Effective negotiation

Session 1
Planning and preparing for negotiations
Learning objectives

At the end of this session candidates will be able to:

- define the term ‘negotiation’
- describe the different phases of negotiation in order to identify the range of preparatory activities
- review the purchasing context for negotiations in order to understand the supplier organisation
- identify the range of supplier information required to underpin a negotiation
- produce a SWOT analysis in order to support a negotiation
- analyse the market using the PESTLE framework in order to support a negotiation
- identify the supply and demand factors that could impact upon a negotiation
- apply an appropriate supply and demand formula to a range of scenarios.
Negotiation situations

To discuss with a view to mutual settlement
(Collins English Dictionary)

- Two or more parties
- Conflict of interest
- Willingness to negotiate
- Need to seek agreement
- Better outcome through influence and persuasion
- Parties seeking to satisfy tangible and intangible outcomes.
Phases of negotiation
(Diagram from workbook by Tracey G Harwood)

Phase 1: Preparation
Phase 2: Relationship Building
Phase 3: Information Gathering
Phase 4: Information Using
Phase 5: Bidding
Phase 6: Closing the Deal
Phase 7: Implementing the Deal

Source: adapted from Greenhalgh 2001
Drivers for change in purchasing

- Technological advances
- Quality and customer focus
- Globalisation
- Insourcing and outsourcing
- Strategic cost management
- Supplier relationship development and network management
- Value chain and added value focus.
Impact on negotiation

- Fluctuating prices
- Time preferences
- Dynamics in exchanges
- Relative interests of each party
- Risk aversion factors
- Bargaining power
- Constraints of macro-environment and organisational policies and procedures.
Negotiation

- Pre-contract
- Contract agreement
- Contractual and relationship review.
PESTLE

- Political
- Economic
- Socio-cultural
- Technological
- Legislative and regulatory
- Environmental and ecological.
SWOT

- Strengths (internal)
- Weaknesses (internal)
- Opportunities (external)
- Threats (external)

*How should a SWOT analysis be used to assist negotiation?*
# SWOT analysis

<table>
<thead>
<tr>
<th>Internal Capabilities</th>
<th>Positive</th>
<th>Adverse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>Opportunities</td>
<td>Threats</td>
</tr>
<tr>
<td>Positive internal features</td>
<td>Positive external features</td>
<td>Negative external features which can cause disadvantage if the organisation is weak but which could be advantageous if it is strong</td>
</tr>
<tr>
<td>which allow opportunities to be exploited</td>
<td>which could be exploited to improve the organisation’s competitive advantage</td>
<td>Negative internal features could prevent opportunities being exploited and allow rivals to gain advantage</td>
</tr>
</tbody>
</table>
Porter’s 5 forces
(Michael Porter, 1985)

- **Threat of new entrants**
- **Rivalry among existing competitors**
- **Threat of substitute products or services**
- **Bargaining power of suppliers**
- **Bargaining power of buyers**
Price inelasticity of demand
(Diagram from workbook by Tracey G Harwood)
Price elasticity of demand
(Diagram from workbook by Tracey G Harwood)
Price elasticity of demand

Can be calculated from:
- Expert judgement
- Customer surveys
- Econometric studies (Market data and studies)
- Experimenting with price!

Price elasticity =
\[
\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}
\]

*Why is it useful to understand price elasticities when preparing for negotiation?*
Effective negotiation

Session 2
Planning and preparing for a negotiation
Financial tools for negotiations
Learning objectives

At the end of this session candidates will be able to:

- undertake risk assessment to prepare for negotiations
- assess legal information and its implications for negotiations
- identify and calculate elements of fixed and variable costs to prepare for a negotiation
- examine different perspectives on fixed and variable costs.
Risk assessment
(Drummond and Ensor 2003)

- Routine products – low risk
- Procedural problem products – adoption risks
- Performance problem products – needs and compatibility risks
- Political problem products – ‘ownership’ risk.
Legal terms

- Express terms
- Implied terms
- Statutory terms
- Illegal terms.
Legal framework

- Sale of Goods Act 1979
- Supply of Goods and Services Act 1982
- Data protection Act 1998
- Fair Trading Act 1973
- Competition Act 1980
- Unfair Contract Terms Act 1977
Negotiating a contract

When negotiating a contract there will be:

- issues or preferences that are important for the supplier (no penalties for late delivery)
- issues or preferences that are important to the purchaser (ownership of goods ASAP).

