GLOBAL STRATEGY

Soft-Edge Negotiations in a Power-First World

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Successful alliances are outcomes of soft-edge negotiations, not hardball tactics.

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On February 1, 2025, President Donald Trump signed sweeping **executive orders** imposing 25% tariffs on goods from Mexico and Canada, with 10% on Canadian energy exports. On April 2, some of these tariff were **solidified**. The global response was swift. Mexico and Canada announced **retaliatory tariffs**, with a major province of Canada threatening to **cut off electric supply** to the US. Financial markets **reacted with volatility**. Analysts raised **alarms** about rising prices, supply chain disruptions, and a renewed deterioration in trade relationships.

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Rajesh Kumar, "**Managing Ambiguity in Strategic Alliances**," California Management Review 56/4 (2014) : 82-102.

This approach exemplifies what we call Power-First Negotiation—a style of dealmaking that emphasizes dominance, leverage, and immediate and visible gains. In both geopolitics and business, leaders are often rewarded for visible strength: holding firm, speaking loudly, appearing unyielding. But this posture frequently undermines the very outcomes it aims to secure.

While it may appear decisive, Power-First negotiation often sacrifices trust, sustainability, and shared value in pursuit of control. It can lead to **tit-for-tat punitive strategy**, making negotiations inflexible, hostile, unproductive, and vulnerable to miscommunication. We see this in today's high-conflict theater: the mocking and condescending language that global leaders exchange with **each other** is likely to weaken historical alliances at moments when cohesion is essential.

The Cost of Power-First Negotiation

This is not the first time such strategies have been employed. In 2018, the U.S. introduced a similar round of tariffs under nearly identical rhetoric. The economic outcomes were clear:

- Between 2018-2021, U.S. companies paid nearly **$80 billion** in additional tariff-related costs.
- Retaliatory tariffs from trading partners **squeezed** U.S. exporters, especially in agriculture and manufacturing.
- The Congressional Budget Office estimated a **0.2% reduction** in the U.S. GDP attributable to the tariffs—accounting for a loss of around $40 billion based on 2018 figures.
- Economists concluded that U.S. **firms and consumers** bore the entire burden of the tariffs, producing a net loss of $16 billion per year to the U.S. economy.

The cumulative effect was not strategic strength, but fragmentation and inefficiency. History reinforces the point: similar outcomes followed **the Hawley–Smoot Tariff** Act of 1930, which worsened the Great Depression by triggering retaliatory tariffs and constricting international trade.

The Impact of Power-First Dealmaking in Business

Power-First Negotiation isn't confined to global politics. It's embedded in corporate behavior—and it's expensive to both parties.

- **M&A Failures:** Between 70% and 90% of **mergers and acquisitions** fail. The primary culprits are not just financial miscalculations, but also cultural clashes, ego-driven leadership, and a lack of alignment during integration. Power-first dynamics—where one party takes over instead of co-creating—almost always destroys long-term value.

- **Labor Disputes:** The 2023 United Auto Workers strike cost the U.S. auto industry an estimated $9.3 billion in **economic output**. It followed years of mistrust and transactional bargaining between workers and auto makers. The resolution—wage increases, cost-of-living adjustments, and new rights around plant closures—came after both sides reframed the negotiation around long-term sustainability and mutual interest.
- **Startup Fundraising:** Investor-founder **misalignment** is among the top reasons startups fail after early-stage-funding. Founders often approach fundraising as a control battle, prioritizing board power, equity splits, or deal optics. But successful venture relationships are built on aligned incentives, trust, and shared conviction—not dominance at the negotiating table.
- **NFL vs. Referees (2012) :** The NFL locked out its professional referees over a pay dispute, replacing them with inexperienced officials. The low-quality officiating led to controversial calls, including the infamous "**Fail Mary**" game, damaging the league's credibility and forcing the NFL to concede in negotiations.
- **Disney vs. Sony**: In 2019, Disney and Sony clashed over **revenue-sharing terms** for Spider-Man movies. Disney demanded a larger cut, leading Sony to walk away from the deal. The fallout **alienated** fans, forcing both companies back to the table to renegotiate, but the dispute strained their relationship.

Across sectors, the pattern is clear: Power-first behavior creates friction, not momentum. It produces visibility, not durability.

