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Power Dependence and Power Paradoxes in Bargaining

Abstract

[Excerpt] What this article (and our larger program of work) is designed to demonstrate is that these very simple ideas represent a particularly suitable starting point for understanding the power struggle between parties who regularly engage in negotiation. Specifically, in this article we show that the approach contains certain paradoxes regarding the acquisition and use of power in an ongoing bargaining relationship. The dependence framework treats the ongoing relationship as a power struggle in which each party tries to maneuver itself into a favorable power position.

Keywords

dependence theory, power, bargaining, negotiation

Disciplines

Labor Relations | Organizational Behavior and Theory | Organization Development | Work, Economy and Organizations

Comments

Required Publisher Statement

© Wiley. Final version published as: Bacharach, S. B., & Lawler, E. J. (1986). Power dependence and power paradoxes in bargaining [Electronic version]. *Negotiation Journal*, 2(2), 167-174.

doi: 10.1111/j.1571-9979.1986.tb00349.x

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Suggested Citation

Bacharach, S. B., & Lawler, E. J. (1986). *Power dependence and power paradoxes in bargaining* [Electronic version]. Retrieved [insert date], from Cornell University, ILR School site:

<http://digitalcommons.ilr.cornell.edu/articles/1196>

Power Dependence and Power Paradoxes in Bargaining

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Author's Note

The order of authorship in this article does not reflect differential contributions. The authors are grateful to Dr. Sharon Conley and Dr. Bruce Cooper for comments on this article.

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Introduction

In an earlier work (Bacharach and Lawler, 1981), we proposed a dependence approach to the bargaining process. Building on some of the earlier ideas in power-dependence theory (Emerson, 1972), we outlined a general theory of bargaining power, the central idea of which is that the bargaining power of a party—whether an individual, organization, or nation—is based on the dependence of others on that party. For example, the power of the United States over Japan is determined by the dependence of Japan on the United States for valued benefits; similarly, the power of Japan in its relationship with the U.S. is a function of the dependence of the U.S. on Japan for valued benefits. Within the dependence framework, the bargaining power of each party is determined by the OTHER'S dependence on them, not its own dependence on the other.

Dependence varies according to: (1) the commitment to (i.e., value or importance of) the benefits at stake in the relationship; and, (2) the availability of the benefits from other parties. The theory assumes that there is an existing two-way flow of benefit in the relationship (i.e., an “exchange”), and the dimensions of dependence apply to such benefits. Thus, the dependence of Japan on the U.S. would be based on two conditions: how important the benefits provided by the United States are to Japan (i.e., the commitment” to the benefits in the terms of the theory); and (2) the availability of these benefits from other nations. Soybean sales to Japan would increase the power of the U.S. to a degree that soybeans are of considerable importance to Japan and not readily available (in sufficient quantities, at least) from alternative nations.

Beginning with these simple notions, we have made a series of modifications in the theory. First, we treat dependence (and, hence, bargaining power) as nonzero sum in character. That is, our framework allows for the possibility that both parties in a continuing relationship

will increase their bargaining power, and rejects the assumption that an increase in one party's power necessarily decreases the other's power. Over time, the bargaining power of both parties may also change in the same direction (increase or decrease). Therefore, the total power in the relationship is not constant; it can vary. Second, our framework stresses the tactical aspects of the bargaining process. That is, our purpose is to develop a framework for understanding how parties translate structural or environmental conditions into tactical action and how this tactical action affects the power relationship in the long run. The tactics of primary concern to us are those that modify the power dependence relationship.

The central ideas of dependence theory are obviously not new. In one form or another, they are a common part of public debate on foreign policy. They can also be found in the social psychology (Rubin and Brown, 1975; Pruitt, 1981) and collective bargaining (Chamberlain, 1955; Walton and McKersie, 1965) literatures and can be traced to elementary economics and operant psychology.

What this article (and our larger program of work) is designed to demonstrate is that these very simple ideas represent a particularly suitable starting point for understanding the power struggle between parties who regularly engage in negotiation. Specifically, in this article we show that the approach contains certain paradoxes regarding the acquisition and use of power in an ongoing bargaining relationship. The dependence framework treats the ongoing relationship as a power struggle in which each party tries to maneuver itself into a favorable power position.

A key problem for parties in bargaining is to weigh both the short-term and long-term effects of tactics used in current negotiations. The paradoxes we identify essentially indicate that tactics with short-term, immediate benefits (producing concessions on a particular issue) often

reduce their users' power in the long-term. Because of this, winning in the short run may be associated with losing in the long run.

Paradox 1: Power is Based on Giving.

