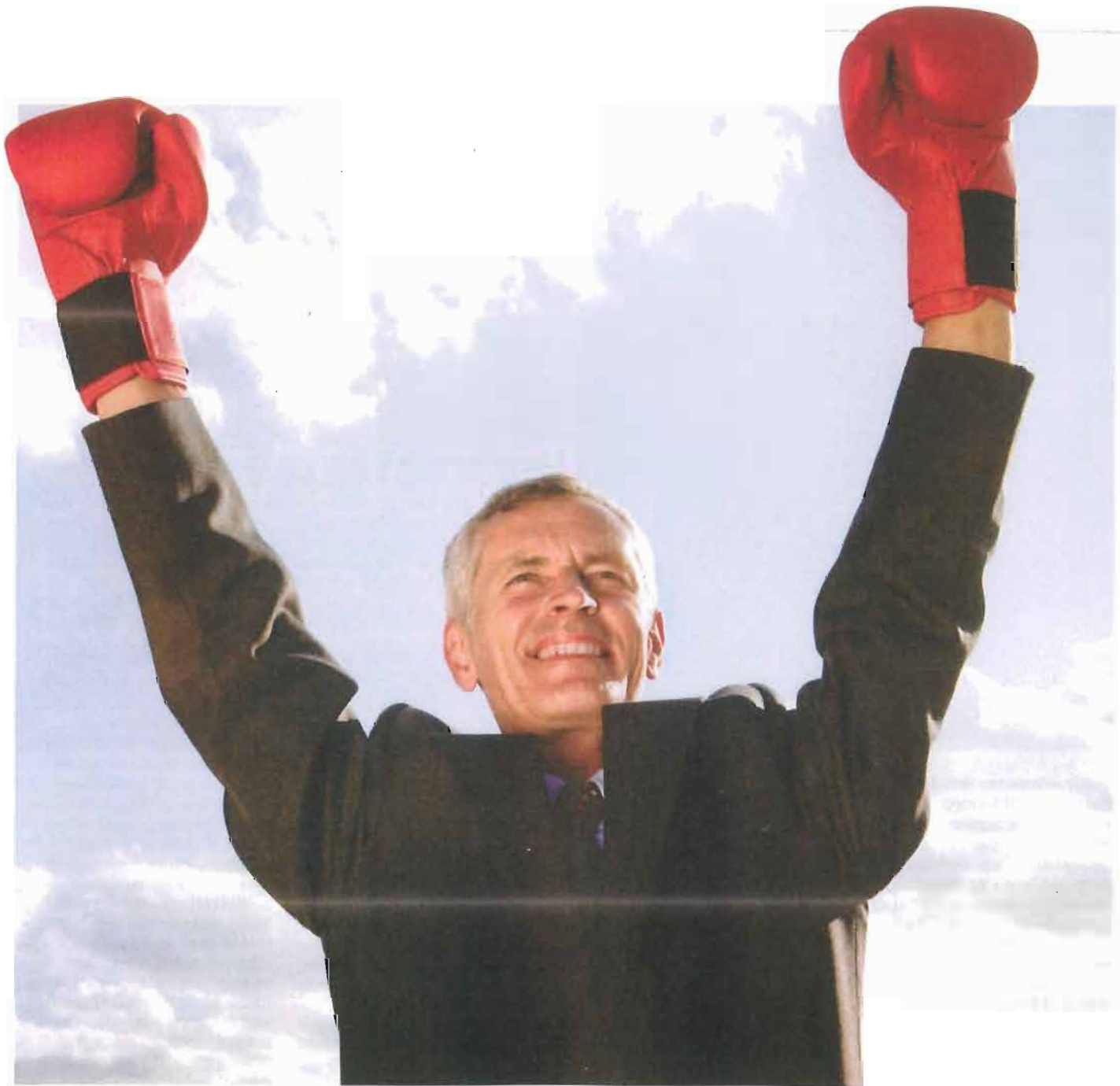


MANAGEMENT NEGOTIATING

With the recession stacking the odds in favour of the purchaser, the art of negotiation has been reduced to unsustainable 'smash and grab' raids. But there's plenty of scope for 'win-win' scenarios, providing you get your timing right. By **Steve Thurlow**.



making the most of
the win-win window

'The key to successful negotiation is to understand how to plan to achieve a 'win/win' outcome and how to recognise and handle the buyer who is playing win/lose'

IT'S OFTEN SAID that a week is a long time in politics. Yet for the first time, in perhaps a generation or more, as a result of the current financial crisis the commercial world is similarly changing dramatically and at an extraordinary speed.