A Better Model: Soft-Edge Negotiation

Harvard's **Program on Negotiation** shows that adversarial framing reduces the likelihood of agreement and lowers the total value created. **Research** also shows that negotiators who lead with empathy and curiosity consistently reach more durable, higher-quality outcomes.

We propose an alternative to Power-First strategies: Soft-Edge Negotiation, characterized by a flexible, diplomatic, nuanced, adaptive, and tactful approach. It may sound weaker, but is a wiser strategy in which *trust-building*—not control—is the driving factor. It is a better

predictor of success in complex, high-stakes negotiations. Soft-edge negotiation is a strategic posture grounded in clarity, trust, and long-term orientation. It more accurately reflects today's leadership imperatives: high interdependence, fragile systems, and a growing need for resilience over dominance.

Consider Nelson Mandela's approach to South Africa's transition from apartheid. Rather than seeking revenge for decades of oppression, he **fostered** an environment of mutual respect and human rights. He remained uncompromising on principle, yet deliberately measured in tone. His negotiation strategy helped prevent mass violence and laid the groundwork for nation reconciliation.

Softer negotiation is not a luxury for moments of peace. It's a requirement in inevitable moments of complexity. At COP28 in 2023, one of the most significant outcomes—**the launch of a global loss-and-damage fund**—wasn't driven by the largest emitters. It was achieved by coalitions of vulnerable nations, building bridges across geopolitical lines and framing the negotiation around trust and long-term resilience.

Soft-Edge Negotiation

Soft-edge negotiation is not about avoiding conflict. It's about designing for what can survive it. Most negotiations fail because the human system around the deal breaks down: trust erodes, stakes get misread, pressure replaces clarity, and deals signed under pressure do not last long in the real world.

That's where Soft-edge negotiation comes in. Soft-edge reframes negotiation as a leadership function—not just a transactional deal-making tool. It's not about extracting value. It's about creating the conditions for alignment that lasts.

It rests on four core shifts:

1. **Lower the Gumption of Certainty**

The louder someone asserts their position, the more likely they're masking insecurity or shallow conviction. Power-first negotiators display might but Soft-edge leaders practice perspective. Soft-edge leaders resist the urge to posture. By making space for ambiguity, they surface information others miss. *If you already know everything, you'll never learn what matters.*

2. **Reveal the Invisible Stakes**

Most negotiations obsess over what's said aloud: price, timeline, scope. But the real drivers of reputation, risk, fear, and identity live just beneath the surface. Soft-edge leaders make the implicit explicit. They ask questions that reveal, not manipulate. They understand that people rarely negotiate what they *really* want until they feel safe enough to say it. *If you don't name what's underneath, it will surface anyway—usually at the worst possible moment.*

3. **Co-Design the Deal Environment**

Agreements don't collapse just because of bad terms. They often collapse because one side never trusted the process and participated in it fully to begin with. Power-first negotiators dictate structure. In that case, people may not initially resist deals, but they remain resistant to how they were made in the first place. In contrast, Soft-edge leaders design the process and the terms together. That means shaping not just *what's* decided, but *how*—who's in the room, what rules govern the conversation, and what success means.

4. **Trade in Futures, Not Just Immediate Wins**

The most dangerous deals are the ones that work perfectly for one side, and then fail spectacularly as soon as business conditions *change*. Power-first leaders mold deals for their transactional wins in zero-sum games. Soft-edge leaders design deals for resilience. They ask: What happens under stress? What if the landscape shifts? What if leadership turns over? More than negotiating the outcome, they future-proof it. *If it can't survive pressure, it wasn't a partnership. It was a performance.*

The Leadership Imperative

The temperature in our systems—political, economic, social—is rising fast. It's not just noise, it's also because of heat in the environment. And when heat builds without release, things break: trust, alignment, institutions, people.

We are living through a moment defined by compounding crises. There's climate volatility, geopolitical fragmentation, the destabilizing acceleration of AI, the erosion of institutional trust. In this environment, the ability to dominate may still win airtime. But it no longer builds anything that lasts.

In summary, the power-first negotiation approach—anchored in dominance and short-term gain—has repeatedly resulted in economic disruption, trade instability, and weakened global cooperation. In contrast, the soft-edge negotiation posture offers a trust-based, forward-looking strategy that enables durable agreements and fosters long-term resilience.

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