to understand our true situation in the first place.

#### WHO TOOK THE TABLE AWAY?

The aim of our opponent will almost certainly be to get us to the point where we do the deal on as close to their terms as possible – and ideally making us feel good about doing so. Negotiators and sales people alike will deploy a range of approaches and tactics to get us to this point.

An approach frequently used is to remove any scope to negotiate from the outset and simply present the deal as non-negotiable for us to 'take it or leave it' as we see fit. Remember that once one party engages and 'comes to the table', this very action signals that they are open to the possibility of giving some sort of concession. Remove the table at the outset and there can be no negotiation and no concession, and the other party is instantly disarmed. We can see this at work all around us; walk into a shop, restaurant or other outlet and the products are presented on a 'take it or leave it'

basis. Walk into a Starbucks and attempt to negotiate a price reduction for a cinnamon latte and it is unlikely our endeavour will yield anything other than bewilderment or amusement amongst staff. Why not, surely everything is negotiable? Maybe, but in this case not only do we have almost no power as an individual making a one-off purchase from a global corporation, there is no scope to negotiate as prices are set by head office with local staff having no authority to discount. If we could get through the front door at Starbucks HQ, however, and talk to the decision maker about placing the Starbucks brand in all the outlets in our chain of hotels, suddenly there is a table and the game is on.

Negotiation where we don't believe we have any power first requires us to engage with the right people and attempt to get them to 'come to the table.' The moment we get them engaged in a discussion, our power goes up a notch.

#### IS THERE REALLY NO SCOPE TO NEGOTIATE?

When faced with an apparent 'no power' situation it is easy to assume there is no scope to negotiate and therefore no point to it. Remember, that is what our opponent wants us to think and it is all too easy to believe this. However, we must determine this ourselves based upon a true assessment of our position. That said, even if we can get them to the table in the first place, there are scenarios where we really have no power, it is not appropriate to negotiate, or the degree of influence is limited, so any negotiation should begin by first determining what scope we have to negotiate. There are four possible determinations here:

1. **No scope to negotiate** – Buying a cinnamon latte in Starbucks affords no scope to negotiate, as does buying something from Amazon.com or in a well-known department store. Yet, negotiating with an owner-managed business for some discount on a bulk purchase will often yield a favourable outcome, thus providing good scope to negotiate. Similarly, there has to be a potential to reach an agreement i.e. there must be an overlap of the range of potential concessions parties will go to, and some mutual ground (we call this the Zone of Mutual Agreement or ZoMA). An individual

prepared to offer up to \$10 for a motorbike for sale at \$5,000 is likely to be disappointed, even if the owner made a few small concessions. Where there is truly no scope to negotiate we should not try, but either 'take it or leave it.'

2. **Not appropriate to negotiate** – There are some situations where negotiation might be possible, yet it is not appropriate to negotiate. For example, a situation where the relationship is more important than the outcome and the process of engaging the other in a negotiation could be damaging. This would be typical for exchanges between family and friends, and here we should either avoid negotiating for now or for good depending upon the scenario. Once again, here we should 'take it or leave it' as appropriate.
3. **Limited scope to negotiate** – Often we are faced with scenarios where we have little or no power (and again we should test this to be certain of our position), yet if we can get the right people to the table to engage with us, we have the potential to begin to secure a better negotiated outcome.

For example, when we buy a car. If we research the market, then time and pace our engagement and push hard for all sorts of concessions, we may be able to do a good deal - and perhaps one that is better than the person before us achieved. It is important to remember though that the deal will only be as good as the most the dealer or manufacturer is ever prepared to give away, and so we must work hard to get it. Our negotiation opponent will be preserving their margin through strict pricing policies, effected by highly experienced sales staff who can take us through a stage-managed process. Here there is scope for us to negotiate, if somewhat limited, because whilst we won't be able to drive the purchase price down substantially, there is potential to secure added value by way of 'add-ons' within the boundaries within which the sales person will be working.