In just a few weeks, old certainties have been turned on their head. We have become accustomed to banks – for many the symbol of stability and reliability – going to the wall. Everything, or so it seems, can be bought at a discount as suppliers desperately try to shift their stock in order to keep some sort of momentum in their cash flow. And this leads to the inevitable question in any economic downturn: where does that leave the role of negotiation in the context of the buyer/seller relationship?

Without doubt, the goal of win/win as the basis of long-term commercial partnerships between customers and suppliers is under unprecedented strain. Indeed, received wisdom would have us believe that this is no longer realistic: with buyers typically perceived to be holding most of the cards in commercial negotiations, the power imbalance is more likely to resemble WC Fields' old adage: 'never give a sucker an even break.'

If true, this is fatally short-sighted: the result of the 'win/lose' outcome long-term remains the same: 'lose/lose'. This is because the deal is almost certainly less profitable for the seller, who then cannot afford to provide the service the buyer wants, so neither party gets the outcome it truly desires.

Why is this? Some companies say they play win/win and do really practice win/win in their business dealings. Yet it is all too easy to see how the buyer is seduced by short-term gain in abusing their power: such an unsatisfactory outcome, however, is also down to the seller's ineffectiveness in caving in because of a misperception of their own negotiating position.

In such a situation, the

key to successful negotiation is to understand how to plan to achieve a 'win/win' outcome and how to recognise and handle the buyer who is playing win/lose.

JOINT PROBLEM OR BATTLE OF ADVERSARIES?

However, the reality is more complex, fast-changing and challenging. Suppliers, especially in the manufacturing and engineering arena, are seeing margins squeezed from several directions. Not only are buyers seeking to drive down prices of finished goods, but they are still feeling the effect of earlier high oil and other energy costs feeding through to cost of manufacture, together with the increasing cost of capital (if available at all).

And, finally, all the evidence seems to suggest that suppliers in this situation can't just hope to ride out a short-term storm by, for example, simply agreeing unprofitable deals to keep the business afloat on the basis that they are 'contributing to overheads'. Whatever strategy is adopted, it must be sustainable in the context that the present economic downturn is likely to be with us for some time to come.

At the same time, it is all too easy to be seduced by the argument that today's buyer is holding all the

cards. It is true, of course, that buying organisations facing similar commercial pressures will want to protect margins by striking a tough bargain with their suppliers. And further, that this is likely to be exacerbated when professional procurement teams are charged exclusively with achieving short-term cost-cutting goals.

However, in the face of this, the balance of supply versus demand can switch very quickly as providers go out of business. At a time when the global economy is in recession, previously low cost, acceptable quality alternatives from the Far East may no longer be available as a stick with which to beat the local supplier.

