

NEGOTIATION SKILLS: KEYS TO BUSINESS EXCELLENCE IN THE 21ST CENTURY?

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ABSTRACT

Amidst the growing turbulence in the current business world, increasing premium is being placed on the ability of organizations to articulate their strategies and positions much more effectively. Even with the latest milestones in Information and Communication Technology, business interactions tend to be cold, formal and uneventful. This further compounds the crisis in the business arena. This paper demonstrates the significance of negotiation skills as a panacea for this state of affairs. In their most refined state, negotiation skills have the power to break down barriers, relieve tension and create an atmosphere conducive for business.

Keywords: Negotiation process, business atmosphere, communication.

INTRODUCTION

The word negotiate is derived from the Latin infinitive *negotiaari* meaning “to trade or do business”. This verb itself was derived from another, *negare*, meaning “to deny” and a noun, *otium*, meaning “leisure”. Therefore, the ancient Roman businessman would “deny leisure” until the deal had been settled (Curry, 1999).

Negotiation is an activity that influences another person. McCormack (1995) define negotiation in his book *Negotiating* as the process of getting the best terms once the other side starts to act on their interest. In other words, negotiation is a process to get what is wanted. It is a process that leads to an end. The negotiating process involves balancing matters between two parties so that the negotiator not only gets what he wants but also gets what he wants in the best possible way (Forsyth, 2009). It is the journey of how to get to the destination and not the destination itself. Companies should pay more attention on how to get there but also at the same time should not lose sight of the destinations. Negotiation is therefore all about the process of arriving at a certain destination.

Negotiation in business is constantly changing. This creates the sense that something is always happening. There is no one best way, no one best plan, no single uncluttered system that best produces understanding about negotiation. There are many factors that influence the negotiation process. The most typical factors that affect how a negotiation will play out are time, environment, personalities, information, personal issues and hierarchy. Time has a huge role in an effective business negotiation. Because people are very busy on specific deadlines, a sense of urgency or even inaction often affects the success of negotiation. In international business negotiation, companies’ cultural and professional expectations have to be in the

same level. The physical environment where the negotiation takes place is also very important. The number of people in the setting and their behavior and temperament influences the negotiation. For the negotiation to be effective, it is vital that both parties have the information needed in their own field. Lack of information gives always unprofessional image to the opponent. It is also important to have self-esteem that will be appealing to the opponent's side. The negotiator should also have the ability to command or demand performance.

Negotiation is not a compromise. Compromise means giving admissions or settling upon an intermediate point between two positions. Compromise does not mean getting what the negotiator wants. Whenever anyone on either side of the bargaining table offers compromise, it would mean that they are getting ready to lose something. It means that nobody gets what they really want in the absolute sense. Everyone has to reach a compromise away from their stated position. This is not a satisfactory way to control a negotiation, and yet most people think this is what negotiation is all about (Harvey, 2008). In a compromise situation, both parties are unhappy after a deal because one party had to spend more than they initially planned and the other party received less than they wanted in the transaction. Usually compromise is a lose-lose situation. Negotiation can be done without compromise but compromise cannot be done without negotiation. The fellow who says he'll meet you halfway usually thinks he's standing on the dividing line.

The Negotiator

A negotiator may be a buyer or seller, a customer or supplier, a boss or employee, a business partner, a diplomat, or a civil servant. People do not negotiate only in business life but also in personal life. People cannot avoid negotiations. A negotiator may be a spouse, friend, parent or child. In all these cases the qualities of the negotiator strongly influences the ability to get ahead in both organizational life and in other interpersonal relationships (Acuff, 2008). Negotiators influence the negotiation process with their own experience and negotiating skills (Ghauri and Usurrier, 2003). People negotiate with external business counterparts outside the organization and also with internal coworkers within the organization. The main objective of all negotiation situations is to help to get what the negotiator wants. One of the biggest reasons why people negotiate is that they view things differently. The value of the deal can be different for each party even though its price in money is the same. That is because value and price are not always the same. According to Kennedy (2004) value has to do with motivation (why we want something) whereas price only measures its transaction cost (what we have to pay to get it). Most negotiators rarely talk motivations; they talk prices. Sometimes one pays most for the things one gets for nothing.