Terms will therefore vary from contract to contract according to the outcome of Negotiations.
Terms and conditions

- Express
- Implied
- Statutory
- Unlawful

- Exclusion or limitation clauses
- Retention of title clauses
- Penalty clauses.
Core clauses

- Terms of payment
- Time of the essence
- Confidentiality and data protection
- Insolvency and bankruptcy
- Force majeure
- Dispute resolution
- Termination for breach.

* Caveat Emptor! *
Costs

- Fixed costs – do not vary with output (rent, rates)
- Variable costs – vary with output (materials)
- Total costs – sum of costs.
Costs

Costs

Total costs

Output
Semi-variable costs

Semi-variable costs include a fixed and a variable portion, such as telephone, which includes a ‘standing charge’ and a variable cost factor which increases with increased use.

Use the following formula to identify the two components:

\[
\text{Difference in costs at two production levels} = \text{Difference in production volume}.
\]
Example

Calculate the fixed and the variable cost components of power (electricity) for the following:

making 500 units total cost of power
= £6000

making 1500 units total cost of power
= £8000.
Pricing methods

- Full-cost pricing
- Contribution pricing
- Mark-up pricing.

Why is it important for purchasing negotiators to understand how prices have been calculated?
‘Open book’ costing

Advantages:

- openness reduces conflict
- greater reliance on negotiating skills
- focus on value for both parties
- potential to further develop relationship.

What disadvantages might there be?
Effective negotiation

Session 3
Financial tools for negotiations
Learning objectives

At the end of this session candidates will be able to:

- identify total costs and its constituents
- differentiate between capital goods, consumables and materials and their value to and impact on the business and its operations
- identify and calculate the components of typical costing models
- identify techniques for financial benchmarking
- calculate and graphically demonstrate breakeven.
Costs

- Direct costs – directly link to a specific product or service such as material, labour and expenses (prime costs)

- Indirect costs – cannot be directly related to a specific product or service.
Costs in manufacturing
(Diagram from workbook by Tracey G Harwood)
Overheads

- Production
- Sales and distribution
- Administration.

*When is absorption costing used in your organisation in a purchasing context?*
Transfer costs
(Lambin 2000)

- Incorporating the new product into organisation’s production or operations
- Setting up new purchasing arrangements
- Additional equipment
- Training or other support.
Services

- Why is costing services different to costing the making of a product?

- How are services costed in your organisation – or one you know well?
Suppliers perspective

The strategy used for costing and providing prices by suppliers depends on what they want to achieve:

- increased volume
- improved profitability (ROI)
- competitive parity.

Why is it important to understand the supplier’s motives in a negotiation?
Goods and services  
(Van Weele 2000)

- Raw materials  
- Supplementary materials  
- Semi-manufactured products  
- Components  
- Finished products  
- Capital equipment  
- Maintenance, repair, operations supply (MRO)  
- Services.

Purchasing add value to the organisation through cost effective and efficient negotiation.
Breakeven point

Costs

Sales revenue

Total costs

Break even point

Output
Formulae

Sales revenue – variable costs = contribution

Contribution – costs = profit (or loss)

Break even = fixed cost contribution

When is marginal costing used in your organisation in a purchasing context?
Just in Time (JIT)

- Reduces stock handling and storage costs
- Reduces risk of obsolescence and therefore reduces waste
- Reduced stock holding costs
- Lower investment required
- Reduces overall costs if product quality improves.
Typical Cost Model

(Diagram from workbook by Tracey G Harwood)

Based on Lambin 2000

price to purchaser
(sales price)

Profit

Overhead

Indirect marketing

Indirect manufacturing

Direct marketing cost

Direct labour cost

Direct materials cost
Cost-based pricing

- Minimum price (‘Floor price’)
- Break-even price
- Mark-up price
  - Mark-up price = Break-even price/(1 – desired Mark-up)

