

Business Life

Negotiate or leave money on the table



Stefan Stern
On management

You know that business faces another tough year when you read the January headline: "Walmart aims to cut supply chain cost". It is not as though the boys from Bentonville had been seen as a bunch of softies until now.

Challenging markets make for difficult conversations in all parts of the supply chain. At times like this, negotiation skills come to the fore. Yet many companies have a surprisingly relaxed approach to the business of negotiation, regarding it as one of those things you are either good at or not. This is an area where the amateur spirit could prove costly.

One reason for the vagueness is that it can be hard to measure exactly how successful negotiations have been. You cannot really know if you could have got a better deal, until, perhaps, somebody else does.

In an attempt to pin down what the differing approaches of major companies to negotiation actually are, the International Association for Contract and Commercial Management, together with Huthwaite International, a consultancy, have spent the last year researching the views of 124 executives who negotiate for a living. And the conclusion? Getting better at negotiation is a task that is being "ignored, neglected or ineffectively addressed" in many companies. This, frankly, is crazy.

I asked Tony Hughes, Huthwaite's managing director, what he felt businesses were getting wrong. "People worry about getting hold of all the [price] data they need, but they don't always know what to do with it," he said. "There is no real

plan of action. Negotiation is really about trying to find out what is valuable to the other side." That means making the effort to see things from the other person's point of view. Simply pounding away harder and harder with your own point of view, or "logic", may not get you very far. "Your logic may be persuasive to you, but not to them," Mr Hughes said.

There are some other myths about negotiating that need to be exploded. The image of a stern-faced, uncooperative figure who sits there with arms folded, stonewalling, is highly misleading, according to Mr Hughes. Skilled negotiators are a lot more open. They are ready to give and take. ("If you are not moving, you are not negotiating," Mr Hughes explained.) They want to engage with their negotiating partner, perhaps becoming quite personal. A less frosty atmosphere makes it easier to come up with ideas about how you can make progress.

Good negotiators do not bully their way to a conclusion, or use "position power" (that is, seniority) to get their way. "You don't necessarily get the right outcome doing that, you just get your outcome," Mr Hughes said. "Good negotiators ask the right questions," he added. "They are able to consider several different options at the same time... When negotiators on both sides of the table are good at it, you get a better result than when only one person is."

The Huthwaite/IACCM research reveals that a lot of companies (as many as 80 per cent) have no formal or agreed process for conducting negotiations. But, as one senior executive told them: "We are spilling

millions, perhaps hundreds of millions of dollars." Value – cash – is being left on the table.

Some better-managed businesses have brought in a company-wide, staged negotiation process. Negotiators have a clear mandate to proceed to a certain level. Results are documented. The aim is to come up with a creative and valuable outcome. "A 'win-win' result is not about splitting the difference, or getting a 50:50 compromise," Mr Hughes told me. "It means you both go away happy."

How can businesses get better at negotiation, so they leave the table happy more often? No one is arguing for a "chief negotiation officer" to oversee all this. But a corporate playbook, setting out a few principles, could help. Senior management needs to emphasise the importance of maintaining a certain discipline in negotiations. And training in negotiation skills can be made available.

But, of course, that training has to be targeted at the right people. A friend of mine was once asked to deliver a negotiation skills course to a room full of surly, unimpressed traders from an investment bank. Attempting to break the ice, he asked a person in the front row how he would describe his negotiating style. "I never negotiate," came the terse reply. Things went downhill from there. The session, which was supposed to last for 90 minutes, was called to a halt after only 30. Clearly, a win-win for all concerned.

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