The obvious implication of dependence theory is that to gain power you must make the other party dependent on you. This is accomplished by providing benefits to the other (i.e., by giving the other something that he or she values). For example, on the most basic level, the power of the United States over a third-world country is contingent on what benefits the U.S. provides the third-world country and vice versa; the power of management over labor is determined by what management provides the workers and vice versa. Both actors, of course, want to use the benefits they provide to the other to extract more benefits in return; that is, they want to give the other things they themselves don't value (but which the other highly values) and receive in return outcomes that they highly value.

From the theoretical standpoint, maximization of power means that a party must increase the difference between what it provides the other and what the other can get from alternate outcome sources.

To illustrate this concept using a labor-management context, let's simplify the dependence relationship and assume that there are four basic flows of benefit: (1) the benefit to labor from management (label this "L"); (2) the benefit to management from labor (label this "M"); (3) the prospective benefit to labor from alternative sources (Lalt); and (4) the prospective benefit to management from alternative sources (Malt). The dependence of labor on management is a function of the difference between the benefit received from management and that which can be acquired from alternative outcome sources (L-Lalt); similarly, the dependence of management

on labor is a function of the difference between the benefit from the union and its workers versus alternative outcome sources (M-Malt).

If power is based on giving, each party in a bargaining relationship has an incentive in the long run to provide benefit significantly above the prospective benefit from the alternative sources. Thus, the maximization of labor's power implies a maximization of the difference between what labor provides management (M) and what management can get elsewhere (Malt).

There are actually two ways to maximize the other party's dependence (and hence one's own power): provide benefits to the other party, or obstruct the flow of benefits that party can get from alternative sources. The provision of benefits is the most critical because it is clearly under the control of the actor. Cutting off the opponent from alternatives can be time consuming and costly. In the long run, this tactic is adopted by all actors in a conflict. Unions and management vie for control over the supply of employees and sometimes develop relationships of a formal or informal nature with organizations that offer alternative outcome sources to their immediate adversaries; likewise, nations vie for access to and influence over third-world nations. Despite the potential to use tactics that produce "real" changes in the other party's alternative outcome sources, "giving benefits" appears to be the most readily available tactic for manipulating the dependence of an opponent.

The central implication of this first paradox is that there are conditions in which "losing" in the short run will increase the power an actor can wield in future encounters—assuming that losing involves the provision of more benefits to the opponent and an increase in the difference between the benefits provided and those available from alternative sources.

In this sense, accepting a poor agreement in particular negotiations may not suggest weakness in the next set of negotiations and beyond. For example, one might argue that the wage concessions by unions in recent years could enhance their power in the future (all other things being equal). Capitulation can be a strategic move involving the acceptance of short-term losses to reap longer-term benefits by enhancing the opponent's dependence on the capitulator.

Paradox 2: To Use Power Is To Lose It.

The flip side of giving, of course, is coercion, which may entail either an increase in benefits taken or a decrease in benefits given to the other party. An actor has the capacity to withdraw benefits (or, at least, make the provision of those benefits more costly). As frequently suggested in the literature on power (e.g., French and Raven, 1959), the provision of benefits implies a threat of losing those benefits.

However, if giving is the foundation of dependence and power, then there are serious limitations to the degree that one actor can coerce the other—not in the short run, but in the long run. A union that extracts large wage increases over time may motivate management to reduce labor costs via layoffs, mechanization, etc.; a nation that increases the costs of trade to its trading partners encourages those nations to seek similar or substitute commodities elsewhere. While these observations are obvious, the implications for the dynamics of power are not necessarily so obvious: By using power to achieve short-term goals, a party often undermines its ability to extract substantial concessions in future negotiations.

The impact of the two forms of coercion—a reduction of benefits provided to the other and an increase in the benefits taken from the other—can be clarified with the simplified formulation used in the last section. The coercive capability of labor is the equivalent of management's dependence on labor (i.e., M-Malt); and, conversely, the coercive capability of

management is essentially the dependence of the union on management (L-Lalt). The use of coercion by labor involves either a reduction in M (the benefits provided to management) or an increase in L (the benefits taken from management). Both involve a reduction in the benefit the other party receives from the relationship.

Using this conceptualization, consider the impact of the use of coercion—via the withdrawal of benefits or an increase in “taking”—on the power relationship. First, if labor reduces the benefits to management (M) in contract negotiations, then labor’s power decreases because the dependence of management on the union declines (i.e., the difference between M and Malt). Second, if labor increases the amount of benefit taken from management, there is an increase in labor’s dependence on management and, hence, an increase in management’s power. Both methods of coercion actually undermine the power position of labor over time (assuming, of course, that the alternative outcome sources are constant). Thus, the dependence framework suggests that coercion that persists over time will decrease the power of the coercer; in other words, to use power is to lose it.