- Target price
  - Target price = Direct Cost + (Fixed Cost/Expected Sales Volume + Expected Rate of Return on Capital Invested/ Cost/Expected Sales Volume.
Circular logic of pricing

(Diagram from workbook by Tracey G Harwood)
Financial benchmarking

- Performance ratios
- Financial status ratios
- Investor ratios

Why is it important to identify strengths and weaknesses of suppliers when preparing for negotiation?
Experience curve
(Diagram from workbook by Tracey G Harwood)
Effective negotiation

Session 4

The negotiation process – approaches and strategies
Learning objectives

At the end of this session candidates will be able to:

- develop a negotiation strategy
- identify alternative approaches to negotiation
- set targets and compose ranges for negotiation variables
- establish the bargaining position
- identify and describe typical negotiation tasks
- identify resources for the negotiation stages
- evaluate the role of resources for managing a negotiation
- describe BATNA and its use in negotiation.
Negotiation goals
(Lewicki et al 2003)

- Goals of both parties must be linked to create a base for negotiation
- Boundaries must be set by both parties
- Goals must be measurable so achievement can be identified.
Negotiation outcomes

<table>
<thead>
<tr>
<th>SELLER (OR MANAGER)</th>
<th>WIN</th>
<th>LOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>WIN</td>
<td>Both are winners</td>
<td>Buyer loses</td>
</tr>
<tr>
<td>LOSER</td>
<td>Seller loses buyer wins</td>
<td>Both parties lose</td>
</tr>
</tbody>
</table>
Distributive approach

Agreement is reached by:

- one side winning and the other losing
- head-to-head adversarial approach
- competitive and inflexible negotiation
- characterised by conflict and disagreement.
Collaborative approach

Agreement is reached by:

- expanding the pie
- logrolling
- non-specific compensation
- bridging
- cost cutting.
Negotiation strategies
(Diagram from workbook by Tracey G Harwood)
Negotiation strategies

- Collaborate
- Compete
- Accommodate
- Avoid
- Compromise.

*Based on Ruble and Thomas 1976.*
BATNA
(Fisher and Ury 1991)

- BATNA = Best alternative to a negotiated agreement
- When preparing to negotiate there is always the alternative not to negotiate
- BATNAs are an important negotiating tool and can be used to set and clarify ‘the bottom line’.

*What might be the limitations of a BATNA?*
Zones of agreement
(Diagram from workbook by Tracey G Harwood)
Influences on negotiations - effect on bargaining position

- Skills and knowledge of negotiators
- ‘Bottom line’ requirements
- Negotiating styles
- Level of authority
- Stage of relationship
- Results of analysis of performance and reputation
- Negotiation history
- Norms of behaviour/cultural differences.
Negotiation interests
(Lax and Sebenius 1986)

- Substantive – resource related
- Process – personal motivation
- Relational – how much each wants to pursue and develop the relationship
- Principles – related to issues of fairness.
Collaborative or integrative approach

Agreement is reached by:

- parties sharing information
- maximising joint outcome – win/win
- trust and openness – focus on the longer term prospects of working together.
Integrative meeting
(Diagram from workbook by Tracey G Harwood)

Based on Lewicki et al 2003
Distributive or competitive approach

Agreement is reached by:

- One side winning and the other losing – maximising own outcome
- Pursuit of own goals at the expense of the other side – focus in on a short-term relationship
- Characterised by conflict and disagreement.
Distributive meeting
(Diagram from workbook by Tracey G Harwood)

Based on Lewicki et al 2003
Protocol for negotiation
(Lewicki et al 2003)

- Agenda - can be prepared in advance
- Location – home ground preferred
- Duration – including ‘time outs’
- Parties’ involvement – clear roles and responsibilities
- Consequences of failure – dealing with deadlock
- Keeping track – note taking.
Resources