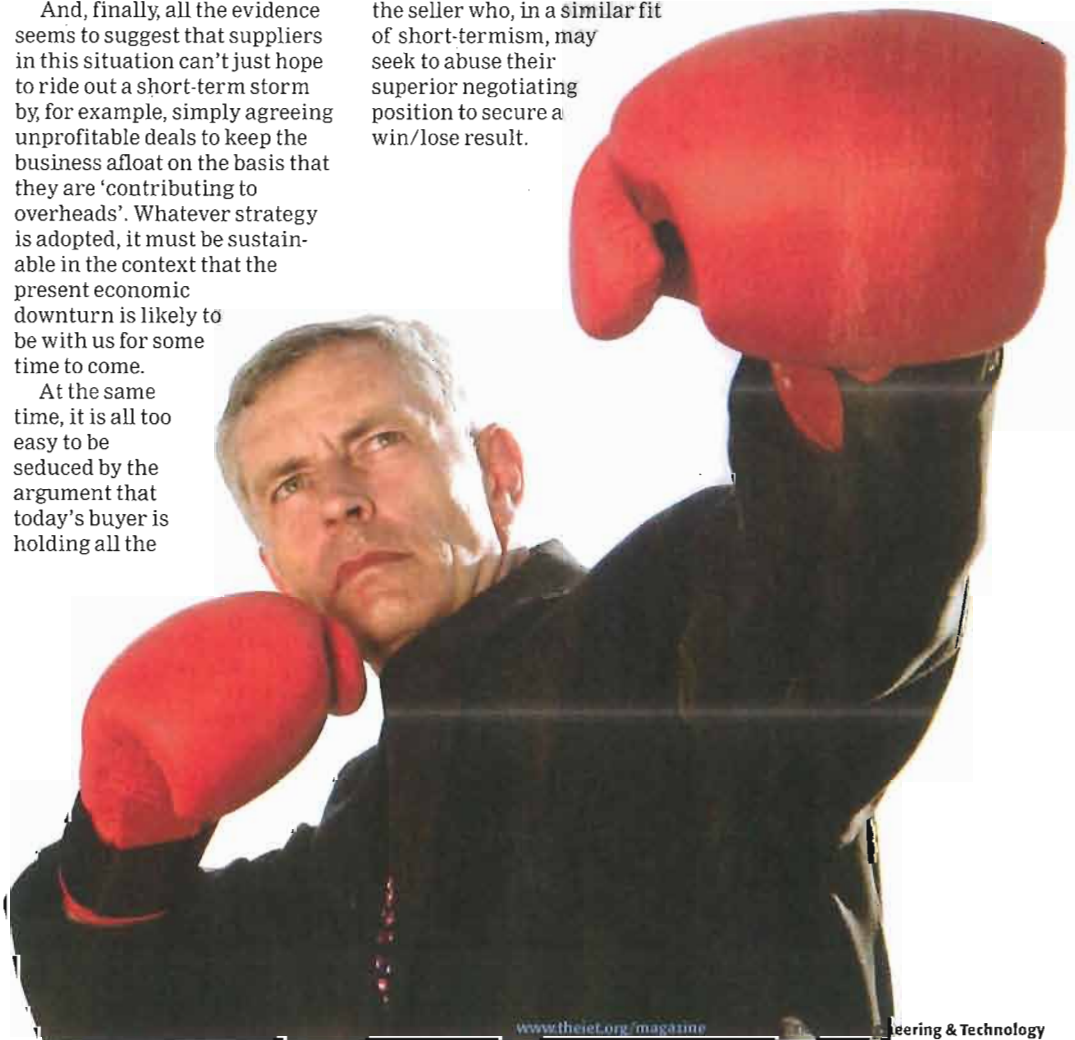
In such cases, the balance of power will rapidly swing to the seller who, in a similar fit of short-termism, may seek to abuse their superior negotiating position to secure a win/lose result.

However tempting the essentially adversarial approach of 'winner takes all', the most effective negotiator will seek to create an atmosphere in which the two parties are working together to solve a joint problem.

Thus, wherever the true balance of power may lie at the outset, by exercising restraint and creating a spirit of 'we're in this together', the result is much more likely to be a win/win as the basis of a mutually beneficial trading relationship longer-term.

KEY CRITERIA

Easy to say, much harder to achieve if the other party is determined to achieve a win/lose outcome. Whether buyer or seller, when everything else ▶



◀ goes out of the window in the face of mounting costs and disappearing margins, the only tool left is your inter-personal negotiation skills.

Thus, within the sales process, negotiation is the critical part of any commercial relationship. It is the process which concludes a major sale and determines its profitability for each party: however, it is also the process by which, through renegotiation, commercial partnerships either evolve to mutually profitable maturity or break down in acrimony.