The most extreme scenario is that labor reduces M to the point that it is equal to or less than Malt. This would destroy the relationship between management and labor because labor can use coercion only to the extent that the benefit to management exceeds the prospective benefit from alternative outcome sources. A union that extracts benefits from management that also result in plant closings and massive layoffs may have failed to consider the long-term implications of coercive tactics used in particular contract negotiations. By the same token, an organization subject to substantial losses due to theft, damaged products, absenteeism, and turnover may have misperceived the consequences of forcing a poor agreement on workers in

previous negotiations. The development and maintenance of harmonious relations may require high mutual dependence that is perceived as such by both parties.

Our analysis of the paradox “to use power is to lose it” warrants a caveat. While this is a defensible theoretical implication of dependence theory, it is not an inevitable consequence of using power. First, the term “use of power” in this context refers to coercive action (i.e., reducing the other’s benefits or increasing the benefits taken from the other). Second, in order for use to lead to a deterioration of the user’s power position, we must assume that there is no change in the prospective benefits from alternative parties. Third, environmental changes (e.g., in government regulations, the economy, etc.) may counteract the impact of power use on a party’s future power position. Despite these qualifications, however, dependence theory provides a cogent explanation for the counterproductive consequences of coercion over time in a power relationship.

Paradox 3: Tactical Manipulation of the Power Relationship May Have Integrative Rather than Disintegrative Effects on the Bargaining Relationship.

Efforts to change a power relationship are often met with hostility—or at least this is thought to be the case. Tactics designed to change the power relationship are tantamount to an effort to modify the terms on which an existing relationship rests. Thus it is not surprising that such actions are often thought to have a negative or disintegrative effect on the relationship. The dependence framework, however, suggests that such tactical action—even though based on competitive, self-interested goals—will often have an integrative or harmonizing effect on the bargaining relationship over time.

Using the dependence framework, there are two broad types of tactical options available for actors who want to modify the power relationship: (1) tactics that increase the opponent’s dependence; and (2) tactics that decrease the party’s dependence. Each category can subsume a

wide variety of specific actions, but the relative emphasis each party places on categories is most important to our discussion.

In its relationship with Japan, for instance, the U.S. might place primary emphasis on increasing Japan's dependence on the U.S. or on decreasing its own dependence on Japan. The choice made or emphasis adopted by the U.S., in conjunction with the choice of Japan, will determine the long-term effects of the tactical action on the power relationship. Specifically, the conjoint emphasis of parties determines whether the power struggle over time will have integrative or disintegrative effects on the bargaining relationship.

When a party engages in action that falls into one of these categories, opposing parties respond with tactical action that also fits into one of the two categories. Two types of responses are possible: blockage and matching (Bacharach and Lawler, 1981).

A blockage tactic attempts to forestall or prevent the action taken by the opponent. If successful, blockage tactics maintain the existing power relationship. A matching tactic reciprocates the tactical action of the actor which, in terms of dependence theory, means that the tactic falls into the same broad category adopted by the actor. For example, a union adopting tactics that increase management's dependence on the union might be confronted with management actions that reciprocate by increasing the union's dependence on the organization. The key to understanding the integrative and disintegrative consequences of a power struggle is to be found in the nature of the tactical-countertactical patterns.

Insert Table 1 about here

The nature of the tactic-countertactic patterns and the effect of these patterns on the power relationship is presented abstractly in Table 1. If Party A increases B's dependence and Party B responds with action that decreases its dependence (to a comparable degree), there is no change in the mutual dependence or total power in the relationship. If Party A decreases its dependence on Party B and Party B matches this action—that is, B also reduces its dependence—there is a decrease in the mutual dependence. Finally, if Party A increases Party B's dependence on A and Party B matches this action by increasing A's dependence on B, then there is an increase in the mutual dependence between the actors. These effects of tactical patterns on mutual dependence, of course, assume that both parties are equally effective at producing the changes. Different degrees of tactic success would produce shifts not only in the mutual dependence (i.e., "total power") within the relationship, but also in the relative power position.

It should be clear from Table 1 that the dominant tactical patterns will determine the level of mutual dependence in the relationship over time. If both actors stress increases in the other's dependence, mutual dependence will grow as will the potential for a more cooperative, integrative negotiation relationship. If labor and management stress efforts to decrease their own dependence on the other, then mutual dependence should decline over time, along with the ease of reaching agreements in negotiations. Thus, some tactical action designed to achieve an advantage can actually lay the foundation for conflict resolution in future negotiations.