- Men
- Money
- Minutes.
Factors impacting on meeting climate

- Balance of power
- Culture and reputation
- Expectations
- Size of the deal and significance of outcome
- Timing
- Location and environment
- Team dynamics
- Relational or ‘one-off’ situation.
Effective negotiation

Session 5
The negotiation process - power and persuasion
Learning objectives

At the end of this session candidates will be able to:

- describe how power influences negotiations and examine the sources of power in negotiations
- describe different techniques for persuading in negotiations
- compare and contrast the tactical tasks undertaken for collaborative and distributive negotiation situations
- identify typical positions taken during collaborative and distributive negotiation styles.
Power bases

- Information
- Expert
- Resource control
- Legitimate (authority)
- Personal (referent)
- Power is a source of leverage
- Imbalance leads to an opportunity to coerce or manipulate.
Power bases
(Lewicki et al 1997)

Negotiators can gain power from any social variable in the situation, including:

- cultural differences
- ideologies and beliefs
- institutional norms
- relationships
- language and semantics.
Effective influencing

Factors to consider when choosing your approach:

- knowledge of the other party
- required outcome(s)
- skill in using different tactics.
Influencing styles and tactics

- Using expert knowledge
- Applying logic and reason
- Selling the benefits
- Personal appeal!
- Coalition
- Manoeuvring
- Coercing.
5 Main persuasion methods

- Compromise
- Bargaining
- Logic
- Threat
- Emotion.
Negotiation tactics

- Snow job
- The nibble
- Log-rolling
- Add-on
- Salami

And many more!
Negotiation tactics

Distributive meetings:

- find out the other party’s resistance points
- managing others’ perceptions of you
- controlling others’ impressions of your position
- exaggerate your ‘fear of failure’
- may play good cop/bad cop.
Negotiation tactics

Collaborative meetings:

- focus on meeting needs and common interests
- build on common ground to develop positive relationship
- exchange information and ideas
- create environment for mutual gain
- be objective and logical not judgemental.
Bundling versus sequential agreements

- Quality
- Price
- Volume
- Delivery

Issues dealt with together

Issues dealt with sequentially
- Quality
- Delivery
- Price
- Volume
Effective negotiation

Session 6
The negotiation process – ratification
Understand effective behaviour for negotiation
– body language
Learning objectives

At the end of this session candidates will be able to:

- explain the importance of ratifying a negotiation
- identify and discuss components of a negotiation evaluation
- discuss the impact of negotiating in an existing relationship
- appraise what is meant by effective communication in negotiations, including how to improve communication during negotiations
- distinguish between different verbal and non-verbal (body language) communication techniques
- assess the range of potential communication difficulties experienced in negotiations.
Ratifying negotiations

- Process of confirming, approving and endorsing agreements made so it can proceed to implementation

- Used in international situations when there are a number of interested parties

- Used by organisations when there are negotiations between internal departments or functions

- What are the issues that might hinder ratification?
Ratifying negotiations

**Formal**
- Agreements are ‘signed off’
- All information has been discussed so there should be no factors hindering implementation.

**Informal**
- Often used by internal negotiators
- PSS is a good idea to prevent lack of progress following agreement.
Evaluating negotiations

- Evaluation should include all seven phases of the negotiation

- Evaluation should consider all aims and objectives to determine how effectively they were achieved

- Failure could have been due to factors out of the negotiators’ control, so evaluations should be done to inform the future not to apportion blame.
Planning evaluation

(Diagram from workbook by Tracey G Harwood)

Negotiation Setting
(Study Session 1)

Distributive

Integrative

Understanding the supplier organisation
(Study Session 2)

Preparation (Study Session 3)

Financial analysis (Study Sessions 4-6)

Negotiation process (Study Session 7)

Resourcing Negotiation Stages (Study Session 8)

Persuasive Techniques (Study Session 9)

Tactics for negotiation
(Study Session 10)
Post-negotiation phase

- Evaluate outcome achieved against aims and objectives
- Review outcome achieved
- Analyse individual and team performance
- Compose a ‘lessons learnt’ document to inform the future
- Enable authorised others to access the results of your evaluation for their own purposes.
Drivers of relational negotiation