4. **Good scope to negotiate** – If none of the above apply, we may well have good scope to negotiate and hold the potential to secure a highly favourable outcome, even if we believe we don't hold sufficient power.

So, there are scenarios where we simply have no scope to negotiate (or it is not appropriate), and in such a situation it is appropriate to yield to 'take it or leave it' and make our decision. If this is the case and we have reached this conclusion through a robust validation of our true position, rather than responding in the way the other party might hope, then we can be confident we are adopting the right approach. However, if we conclude that there could be scope to negotiate and we can get them to the table, there is a good possibility we can convert a 'take it or leave it' ultimatum into something more favourable. We begin to do this by understanding our true power position.

## UNDERSTAND YOUR TRUE POWER POSITION

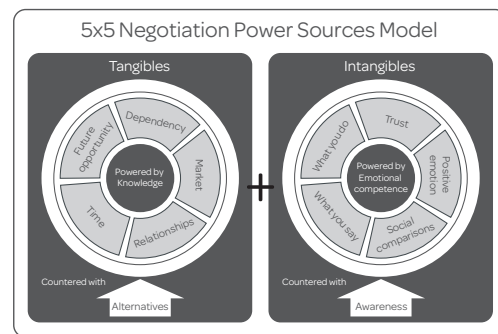
For any negotiation where we appear to have limited or no power, it is essential to first understand or validate exactly what is our true power position. This may be different to what we think it is or are led to believe by the other party, so we need to assess as best we can what power both we and they hold and, crucially, the degree to which each party is aware and informed of their power position.

Power is one party having, assuming or being acknowledged as having, a stronger position over the other. Power can be both something that can be tested or measured but is also based upon perception and the ability of one party to appear more powerful than they are as well as the susceptibility of the other party. Power can also come from the use of clever tactics that outwit the other party.

In negotiation, there are two different types of power that work together to achieve a positive outcome:

- **Tangible power** based upon the actual power we hold in any given situation; and
- **Intangible power** associated with how we approach the negotiation and conduct ourselves within it, including the use of tactics and techniques.

The 5x5 Negotiation Power Sources Model gives the different sources of tangible and intangible power within a negotiation.



Understanding our true power position begins by determining what tangible negotiation power we hold. There are five possible sources, namely:

- **Dependency** – how dependent one party is upon the other.
- **Relationships** – the degree to which there are established relationships between parties that can influence outcomes or undermine our negotiation.
- **Market** – the degree to which the market is in our favour.
- **Time** – whether one party or the other has time pressures, and crucially whether the other knows this.
- **Future opportunity** – the degree to which one party is offering potential future opportunity to the other.



For each of these, the power one or the other party holds cannot be regarded as an absolute value or level, but rather a balance of power relative to the other. Therefore, for each tangible power source, we need to make a determination of our power position relative to theirs i.e., is the power in our favour, theirs, or balanced and, importantly, does each party understand what power they hold? The combined picture from these five individual assessments determines our true position, and whether there is in fact some power that we can use. Doing so requires good research and fact find.

## THE POWER OF DOING OUR HOMEWORK

The key to success and really understanding our power for any negotiation is knowledge and good intelligence. This might seem obvious, however it is incredible how often people, especially busy procurement professionals, will go into a negotiation having done little background research or data gathering. A good and in-depth understanding of our tangible power position helps us know what to push, what to defend and how far we need to go. Moreover, if we are 'light on the facts' when we start to negotiate, our opponent will soon realize and turn it into an advantage for themselves.

If we believe we have little or no power, then good research or fact find is of critical importance as this can often reveal power we didn't realize we had. For example, we may be entirely dependent upon the other party, with the market against us, up against a time constraint and battling against established inter-party relationships that are undermining us, yet the suggestion of future opportunity might just be enough to equip us with a source of power that will yield some benefit. Key to improving our position is thorough research and fact find to establish our total power position relative to theirs, how much they know about their position, and therefore what lines of negotiation we have open to us.