In summary, the dependence framework conceptualizes an ongoing, longer-term bargaining relationship as a power struggle. Power struggles are activated and maintained by parties' attempts to alter the existing power relationship. In most any conflict, efforts to change the power relationship are likely, and any such effort will be met with counteraction of some sort (Bacharach and Lawler, 1980: Chapter 7). The major thrust of dependence theory is that the continual manipulation and maneuvering for position that characterizes a power struggle need not have a negative or disintegrative effect on the bargaining relationship. Certain tactic-counter-tactic patterns will increase harmony in the relationship, even if they are motivated solely by self-interest.

Paradox 4: An Inferior Power Position Can Provide a Tactical Advantage.

Recall from our earlier discussion that dependence theory identifies two determinants of dependence: (1) the availability of alternative parties from whom the outcomes at stake might be obtained, and (2) the "commitment" of a party to the benefits at stake, defined as the importance of or value attributed to the benefits. This paradox deals only with the commitment dimension.

The commitment dimension of dependence has contradictory implications for power and tactical action. Clearly, the theory stipulates that a party highly committed to the benefits at issue

will have less power capability than a party with a lower level of commitment (Bacharach and Lawler, 1976, 1981). High commitment means that one party controls benefits of substantial value or importance to the other.

The paradox is that high levels of commitment may also lead a party to expend more tactical effort to manipulate the other and, thereby, acquire the highly valued outcomes (Lawler and Bacharach, 1976; Bacharach and Lawler, 1981). A party with low power on the commitment dimension has every reason to push strongly in the bargaining; and, an opponent with lower commitment might be more inclined to yield to a party with higher commitment on the benefit issue. Thus, a party with high power in these terms may yield more than predicted by the power position.

There appear to be two motives underlying the willingness of the higher power actor to yield under such circumstances. First, there is strong pressure by the party with lower power for outcomes not highly valued by the party with higher expectation (tacit or otherwise), so that the lower power actor will yield on other issues that are more important to the higher power actor (i.e., a tradeoff); secondly, by yielding, the higher power party may convey an image of benevolence that improves the long-term relationship—and also future power position. Overall, where parties have dissimilar commitments to the outcomes of the issue, the party with less power in these terms should be successful (all other things equal) because yielding by the party with more power is a low cost act that may produce long-term benefit.

There is empirical support for the tactical-effort implications of commitment that suggests that the alternatives and commitment dimensions represent qualitatively distinct bases for power (Bacharach and Lawler, 1981: Chapter 3). While high power in terms of the alternatives available is clearly an advantage (and one that shows in the tactical success of the actors), high power in

terms of commitment to the benefits is not inevitably an advantage. This paradox suggests the fallacy of assuming a perfect correspondence between the power relationship, tactical action, and bargaining outcomes and also the importance of placing the short-term aspects of bargaining in the context of the ongoing power struggle.

Conclusion

In most international and labor-management contexts, bargaining occurs between actors who have a continuing relationship that transcends the bargaining at a given point in time. While it is well known that the expectation of future interaction affects the bargaining process (Rubin and Brown, 1975; Pruitt, 1981), little effort has been made to link the bargaining process in particular negotiations to the larger power relationship within which parties deal with each other.

Our perspective assumes that parties in continuing relationships will engage in relatively persistent efforts to enhance their own power or reduce the other's. Successful acquisition of a favorable power position at one point in time does not assure its continuation, however; in fact, such a gain motivates the other party to devote even greater effort to modifying the power relationship. The nature of the power relationship is likely to fluctuate over time because of such tactical maneuvering.

Dependence theory can be used to analyze the larger power struggle within which specific negotiations tend to occur. The paradoxes discussed in this article suggest that tactical action within specific negotiations can have unintended effects on the power relationship: A union that makes substantial concessions at one point in time increases management's dependence on the union; a union that adopts coercive tactics over time may in the process gradually erode its power base by making alternative outcome sources (e.g., subcontracting) more viable for management; if both union and management stress tactical efforts to increase the

other's dependence, then mutual dependence will rise over time and, all other things being equal, relations should become more harmonious. It is the fact that dependence theory raises such issues and provides general answers that makes it a useful framework for analyzing the tactical processes of bargaining.

The dependence framework offers a multidimensional conceptualization of power rather than a unidimensional one. It traces power to basic propositions about interdependence found in psychology, sociology and economics; it proposes a variable-sum rather than a zero sum treatment of power, which is critical to an understanding of power relationships that change over time; and, it adopts a tactical approach to bargaining. Overall, the dependence framework suggests a more dynamic analysis of power relationships, one that incorporates both the short and long-term effects of tactical action.

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