- Retention of suppliers
- Reduction in costs related to inducting and liaising with new suppliers
- JIT requires knowledge and commitment from both parties
- Move towards high value and specialist transactions
- Outsourcing becoming a norm for many organisations.
Relationship development model
(Diagram from workbook by Tracey G Harwood)

Based on Dwyer et al 1987
Additional responsibilities

- Ethical responsibilities
- Legal responsibilities
- Economic responsibilities
- Discretionary responsibilities.
Communication in negotiation
(Lewicki et al 2003)

- Offers and counteroffers
- Information about alternatives
- Information about outcomes
- Social justifications
- Information about processes.
Negotiation phases

(Diagram from workbook by Tracey G Harwood)

INTEGRATIVE
1. Establishing the climate
2. Exchanging information
3. Bargaining
4. Concluding the deal (Summarising)

DISTRIBUTIVE
1. Establishing the climate
2. Exchanging information
3. Bargaining
4. Concluding the deal (Summarising)
Communication techniques

- Open questions to gain information
- Leading questions to anticipate answers
- Unemotive or cool questions
- Planned questions
- Window questions to gain insight
- Directive questions to get specific information
- Gauging questions to test reaction

- What techniques have you found useful?
Difficult situations

- Loaded questions to put ‘on the spot”
- Coercive questions
- Manipulative questions
- Trick questions and reflective trick questions
- Heated or emotional questions

- What difficult situations have you had to deal with?
Non-verbal behaviour

- Voice tone, volume, inflection, pace
- Eye contact
- Facial expression
- Gestures, posture
- Muscle tension
- Proximity.
Cultural differences

- Language and interpretation
- Gestures and personal space
- Personal prejudices
- Shortcuts (decision mechanisms)
- Balance of verbal and non-verbal to give clarity
- Colloquial or regional variations in language and phrasing.
Barriers to communication

- Stereotyping
- Psychological pressures
- Selective perception
- Projection
- Making assumptions due to limited experience of other party (halo effect).
Framing and reframing

- Framing is about the views held that parties use to make sense of what is happening or substantives.
- Reframing is about changing perspectives to look at a situation from another point of view.
- *How have you seen reframing used to assist agreement?*
Cognitive biases

- Irrational escalation of commitment
- Anchoring and adjustments
- Emotional fixed pie
- Winner’s curse
- Over confidence
- Small samples
- Self-serving bias
- Endowment effect
- Reactive devaluation
- Ignoring the other party’s cognition.
Effective negotiation

Session 7
Understand effective behaviour for negotiation
Learning objectives

At the end of this session candidates will be able to:

- define what is meant by ‘negotiation behaviour’
- describe the nature of conflict in negotiations and explore techniques for managing conflict
- compare and contrast different negotiation behavioural techniques
- describe the characteristics of successful negotiators
- identify how negotiation competencies can be developed
- define what is meant by the emotionally intelligent negotiator.
Negotiation behaviour

- Setting the scene behaviours
- Specifying behaviours
- Social behaviours
- Initiating behaviours
- Reacting behaviours
- Clarifying behaviours

How do you think the above behaviours change as the relationship between the two parties develops longer term?
Negative Conflict

- Arises when both parties have different views about an important aspect of the negotiation such as price and adopt a competitive approach to resolution.
- Parties begin to deliberately misunderstand each other.
- Emotions and the conflict may escalate if the meeting does not adopt a problem solving approach.
Conflict

- Interpersonal
- Intrapersonal
- Intergroup
- Intragroup
- Interorganisational

- Can be positive!
- May be difficult to manage!
- When does it cause deadlock?
Conflict resolution

- Challenge perceptions and seek the facts
- Adopt a problem solving approach, not a competitive one
- Deal with emotional issues calmly
- Focus on the future – what each party wants to achieve
- Conflict resolution strategies – Thomas Kilman Conflict Mode Instrument

- *Deal with emotions and behaviours.*
Conflict Management

- Collaborative
- Accommodating
- Competing
- Avoiding
- Compromising.