Successful negotiators have a positive attitude. They are able to view conflict as normal and constructive. Attitudes are always important and especially in negotiations. Attitudes influence a negotiator's objectives and objectives control the way they negotiate. The way people negotiate determines the outcome (Maddux, 1995).

Team versus individual negotiators

Some people prefer to negotiate alone and some prefer to negotiate as a team. In some cases, an individual negotiator may be better than a team. It is necessary for organizations to consider the pros and cons of both options before making a decision. Negotiating one on one has several advantages. It is easier to build a relationship based on trust when there is only

one person negotiating on both sides. Each person seems to take a personal interest in seeing that both counterparts accomplish their goals (Stark, 2003). For individual negotiators it is easier and faster to make decisions because there is no need for either counterpart to consult other people. Neither counterpart has to worry about what other people will think about the outcome. Because both sides are negotiating alone, it is not possible for either counterpart to direct questions to the other party's weakest team member or cause disagreement among team members. The individual negotiation process usually cost less because from each side only one person's time is taken up. As Stark (2003) reminds us, time is money. Organizations usually prefer team negotiation because negotiating as an individual has influential disadvantages. People usually tend to bring their emotion into a decision making and the decisions may not be in the organization's best interest. One person may not have enough knowledge on the topic being negotiated which may lead to a bad negotiation result.

Even though team negotiation costs more for an organization, it may be a crucial factor for an effective negotiation. Having more than one team member can provide access to more expertise and experience. All team members have to have something that others do not have. This implies that there is no point of having many people in a team and in reality only two people have the knowledge on the topic being negotiated. Cases like this may lead to a loss. Usually success is more likely when more people are thinking about alternative ways to earn win-win outcomes. More often than not, people think, hear and see things differently. Some people pay attention to small details and some see the whole picture. When there are more people in a team there are more ideas, questions and answers which might help the negotiation move along faster and better. In a team negotiation the focus is less likely to be on an individual's personality. Having said that, when multiple personalities are part of the picture, there is a risk that one team member may be doing more harm than help. There is also a chance that a goal or an individual does not fit with the team's overall goal. If the team is not negotiating as a team it does not take a long time for the counterpart to realize the division and try to capitalize on it.

NEGOTIATION APPROACHES

Win-Lose Approach

Before even starting out, the negotiator should work out his Best Alternative to a Negotiated Agreement (BATNA). BATNA was created by Ury and Fisher (1981). When people work out their best alternative in a negotiation they are calculating their walk-away position (Mills, 2005). For a negotiator to know his BATNA gives him a sense of clarity in any negotiation. But the clarity comes only from having a realistic and balanced view of alternatives (Lyons, 2007). Lyons gives an excellent advice not to go into the negotiation thinking 'I'll see what the other party offers and then think about my alternatives'. Armed with a strong BATNA, a person can negotiate with confidence and power. A BATNA involves three stages: First, a negotiator should list everything he could do if he does not reach agreement. Second, he should explore his best options and try to improve on them. Finally, he should choose the best option. That is his BATNA. Some authors describe negotiation as a zero-sum transaction which means that one gains only from another's equivalent loss. In a zero-sum game, there is only one winner but there can be many losers. Actually, a negotiation will end in one of four possible outcomes: lose-lose, win-lose, win-win, or no outcome. In no outcome, there are no consequences negative or positive.

Win-Lose or Lose-Win situation is also called as a zero-sum game. A good example of a zero-sum situation would be a chess game. In chess, there is one winner and one loser.

Adding one positive to one negative the result is zero. The feeling of the loser is not pleasant because he has to walk away without having met his wants or needs (Stark, 2003). Usually win-lose situations results in the loser not willing to negotiate with the winner in the future.