Research undertaken by my company, Huthwaite over many years has identified four key elements which are necessary for negotiation success.

First, whether buyer or seller, it is essential to define the business's strategic objectives. This places much greater emphasis on the long-term, consideration of the implications and a 'their shoes' approach to anticipating the other side's position.

Second, before entering any negotiation, each party should adopt a systematic approach to analysing and managing the power balance, with an emphasis on tough no-go decisions.

And, again at the planning and preparation stage, each should explore a wide range of possible trades and linkages and, importantly, how they are to be negotiated.

THE NEGOTIATING TABLE

Most importantly of all, however, top negotiators require first-class face-to-face skills. This incorporates a surprisingly consultative style based on understanding needs, maintaining clarity and building trust, while dealing firmly with aggressive or unreasonable behaviour from the other side.

Historically, the standard interactive skill adopted in teaching negotiation skills was to make proposals in the 'conditional' form: "If you do this we will do that." Though such an approach still has its place in encouraging trading – in particular to avoid unilateral concessions – it should be seen as only

one part of a more complex skills model.

This model comprises certain behaviour which skilled negotiators use heavily and others that they avoid. Critically, the best negotiators ask lots of questions – more than twice as many as the average negotiator. This is designed to achieve a number of important objectives including testing understanding, identifying and probing reasons for the other party's position, and summarising at key stages of the negotiation.

The most common use is to uncover the other party's position and explore its underlying rationale. Ask enough questions and they will often realise that their position is

case study

SKF INDUSTRIAL DIVISION

Initially, Chris Rhodes, director of marketing for the Industrial Division (Europe) of SKF, the world's leading bearing manufacturer, approached Huthwaite to discuss the need for a tailor-made negotiation skills programme for their senior negotiators in Europe. This programme was designed to help them fine-tune many of the skills they used when negotiating with world-class clients.

SKF saw the opportunity to create more mutually rewarding deals through the raising of the perceived value of their propositions. This would be achieved through more effective planning, the use of a common approach and language within their teams, together with the capability to empathise more completely with clients.

To reinforce this objective, Huthwaite's tailor-made solution began by using a tool called the Negotiation Quicktest* to identify the negotiators' current strengths and weaknesses. Despite excellent customer relationship skills, it was felt that if negotiators were empowered to become more creative and develop the key bargaining skills they needed to identify levers and trades, they would be able to secure

beneficial deals more effectively, leading to a more effective and profitable operation.

Based on the findings of the Quicktest, Huthwaite designed a three-day Negotiation Skills programme to address the identified needs and issues. A pilot programme was then delivered in Brussels for a group of senior negotiators from around Europe to test the design.

Feedback from delegates was very positive and a full roll-out of the course to 120 delegates from the entire European region was then scheduled. Where necessary, the programmes were delivered in the local country's language.

The programme uses case studies to allow the delegates to plan for, and conduct, negotiations using Huthwaite's tools and applying the approach suggested from Huthwaite's extensive research into the skills used by successful negotiators. Before negotiating the case studies, delegates are introduced to the behavioural skills Huthwaite have discovered are used by the same group of successful people.

For many people, these skill models and the measurable feedback they received about

their own skill levels are the highlights of the programme, as it allows them to compare their own performance against that of skilled negotiators, identifying their strengths and weaknesses and allowing them to take corrective action where necessary.

Delegate feedback from the first programme delivered in Germany is typical of the reactions to the course:

■ "The training was good. Some lessons were not new but to get objective feedback on my performance was very good and it will help me in future negotiations. The training was not too theoretical. There was a lot of practise and, for me, that was very valuable."

■ "The course gave me a good knowledge of the behaviours used by skilled negotiators: it improved my skills and gave me guidelines for preparing a strategy and for setting targets for future negotiations."

The positive feedback has continued throughout the series of programmes, with the course receiving high ratings on every aspect.

Around six months after the training, delegates were asked to complete another simple questionnaire, a 'post-course Quicktest',

again designed by Huthwaite. This helped delegates to continue reflecting on the skills they learned and gather another level of feedback to the initiative, to test more thoroughly the value of the training to SKF.