*Based on Thomas and Rubles original work 1976*
Conflict resolution strategies

Encourage both parties:
- to take time out to calm down
- to see what the problem looks like from the other side
- manage the substantives including the salami technique
- focus on common ground before moving into areas of profound disagreement
- highlight positives and attractiveness of offers.
Facilitation
(Diagram from workbook by Tracey G Harwood)

<table>
<thead>
<tr>
<th>DECISIONS MADE BY NEGOTIATORS</th>
<th>DECISIONS MADE BY APPOINTED THIRD PARTIES</th>
<th>DECISIONS MADE BY LEGAL ENTITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict avoidance</td>
<td>Administration and arbitration</td>
<td></td>
</tr>
<tr>
<td>Discussion and problem-solving</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal negotiation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mediation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Increasingly win-lose outcomes likely
‘Breakthrough’ approach
(Ury 1991)

In situations of conflict escalation:

- do not react – wait and compose yourself
- listen actively to the other side to gain all the facts
- reframe to take a positive perspective
- involve the other side in seeking a solution (facilitating a ‘yes’ response)
- make ‘no’ a difficult option for them by stating the benefits of agreement and letting them know you have a good BATNA).
Negotiator styles
(Shapiro et al 2001)

- Extrovert – outgoing, impulsive
- Pragmatist – focused, takes charge
- Analyst – logical, process driven
- Amiable – open, friendly

How would you respond to each style in negotiation?
Fairness
(Albin 2001)

- Structural fairness
- Process fairness
- Procedural fairness
- Outcome fairness.
Effective negotiators

- Use credible and valid sources of information
- Use open and confident body language
- Put expression into their voices to emphasise important points and underpin confidence
- Control eye contact and develop rapport so they pace and then lead.
Effective negotiators

- Plan content to ensure it is clear and attractive to the other party
- Plan structure – to avoid information overload and set out key points in a logical manner
- Use styles – that are persuasive and engaging.
Effective negotiators

Consider negotiations you have been involved in or know about, what are the characteristics of a skilled negotiator:

- Pre-negotiation?
- During negotiation?
- Post-negotiation?

- What are your main development needs?
Negotiation competencies

- Cognitive ability
- Emotional intelligence
- Ability to view all perspectives.
Negotiation capability

Source: A. Reynolds 2003
Learning from experience
(Kolb’s Learning Cycle)

Concrete experience (negotiation)

Experimentation

Reflection

Analysis and conclusions
Improving negotiation capability

- Job rotation
- Mentor
- 360 feedback
- One-to-one feedback
- Observation
- On-the job
- Content led training
- Blended learning.
Effective negotiation

Session 8
Understand effective behaviour for negotiation – questions culture
Learning objectives

At the end of this session candidates will be able to:

- explain the role of effective questioning in negotiation
- link questions together to develop an environment of trust
- prepare for dealing with questioning from the other party
- discuss the nature of cultural differences and how this influences negotiations
- develop culturally aware negotiation strategies
- present a planning tool for preparing to negotiate with international parties.
Use of questions

- To gather information on views, substantive issues, proposals and so on

- To clarify needs and seek ways to meet those needs (Huthwaite’s SPIN technique)

- To test assumptions – hypothetical questions – and seek clarification – agreement.
Question types

- Open questions to gain information
- Leading questions to anticipate answers
- Unemotive or cool questions
- Planned questions
- Window questions to gain insight
- Directive questions to get specific information
- Gauging questions to test reaction.
Difficult situations

Use different approaches when suspicious of what you have been told:

- ‘Call their bluff’
- accuse directly
- prod, probe and provoke
- use silence to force disclosure
- reveal a truth to encourage them to do the same.
Firm flexibility  
(Pruitt 1995)

- Concede a point
- Hold on to a position while seeking to recompense the other party
- Hold on important issues but concede on less important ones
- Hold on interests but find ingenious ways to achieve them
- Hold on important issues but abandon less important issues
- Hold on interests only if the other party’s appear less important.
Tough questions

How would you deal with:

- Ultimatums?
- An impasse?
- Consistent indecision?
- Coercive tactics and manipulation?
- Unfavourable comparisons?
- Unrealistic deadlines?
- Highball or lowball tactics?
- Accusations of unfair play?
- Deliberate rudeness or sarcasm?
Macro-environment

PESTEL is used to analyse the macro-environment:

- political
- economic
- socio-cultural
- technological
- ecological and environmental
- legal and regulatory.