## THE POWER OF ALTERNATIVES

The biggest source of power in any negotiation comes from having alternatives, or BATNAs (Best Alternatives To a Negotiated Agreement) to use the jargon, and if we have limited or no power, then considering in advance what alternatives we could pursue if we don't get what we want from our negotiation can enable us to boost our power.

Whilst this might seem obvious, I regularly encounter negotiators who will happily go into a negotiation without thinking about BATNAs, typically as a result of a misguided over-confidence that there is no need as they will get what they want anyway. It is not so much the BATNA that is important, but rather the process of thinking about it and how this can change our mindset.

If we go into a negotiation with only one outcome in mind, then we have formed an emotional attachment for that outcome. If things don't go our way and we need to get to a specific deal, this need can become

obvious to an experienced opponent. If we have true alternatives, it changes our entire psychology and mindset and will instil more confidence in us.

Good negotiation is more than tactics and process, but rather about pulling off a convincing performance that requires the negotiator to adopt the mindset of the position he or she is trying to lay out, and to believe it. If that seems crazy, it is not. Think about how actors pull off a convincing performance. They don't turn up on stage or in front of the camera and show the expressions and movements they learnt at stage school to convey a particular emotion. Instead they 'get into the character' so that they become, and truly believe they are, the part they are playing. When we negotiate we have to do the same; we must get into the belief of the illusion we are laying out. Otherwise our performance will not make the grade, it will seem hollow, and our opponent will smoke out our bottom line very quickly.

We can find power by considering in advance what BATNAs we could use. Finding alternatives really is not that difficult and there is always a BATNA. However, these need to be things we explore and believe in so that we would be prepared to use them if we needed to. This will change how we negotiate. Potential BATNAs might include:

- Walk away
- Find another supplier
- Buy an alternative product specification
- Delay
- Change specification
- Remove a component from the deal
- Change who we are negotiating with
- Maintain the status quo (keep current arrangements)
- Negotiate with someone else (e.g. higher authority)

## PROJECT YOURSELF - PUT THOSE INTANGIBLES TO WORK

Despite our best efforts to find power we can use, we may end up in a position where we are negotiating with little or no power alongside a skilled, well-informed and well-prepared opponent who is wise to the different approaches we use to try and secure our desired outcome. This doesn't mean we are defeated, rather we turn to a new source of power to project ourselves.

In my experience there aren't many skilled, well-informed and well-prepared opponents out there, and what is lacking is often disguised with confidence, some good tactics and a polished routine. If we have little or no power and we are up against an opponent who is more 'front than fact', we have a good chance of getting what we want if we can project the right power. Don't underestimate the power of projection using the five intangible power sources here; it is often how negotiators get what they want. Furthermore, we may be up against a tight deadline because a contract

is expiring. If our opponent knows this, they have the power. If they are unaware, then they don't have the power. This is why assessing power also involves assessing whether we and our opponent know what power we do or do not have. If we have a tight deadline and they aren't aware, we can project the impression that time is not of the essence, or, even better, we can use alternatives to extend the current contract to buy us time, thus increasing our tangible power.

Intangible power also works by changing how our opponent feels by creating perceptions and shaping or guiding their actions. Sales people are either trained in this or often have a natural ability (and are recruited because of that). The ability to use intangible power in a negotiation comes with the emotional competence of the negotiator and is countered through awareness of, and not being led by, the tactics a negotiator might use.

We can boost our intangible power as follows:

- **Displaying positive emotion** – appear enthusiastic, excited and happy towards them. Smile too. Displays of positive emotion provide sub-conscious signals to the other of being trustworthy and cooperative, and will elicit a positive emotion response in the other party, thus putting them at ease.
- **Trust is power** – work to win their trust, partly using positive emotion, but also by consistency in all our engagements and interactions with them before and during the negotiation.
- **Social comparisons** - style and demeanour count for much in negotiation and should be considered and planned for in advance. When we meet or engage with an individual or a group of people, we will, without realizing it, seek to compare ourselves to them and determine our position relative to theirs. If we view the other party as superior in some way then we are more likely to give them the upper hand in a negotiation. This will not be a conscious act, but rather that our own self-confidence and self-belief will be compromised because something inside makes us feel this way. You should work on tone of voice, posture, how you enter the room, what you say, and the language used. Also consider how you dress and your overall demeanour within the culture and context you are negotiating.