Rhodes comments: "The training appears to have been a great success and we are very pleased with the level of positive feedback from the people who have attended. They especially like the blend of theory with ample opportunity to practise the skills they are learning, and above all the level of objective feedback they are getting about their own performance."

"The session on 'who holds the power' has been very well received and has changed the way many of our negotiators view their position. As a result, our people are confident that the training will help them to negotiate more effective agreements with our customers."

The Negotiation Quicktest is a simple questionnaire designed by Huthwaite International, for negotiators to answer a series of questions about their view of their own negotiation strategies, their planning skill, and their face-to-face skill.

'Offers prefaced by such phrases as 'with the greatest respect, young man' will almost certainly damage the climate of the negotiation'

untenable and make a concession: in this way, seeking information, reasons, feelings and proposals represent important skills in the persuasion process.

Average negotiators, by contrast, attempt to persuade the other side by bombarding them with information and reasons to support their case. As we all know from personal experience, such attempts at 'persuasion' rarely succeed in having a positive influence on any negotiation.

Also, effective negotiators are not poker-faced but, in fact, talk readily about their feelings or emotions. This is supported by psychological research, which suggests that such sharing of feelings encourages openness and creates a climate of trust.

Finally, skilled negotiators regularly check understanding of the latest stage of negotiation. Ensuring that both sides' ideas are understood and frequently summarising the position adds clarity and increases the chance of a successful implementation of the final deal.

One reason for this is that average negotiators seem happy to fudge contentious issues and fine details rather than clarifying and resolving them. The

problem is, of course, that they do not go away and, if left to fester, can cause greater problems later in the negotiation.

BEHAVIOURS TO AVOID

At the same time, the most skilled negotiators avoid other behaviours. These include such irritators as gratuitous self-praise and condescending or patronising behaviour. Two simple examples: offers prefaced by such phrases as, "this is a fair and generous offer" or, "with the greatest respect, young man", will almost certainly damage the climate of the negotiation, yet are commonly used by average negotiators.

Similarly, counterproposals do nothing to advance the negotiation as they are typically perceived as disagreement or blocking tactics rather than a serious proposal.

Also, it is important to avoid diluting one's argument. Our educational culture has taught us to present as many arguments

as possible to support our case: skilled negotiators, however, use one strong argument and repeat it as necessary. Only if it is undermined will they introduce a second reason to support their position. They refuse to dilute a strong argument with a weak one.

SYSTEMATIC APPROACH

With effective planning and preparation – determining possible trades and

linkages – together with analysing and managing the power balance and adopting an essentially consultative face-to-face negotiating style, negotiation is no longer a damage limitation exercise but a true 'meeting of equals' as the basis for a mutually acceptable deal.

Changing behaviours will change results. The bottom line is that the cynics are wrong: a systematic approach to negotiation works, has a low failure rate and, critically, keeps both sides happy. That's win/win. ■

■ Steve Thurlow is business director, manufacturing, of Huthwaite International, providers of sales training and negotiation skills training and consultancy worldwide

SUMMARY

- The goal should be win/win
- Yet today's buyer, appearing to hold most of the cards, goes for win/lose
- The result, however, is lose/lose
- In tough economic times and under fierce cost pressure, the seller has to fall back on their negotiating skills
- This requires proper planning and first-class face-to-face negotiating skills

Before the negotiation it is important to:

- define your business's objectives and understand the buyer's objectives
- analyse and manage the true, not the perceived, power balance
- explore possible trades and linkages
- be clear on your 'no-go' limits

During the negotiation it is important to:

- adopt a consultative style
- ask lots of questions
- share one's feelings
- regularly summarise and check understanding

During the negotiation it is important to avoid:

- making unilateral concessions
- bombarding the buyer with information
- fudging contentious issues
- patronising behaviour
- making counter-proposals
- diluting the argument

Finally, Huthwaite research proves that changing behaviours will change results. By keeping both sides happy, a win/win outcome can be achieved.

