

THE USE AND ABUSE OF NEGOTIATION

Negotiation is a wide spread business practice. Its purpose is usually to reach agreement, and through the process, resolve differences of opinion. The author has provided negotiation skills training for many years and has conducted front line negotiation with, and on behalf of, clients. It is a curious phenomena that the negotiations can involve a complex range of financial, business and contractual issues, but the negotiators do not take kindly to the thought that they may have a lot to learn. This article will test the hypothesis that negotiation is the greatest training need in many organisations.

It is a provoking thought that negotiation can be used and abused. Power is usually the problem. The author knows of many negotiators who work for large organisations, and who see it as their task "to screw the supplier". They deliberately set out to wring every last concession, regardless of its impact. They will tell lies to achieve their ends, particularly by exaggerating demand and the forward forecasts. They will create 'ghost' competition, presenting fictitious prices that must be beaten if the contract is to be won. They will obtain confidential information and pass it to 'tame competition'. This is dishonest, morally and ethically wrong. It has to be said that many large selling organisations are not afraid to screw the buyer as they restrict supply, apply huge unjustified price increases and issue a mixture of threats and personal challenges.

When the range of influencing skills is considered the use of power and coercion is deemed to be one way that opinions can be changed. They most certainly can, but at what cost? The best business relationships are founded on complete trust. When that is destroyed there is little future other than each side taking advantage of the other whenever it gets the chance. Make no mistake, there always will be such a chance. It may be a long time coming but it will! The author advises that negotiations should not be planned around power. However, there should be recognition that it is sometimes the only language that some negotiators recognise.

If negotiation is genuinely being used to resolve differences, logical persuasion is a very powerful skill. It is not a threatening approach and therefore relationships will remain positive when it is used. The greatest challenge is that it requires exceptional knowledge of the subject matter. This often will include, technical issues, price and cost considerations and detailed contractual issues. It is quite common in negotiations seeking to create partnering agreements that open book is an issue. The supplier wants to know why open book is required? It is often seen as an attempt to negotiate a price to an acceptable level. It isn't that at all! It is a genuine attempt to understand material, labour, overheads and profit. In other words the key cost drivers. It should be explained as a business opportunity not a threat.

Another key influencing skill is to discuss genuine business objectives. The intent here is to explore what both parties have to gain from an intended deal. There may, for example, be an opportunity for a long term contract. There may be the opportunity to create a climate where the supplier has the chance to undertake capital investment when he is sure that long term business is possible. The author has persuaded buyer and seller to share their respective business plans. A climate of trust must be created if this style of negotiation is to be successful.

There is absolutely no doubt that professionally conducted negotiations can bring enormous benefits. It will require significant disciplines. It does sound prosaic but planning must be done. Yes, it is obvious but it is rarely done well. An agenda needs to be developed and the impact of each point considered for its psychology and business impact. The other party's reaction should be considered carefully and possible responses prepared. Each item must be timed, taking into account that the other party will want to join in. Many negotiations fail because people run out of time towards the end. This leads to misunderstandings and a failure to sort out the detail. The planning requires a time resource that must be planned.

An able negotiator has excellent questioning skills. Culturally, some nations are uncomfortable asking direct questions. The English fall into this category. It is something of an embarrassment to ask questions and persist until the question is answered. We go around the houses. The author has numerous video tapes where questions such as "You couldn't possibly consider the chance of giving us some sort of discount, could you?" There is only one answer to that. No!

In summary, negotiations should be founded on mutual trust and respect. They should be conducted within a problem solving atmosphere, with sufficient time to tackle all issues. Great care should be given to providing refreshments, break out facilities and communication channels to each sides senior management and advisors. Negotiation done properly always pays dividends. That is the objective for all business people.