Lose-lose Approach

Some people cannot stand the reality of losing a negotiation. They spend so much time and energy to make the one who won earlier to bleed but it usually leads to a lose-lose situation. In lose-lose situations neither party achieves their needs or wants. Stark (2003) gives a common example of a lose-lose negotiation which is a labour strike in which a management and labour unions cannot come to a satisfactory agreement. Almost always in a labour strike everybody loses. The employees lose, the company loses and the most tragically, the customer loses. In a lose-lose negotiation it is unlikely that either counterpart would come back to a negotiating table with the same counterpart in the future.

Win-Win

Getting what the negotiator wanted after a negotiation does not mean that he won and the other participant lost. There is a possibility of a win-win situation where both parties win which is the ideal outcome for almost all negotiations. Good negotiators find a balance between each party's objectives to create a win-win outcome (Black, 2009).

No outcome

The fourth possible result of a negotiation is a 'no outcome' which means that neither party wins or loses. In this situation negotiators cannot come to terms that is suitable for both parties (win-win) and the best thing is just walk away and try to find another person with whom to agree. Some people see the 'no outcome' result as either win-win or lose-lose. In such circumstances a win-win result happens when both parties find another person to make the deal with whereas in a lose-lose situations both parties wasted their precious time in the negotiation and also after that trying to find another dealer. Sometimes the best option is the walk-away option. Giving up and walking away may first look like a loss. But in fact, they have walked away before any harm of an irreversible transaction. In any negotiation, there is a limit to how much should be sacrificed. In some cases, it may be wise to walk away (Harvey, 2008). Before entering the negotiation table, the negotiator should state his walk-away point. This will help in that he will not end up making a bad deal.

Types of negotiation

Every negotiation situation is different depending on the people involved. Their skills, attitudes and styles matter a lot. The context or background to the negotiation, time factor and the issue under discussion also influence the character of a negotiation. There are two types of negotiation. These are competitive and cooperative negotiation.

Competitive negotiation often has a cold atmosphere and both parties are doing everything to get the very best deal for themselves which usually means that the other party's objectives do not come into the equation (Black, 2009). The relationship between the people is not important. They do not care about one another or what the other party thinks about them. It is best to avoid this type of negotiation if possible. In competitive negotiation it is important to avoid making the opening bid because it gives a lot of information to the other party. In this

situation, less is more. Not showing concern for the other party and not telling too much can give advantage in the circumstances. Competitive negotiation is same as any competition that is to be won or lost but there is always a possibility to just walk away if the situation runs out of hand. The outcome of a competitive negotiation is either win-lose or if the conflict boils up it could end with no outcome. Usually negotiation is seen as a battle where the stronger party beats the weaker party and where there is a winner and a loser.

In cooperative negotiation conflict is minimized and the whole idea is to reach a solution where everyone benefits (Black, 2009). This approach usually produces the best results mainly because there is much better communication between the parties. Both parties gather as much information as possible and are also duty bound to reveal the information. This way they will come to a conclusion that is acceptable to both parties. Cooperative negotiation is good for long-term relations. The best trick to get as much information as possible from the other party is to ask open questions. Open questions do not have 'yes' or 'no' answers and because of that they will give more precise data. In cooperative negotiations both parties aim at a win-win outcome which is generally achievable because both parties work together.

The table below offers a summary of the differences between competitive and cooperative types of negotiation

Table 1: Differences between competitive and cooperative negotiation

Competitive negotiation	Cooperative negotiation
Rough and Tough	Soft and Sweet
Going to conquest	Going for agreement
Dig in	Suggest deals
Threaten	Offer
Go for what you will settle for	Go for what they will settle for
Argue for own position	Argue for agreement
Push hard	Back down
Increase argument	Avoid argument
Distrust	Trust
Hard	Soft
Make demands as a condition of maintaining the relationship	Concede in the interests of maintaining the relationship

Source: Black (2009)

Negotiation strategies

An effective negotiation process includes managing the negotiation's overall strategy or approach, its stages, and the specific tactics used (Adler, 2002). Developing negotiation skills is an essential part of moving up the career ladder (Black, 2009). What makes a good negotiation? Acuff (2008) suggests the following negotiation strategies that could be universally applied especially in the world of business:

Preparation and planning

Planning is bringing the future into the present so that you can do something about it now. Negotiation is a process we undertake in everyday activities to manage our relationships. In some personal negotiation, stakes are not that high and there is no need to pre-plan the

process and the outcome but in cases like business relationships, the stakes are high and there is need to prepare, plan and negotiate more carefully (Ghauri and Usunier, 2003). Before entering a negotiation it is vital to plan beforehand. The negotiators need to decide what it is they want to achieve and why the other party should negotiate with them. They should also think why they should negotiate with the other party (Etherington, 2008). Organizations need to understand that they must spend time planning. There is a saying that goes 'good preparation is half the battle'. If a person has not prepared a negotiation carefully and his counterpart has, the unprepared person is disadvantaged immediately. Not being prepared makes a person feel unprofessional and often proves costly.

Commitment to the negotiation process is needed. A half-hearted approach can never be effective in negotiation. There must be a serious commitment to achieving the result a negotiator wants. Oliver (2010) states that if you are serious then you will be taken seriously; if you are casual then you will be taken casually. After committing to the negotiation process, negotiators must be clear about the objectives and goals of the negotiation process. Without this, the negotiator will automatically settle for less than he needs to. In the preparation stage, there should be consideration whether an individual negotiator or a team is better for that negotiation. There is need to define which person or people are suitable for the negotiation process.

Adopt a win-win approach

The ideal outcome for a negotiation is almost always a win-win situation in which everybody goes away satisfied. In most negotiations, it is in the negotiator's best interest to foster a cooperative atmosphere to increase the chances of a win-win outcome (Stark, 2003).

A negotiator cannot go to a negotiation table with the attitude that he is happy with a win-lose outcome, as long as he is not the loser. With a win-win outcome there is a greater chance to create beneficial long term relationships. It is important to avoid narrowing the negotiation down to one issue. Negotiators have to see the overall picture of the deal. The most common example is arguing over the price of a product or service (Stark, 2003). Price is not the only issue to be considered. For instance timing and quality are also very important to be considered in a negotiation. The overall price of a product consists of many things, such as delivery date, financing and the amount and quality of the product. People do not always select the cheapest option when they buy something because the money value of a product or service is not the most important factor. If a negotiator brings multiple issues to the negotiation table it will provide the opportunity to create a win-win outcome. People negotiate with each other because the other one have something he wants and he has something the other person wants. People need to keep in mind when negotiating that their counterpart does not have the same needs and wants they have. It is also important not to assume to know a counterpart's needs. It is very common for negotiators to assume they know exactly what their counterpart wants (Stark, 2003). However, as Forsyth (2009) advices, never assume anything because it may make 'an ass out of you and me'. Each counterpart in a negotiation usually has implicit and explicit needs.

Practice communication competence

It is true that communication can lead to a complex problem or a brilliant solution. To achieve effective communication, a negotiator should ask both open and closed ended questions to make sure that the message is received. The negotiator should use tools such as

paraphrasing and restatement to clarify issues that he might be uncertain about. It is always a good thing in communication to go straight to the point but in negotiation, it is better to talk about general issues first and then proceed to the details. This helps relieve tensions and create a friendly business atmosphere.

A negotiator should think beforehand whether he should make the opening statement or if he should first listen to what the opponent has to say and gather as much information as he can. When people reveal information too early, it may be a disadvantage for them because the counterpart knows something about them but they do not know anything about their counterpart. The saying, 'knowledge is power,' is never more true than in the early stages of the negotiation process (Acuff, 2008).

In international business, negotiation encounters numerous challenges because people from different cultures perceive, interpret, and evaluate the world differently. Accurately communicating needs and interests in ways that people from other cultures will understand is therefore a more challenging task (Adler, 2002). As mentioned elsewhere, is it good to repeat things so that the counterpart really understands the message. The repeating means to say the same thing in different ways and in a way that is easily understandable.