*Use this framework to identify the differences a buyer needs to consider when working across borders.*
International purchasing

Reasons for sourcing internationally include:

- lower cost
- better availability or special requirements can be met
- better quality or innovation
- lack of domestic suppliers
- international trade agreements.
International negotiations

Issues for the negotiator to consider include:

- cultural aspects that may affect time and dates of meetings
- meeting and greeting customs
- language and communication difficulties
- non-verbal gestures and behaviour that might offend
- proxemics – invading personal space
- physical appearance.
Cross-cultural negotiations
(Hofstede 1991)

- Power distance
- Individualism/collectivism
- Masculinity/femininity
- Uncertainty avoidance
- Confucian dynamism – limited impact on negotiation

Which are you aware of or have observed when dealing with people of different cultures?
Cross-cultural negotiations

How do you think the first four ‘dimensions’ identified by Hofstede impact on negotiation:

- pre-negotiation
- during the meeting
- post-negotiation
- what factors should you consider when selecting a team to undertake international negotiations?
Cross-cultural negotiations

When preparing for cross-cultural working consider:

- negotiation strategies
- decision making process
- level of authority and status required in the team
- pace of negotiation
- administration and contractual issues.
Effective negotiation

Session 9
Understand effective behaviour for negotiation – telephone and e-mail and internal negotiations
Learning objectives

At the end of this session candidates will be able to:

- identify the key differences in conducting telephone negotiations compared to face-to-face
- examine the difficulties that are encountered in telephone negotiations
- examine the difficulties that are encountered in e-mail negotiations
- identify good practice when conducting effective negotiations by telephone and e-mail
- identify the key differences in conducting internal negotiations compared to external
- examine the difficulties that are encountered in internal negotiations
- prepare a plan for conducting effective internal negotiations.
Speech structure
(Mulholland)

- Initial phases – establishes relationship and ‘sets the scene’

- Middle phase – main negotiation to reach agreement

- Close – summary and confirmation of actions to be taken (with deadlines).
Summarising is used to …

Gain the initiative - if you feel that a discussion is becoming too one-sided, gain the initiative by saying something like,

“Can I check if I fully understand your points on this?”

You can then summarise and deal with those points if you wish to.
Summarising is used to ...

Ensure understanding - summarising is a good way of making sure that everyone has the same understanding of the points you have discussed, the points you have agreed and any not yet resolved.

“I think we agree that .... “
Summarising is used to ....

Steer the discussion - summarising can be used to get back to the point or to put disagreements on hold while areas of agreement are reached.

“We seem to agree on these points (list them), can we hold (the area of disagreement) for the moment and look at (some other points)?”
Summarising is used to ....

Gain commitment - summarising is a good way of getting agreement, and thus commitment, at various stages in negotiations.

“Can we agree that we will .... (list points of agreement)” or “If we do (whatever), that will meet your needs on that issue.”
Telephone negotiation

- More listening than talking
- Make notes rather than relying on memory
- Signal indications – “I have two points to make on that…”
- Summarise to show you have understood speaker’s message
- Seek clarification verbally
- Use voice expressively and use pauses to punctuate conversation
- Respond to feelings that are expressed
- Follow up conversations with a written confirmation if necessary.
Telephone negotiation

**Do**
- Listen without interrupting
- Give verbal listening cues
- Chunk new information so the listener can follow your points.

