

2 Theory of negotiations and power display common characteristics

What is the relationship of power and negotiations? How can power be grasped in a concept in order to support the analysis of its effects in negotiations? The goal of chapter 2 of the study is to find a workable definition of power and negotiations.

To achieve this goal, firstly an overview of the terms and definitions will be given to provide the ground-work for the theoretical structure of the study. Power is derived from more or less static sources, but the state of power in negotiations is transient and the environment of negotiations is dynamic. To capture both the sources and the dynamics, secondly, a new concept of power is developed and established as the structural element of the study. The so-called Power-Matrix is an arrangement of the different theoretical approaches designed to act as a support for the case studies in chapter 3 and the normative discussion in chapter 4. Thirdly, the common characteristics of negotiations where power seems to play an important role are discussed to conclude with a new power definition for this study.

2.1 Negotiations in asymmetrical power markets

Negotiations in markets where power is distributed in an asymmetrical way might pose special problems for the actors and for the institutions such as regulators that oversee these markets. In this sense asymmetry could be a reason why negotiations fail and are seen as a hurdle to cooperation.¹ The underlying question is “how can weaker actors negotiate with stronger actors and still get something?”²

In this section, firstly, the connection between the different terms that describe (difficult) negotiations will be presented in order to facilitate an understanding of negotiations in network markets. Secondly, various approaches to different power concepts in negotiations will be discussed in

¹ See Breidenbach, 1995, p. 83.

² Zartman/ Rubin, 2000, p. 3.

order to find out which issues need to be subjected to particular focus in the case studies. To accomplish this task a new approach to explain the different states of power and their respective impact on negotiations will be put forward. Finally, both the source and the dynamics of power in negotiations will be structured in a three dimensional matrix. This characterises the attempt of this study to approach negotiation situations where power is distributed asymmetrically between the actors.

2.1.1 The relation between trade, bargain, negotiation and conflict situations

Trade, negotiations and conflict are the terms that describe the situations actors find themselves confronted with when they are dealing. The relation of these terms to each other hints at a dynamic,³ rather than a static process in negotiations.⁴ For that reason these key terms in relation to a negotiation – and the concept of negotiation itself – will firstly be defined.

Trade situations, i.e. the exchange of products, services and rights, are nothing special, but something that takes place every day. It is the goal of every economic subject to arrange allocation of resources in an optimal way and therefore negotiations often seem to be necessary as a support device. Trade is then the general term for the exchange. **Bargain** is a positive sum game,⁵ where there is more than one possible agreement and conflicting preferences exist. Altogether a bargain is regarded here as productive, with a distributive purpose.⁶ **Negotiations** ‘organise’ cooperation and take place in order to make transactions and the allocation-process possible. They are a preliminary condition for the exchange of goods, services and/or contractual rights. Thus negotiations are a part of the trade, if not the heart of trade. The difference between bargain and negotiation is that a bargain describes the formation of demand, whereas negotiation describes the whole process of trading (i.e. also the necessary communication between the actors), including the bargain.

That there are so many different ways to describe trade clearly displays the everyday character of negotiations.⁷ Everyone seems to know what a negotiation is. Many think of bazaars in Middle Eastern countries when hearing the term negotiation, but forget the silent negotiations that take

³ See Ståhl, 1972, p. 13, for a graphical overview of the relation of the different terms.

⁴ See Lyon/ Huang, 2002, p. 112.

⁵ See Deutsch/ Krauss, 1962, p. 52.

⁶ See Cross, 1969, pp. ix and 7.

⁷ See Carraro/ Marchiori/ Sgobbi, 2005, p. 48.