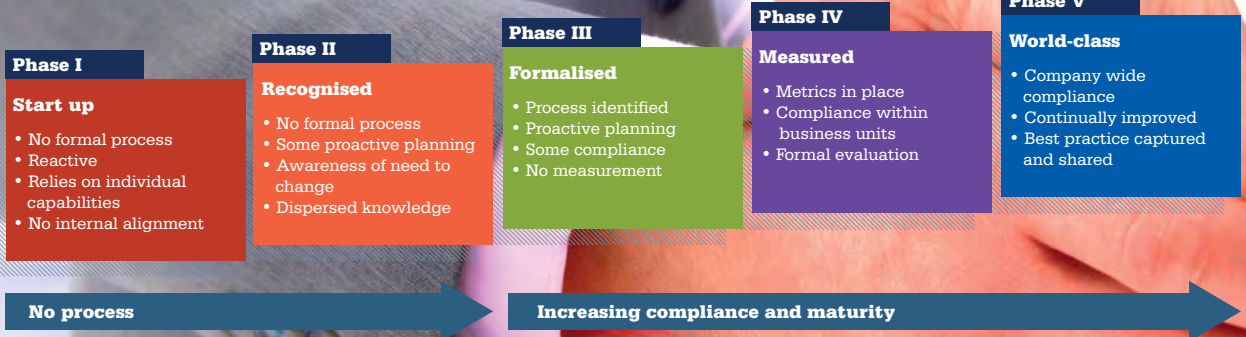


NEGOTIATION MATURITY MODEL OVERVIEW



NEGOTIATION: FAIL TO PREPARE, PREPARE TO FAIL

Tony Hughes, CEO, Huthwaite International, talks about the importance of improving negotiation performance in business.

Tough economic climates make for difficult conversations in all parts of a business and it's at times like this, that good negotiation skills come to the fore. Yet many companies large and small, have a surprisingly relaxed approach to the practice of negotiation, regarding it as one of those things that you are either good at or you're not, and it is this kind of undisciplined approach that Huthwaite International believe is costing businesses millions of pounds.

“we know what skilled negotiators do differently.”

At Huthwaite, we know what skilled negotiators do differently. For over 30 years, we've been investigating the processes of complex, high-value selling. Our skills research has focused on what it is that an exceptional performer does differently that distinguishes them from the mass or merely average performers. Based on this insight, our approach to negotiation has focused on three issues, strategy, tactics and face-to-face skills, starting from the big concepts and moving to even finer points of detail. The results of this research is a sophisticated success model that replicates the attitudes, processes and behaviour of the exceptional negotiator, for example:

- Strategic Objectives – much greater emphasis on the long-term consideration of implications, and “their shoes” approach to anticipating the other side's position.
- Power – a systematic approach to analysing and managing the power balances, with emphasis on tough no-go decisions.
- Preparation and Planning – exploration of a much wider range of possible trades and linkages and, importantly, how they are to be negotiated.
- Face-to-face skills – a surprisingly consultative style based on understanding needs, maintaining clarity and building trust, while dealing firmly with aggressive or unreasonable behaviour by the other side.



The application of Behavioural Analysis to Negotiation revealed a much more complex Skill Model, comprised of certain behaviours that skilled negotiators use heavily and others that they minimise. For example:

Skilled negotiators use

- Lots of questions – more than twice as many as the average negotiator.
- Giving feelings – contrary to popular belief, effective negotiators are not poker-faced. They give one third less factual information than average negotiators, but talk 50% more about their feelings or emotions.
- Testing understanding and summarising – checking both sides ideas are understood and frequently summarising the position to add clarity and increase the chance of a successful implementation of the final deal.

Skilled negotiators avoid

- Irritators – is it persuasive if someone says they are making ‘a fair and generous offer’?
- Counterproposals – if you ignore and counter their proposal without consideration, they’ll probably do the same to yours.
- Argument dilution – they use one strong argument and repeat if necessary.

Whilst changing behavioural skills is a step in the right direction to improving the negotiation process and results, companies must also think beyond the limits of basic negotiation training, and concentrate on putting the correct corporate, business wide processes in place.

Multi-million pound negotiations are not built on soft skills alone, and whilst organisations are struggling to take negotiation from the realm of the individual and make it a planned capability, there is increasing evidence to suggest that an organisational approach to negotiation, significantly improves bottom line performance. This was one of the main findings of *Improving Corporate*

Negotiation Performance – a unique benchmark study of 124 Global 2000 firms, undertaken jointly by Huthwaite International and the International Association for Contract and Commercial Management (IACCM). The study explored how the world’s largest organisations, including such international corporates as Microsoft, BP, General Motors and TNT, are trying to improve their corporate negotiating performance, and instil business-wide best practice.

In particular, it recommends the implementation of strategic cross-organisational negotiation planning, from the start of the sales or acquisition process, in order to have consistently successful outcomes.

The report also highlights ten critical areas throughout the negotiation process that must be addressed to embed structure, systems and processes if any transformation from an individual competence to an organisational capability initiative is to succeed.

The study found that companies with no negotiation processes in place suffered an average net income (bottom line profitability) decline of 31% between 2007 and 2008. In stark contrast, over the same period the top 25% of companies on the Huthwaite International/ IACCM ‘negotiation maturity’ benchmarking scale recorded an average net income increase of 42.5% and all have re-engineered their negotiation capabilities.

The evidence speaks for itself, so why then, is negotiation performance improvement being ignored, neglected or ineffectively addressed?

Huthwaite believe that firstly, this is due to a lack of data to demonstrate the positive impact that improving negotiation performance can have on a business. Also, almost all

organisations focus on training – rather than addressing the underlying issues, indeed it is estimated in the USA alone, organisations spend £900 million annually on improving individual negotiation skills. Yet the biggest hurdle remains that in most organisations, nobody “owns” negotiation. Who has ever heard of a negotiations director?

Huthwaite’s research proves that the best practice approach to a successful negotiation performance is a combination of improving both individual skills and corporate processes.

The study benchmarked the ‘negotiation maturity’ of the world’s biggest organisations, by mapping out the stages of maturity for each of the ten critical performance areas and independently scoring each organisation from Phase I to V, ranging from no process, to corporate wide best practice process.

To summarise, the key to success is to be pragmatic as to the speed and degree of change that can be achieved. Huthwaite would suggest that companies read the report, review the benchmarking data, identify the biggest gaps in current performance and take action. Ideally, they should start small, generate some positive success stories and use these to increase senior buy-in across the business.

And, whilst it might be unrealistic to believe that there will ever be a single functional owner of the negotiation process or expertise sitting at the corporate top table, by recognising that negotiation is as important to the business as sales or marketing, for example – and moving towards a structured best-practice approach – companies can rapidly achieve measurable gains in bottom-line profitability.

For a copy of the report visit www.huthwaite.co.uk