If we really have little or no power, how we project ourselves in the negotiation could be our best chance to get the outcome we want.

## THE POWER OF TACTICS

The other party will seek to get us to a point that compels us to make the deal. Unless we have exceptional research, intelligence and background information to hand we are usually blind, or at best partially sighted, to what sort of deal to which they might ultimately agree. Therefore, the play by an experienced negotiator is often about getting us to the point where we 'feel' that we have the best deal possible.

Negotiation can often be more about creating an illusion than a fact-based discussion – if we always had all the facts then negotiation would be easy. The creation of this illusion during negotiation is a complex process and those good at it have many tactics and techniques that help. Generally, these fall into one of the following categories all based upon making us feel a certain way:

- **You're already there** – the other party makes you feel like you have got them to the point where there is no more e.g. saying no or delaying, causing their concessions to become small and diminishing, all to make you feel like you've got to work to get something worthwhile.
- **Fair play** – the other party appeals to your sense of fairness by suggesting that if they give, we must give, or they perhaps use some sort of moral argument.
- **It hurts** – negotiators often make like they are suffering, whether a tradesman draws a sharp breath or makes a facial expression at the suggestion of discount, or an account manager makes a big display of how difficult it is to go any further.
- **Policy** – hiding behind rules, obstacles or policy set by others creates an apparent immovable constraint that is difficult to challenge.
- **Hoops to jump through** – creating many things that prevent making easy concessions.
- **Scarcity** – creating the sense that if you don't want it others will, and it's running out fast.

When we are negotiating with little or no power, it is essential that we understand how the other party might attempt to create an illusion here and not be fooled by it. Equally, if we have succeeded in getting them to the table then we can apply these same tactics to our interactions with them as part of our power play.

## DON'T TAKE NO FOR AN ANSWER

We began by considering the 'take it or leave it' ultimatum which is really only one of many negotiation tactics that gets used - sometimes mirroring the true situation we are facing and sometimes used as a tactic to compel us to take the deal on offer.

By working through the steps outlined so far, we can be equipped to understand our true power position and maximize any power we might have at our disposal. Having done all of this, we may still end up being faced with 'take it or leave it'. Even in this position, we are not beaten yet as 'take it or leave it' is just a tactic and one played by a confident opponent. If this is being played on us, then there are things we can do to counter it. The key to this is to keep the discussion going.

Remember, if someone comes to the negotiation table, they are signalling they are ready to give you something, so if we can keep the discussion going and identify cracks in their position we are keeping them at the table. This means we have potential to secure movement on their side.

To counter 'take it or leave it' we can:

1. Act as if you didn't hear it – keep the discussions going and see if they engage.
2. Acknowledge the position, 'set it aside' and keep going – for example, "I understand your position, what if we could find a way to agree..."
3. Attempt to secure something in return if you agree to their position.
4. Establish why it is non-negotiable.
5. Show them the consequences of not doing the deal.

Finally, if we have exhausted all of our options to improve our outcome when we have little or no power, we may be faced with the decision to either take it or play the ultimate BATNA and walk away (or delay until later). If we choose to do this, then we are not defeated, rather we have effected an informed attempt to negotiate a better result, so we can be confident we did everything possible.

In my experience, any negotiator that truly does do everything possible to secure a good outcome against the odds, rarely ends up with nothing. There is almost always some sort of win or benefit. And if not this time, the next. More often than not, applying the different tactics and approaches outlined above tends to yield often surprising and unexpected negotiation outcomes. It is therefore almost always worthwhile to negotiate when there is little or no power.

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This whitepaper includes excerpts from "Negotiation for Procurement Professionals" and "The Buyer's Toolkit", both written by Jonathan O'Brien and reproduced by permission of Kogan Page Ltd.

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