**Don’t**
- Talk over the top of the speaker
- Reflect back so they speaker knows you have understood
- Give too much new information at once.
Telephone negotiation

- Prepare carefully so you won’t be put on the spot
- Allow sufficient time
- Develop appropriate listening and ‘turn taking’ competencies
- Listen to the silences and any undertones that conflict with the spoken work
- Ensure clear telephone line and no barriers to communication
- Listen for closing signals.
Communication model

Sender → Message → Receiver

Encode

Decode

NOISE

Feedback Loop
Listening dynamics

**Marginal** – preoccupied, self-centred, disinterested

**Evaluative/selective** – jump on speaker’s sentence, make assumptions and compose response rather than listen to the end

**Active** – concentrate on speaker and give encouragement and feedback.
Telephone negotiation
(Casebolt 1995)

Advantages include:

- easier to say ‘No’ because it is less personal
- can be quicker than face-to-face
- more direct – because less personal
- easier to close
- forces active listening
- *what are the disadvantages?*
Internal negotiations

- Internal alignment is needed for the success of external negotiations (Morse 2005)
- Implementation suffers if there is no internal commitment
- Risk of internal interference
- Teams work as a set of individuals
- Risk of negotiator being out on a limb.
Internal conflict

- Set ground rules for behaviour and state purpose before negotiation
- Provide an agenda to help everyone prepare effectively
- Do not attempt to play one part of the organisation off against another
- Deal with different ‘silos’ separately and stick to the facts
- Deal with inappropriate behaviour immediately and use company procedures for unacceptable behaviour if you have to
- Encourage positive belief in an outcome that will work for everyone.
E-mail negotiation

- No face-to-face contact
- Misinterpretation of written word
- Everything is recorded – audit trail
- Speed of response
- Distance no barrier to response
- Electronic forms – storage issues.
E-mail negotiation behaviour

- Some of the disadvantages of personal dislike and prejudice are avoided because there is not face-to-face contact
- Difficult to build rapport
- Tendency for some negotiators to be more aggressive when not face-to-face
- Coordination of responses may not be as fluent as in a face-to-face exchange
- E-mail jargon/language of its own!
Effective negotiation

Session 10
Understand effective behaviour for negotiation – rapport self evaluation
Learning objectives

At the end of this session candidates will be able to:

- examine the effect of rapport on negotiation
- analyse outcome against objectives for a negotiation
- explore feedback mechanisms and their impact on personal development
- evaluate the range of personal development techniques from evaluation of performance.
Rapport/influencing perception model

- **Hi**
  - Pushover
  - Respect
- **Lo**
  - No incentive to participate
  - Begrudging movement

**RAPPORT**

**INFLUENCING EFFECTIVENESS**
Evaluating performance
(Diagram from workbook by Tracey G Harwood)

Negotiation X

Negotiation Y

learning by doing

learning before doing

evaluation

external knowledge

Adapted from Maylor 2003
Performance

- Achievement of goals
- Financial variances
- Team work and processes
- Planning techniques and tools used
- Monitor and control process
- Learning achieved

- *What other aspects of negotiation can be reviewed and evaluated?*
Evaluating performance

Usually considers:

- goals
- processes
- people performance
- evaluation should cover every phase of negotiation
- questions should be drafted to discover what went well, what did not go so well and why to inform the future.
Relational conflict
(Diagram from workbook by Tracey G Harwood)

Adapted from Rackam et al 1996
Evaluating relationships

- Relationships develop through several stages from initial meeting to partnership and synergy
- Relationships cannot be measured simply in terms of financial success
- Factors that both sides value include trust and openness
- Evaluation should include both parties working together to review how to build on the successes and further develop a closer working relationship.
Why evaluate performance?

- To reflect on what went well and what needs to be improved
- To draw conclusions from the reflections on what to do better in the future
- To try out the learning in another similar situation which leads to another negotiation experience to evaluate.
Skills evaluation
(Diagram from workbook by Tracey G Harwood)

Communication
- Internal
- External
- Spoken
- Written

Decision-making
- Managing time
- Managing self
- Managing others

Negotiation experience

Focus on goals
- Taking risks
- Recognising company aims
- Achieving required outcomes
- Managing the task

Applying skills
- Managing information
- Making use of existing skills
- Developing new skills
- Evaluating own learning

Based on Bennett et al 2000
Feedback mechanisms

- Mentor
- 360 feedback
- Observation
- Personal Development Review
- Peer review.