Ask lots of questions; listen with your eyes and ears

It is important to always ask. As Beasor (2006) puts it... 'if you don't ask., you won't get'. A negotiator should not be afraid to ask. He should be confident and realize that the other party would not offer anything unless it is asked. Ask a lot of questions. By asking open questions instead of closed ones, a negotiator will get more precise information. Remember that talking all the time and not letting the counterpart to say anything is likely to be fatal. A negotiator has to learn not only to listen with his ears but also with his eyes. People send a lot of messages, positive or negative with their body without necessarily speaking. To interpret the other person is a very useful skill to master. Non-verbal communication is sending and receiving wordless messages. Most communication is wordless. What is often not said is more important than what is said. People communicate in terms of their physique, clothing, quality of voice (which includes tone, accent, and volume), facial expressions, posture and emotions (Buchanan and Huczynski, 2004).

Non-verbal communication also includes body language. When a person is talking his body is talking at the same time. People use their face and eyes to send messages. Most people also use their hands to emphasize verbal communication. Hand gestures can be positive or negative depending on how they are used. In some cultures hand gestures have a different meaning and to avoid conflict, it is critical for negotiators to get to learn the different cultures and the way people communicate with others. Negotiators should also know when it is appropriate to maintain eye contact and to know the "space bubble" in different cultures. These are some of the main barriers to effective communication. Non verbal communication includes clothing and the environment where the communication takes place. Clothing and grooming send visual messages about the speaker. It is said that clothes make the man. A negotiator should choose his clothing well to convey the desired meaning in any negotiation process.

Maintain personal integrity and build solid relationships

In the negotiation table the first phase is getting to know the other party and helping them to feel comfortable. Relationships matter and it is important to understand the reason why they are so important to the business. Good business relationships offer more value in the long term. It is hard if not impossible to build solid relationship in competitive negotiation situations. During relationship building, parties develop respect and trust for members of the other team (Adler, 2002). One of the biggest barriers for negotiation is lack of trust (Harvard Business Essentials). To maintain solid relationships, credibility is very important. Trust is built through deeds, not words (Stark, 2003). A negotiator has to do what he promised he will do and maintain the professional appearance. Trust is also developed with honesty. The negotiator should be honest also about things that may not be at his best.

Be patient

Being in a good mood before entering the negotiation table enables the negotiator have more confidence and is likely to be patient during the negotiation. All parties should invest a lot of time, energy, personal and spiritual commitment and other resources to ensure the best possible outcome is achieved (Hamilten, 2008). International business negotiation process is not a short process. It takes time and to achieve win-win outcome. As such, the negotiator(s) must be patient.

Be culturally literate and adapt to the negotiating strategies of the host environment

The biggest barriers to effective negotiation are lack of trust, cultural and gender differences, communication problems and power differentials during dialogue. It is useful for business negotiators never to assume anything as well as avoid stereotyping. Negotiators need to adapt to the negotiating strategies of the host environment by doing some research. They should plan ahead how they would start their negotiation, for example, would they want to first talk about sport or climate and how to proceed from there to the real topic. Negotiators should be aware not to talk about politics or religions which are taboo in their host environments.

As mentioned earlier in this paper that the most typical factors that affects how a negotiation will play out are time, environment, personalities, information, personal issues and hierarchy. Time has a crucial impact on effective international business negotiations. The duration of a negotiation can vary across cultures, for example Americans expect negotiations to take a minimum amount of time whereas the Vietnamese prefer to move slowly (Adler, 2002). For them, everything is negotiable including deadlines. There is no need to panic if the deadlines come too near because they can be changed. But it does not mean that there is no need to work hard.

The environment impacts greatly on the effectiveness of international business negotiation. The location of the meeting should be considered carefully. Should the meeting be held in your office, in counterpart's office or at a neutral location? When the meeting is in another country it will not only imply considerable cost but also reduces access to information. When hosting, it allows controlling the situation more easily. Adler (2002) states that many negotiators select neutral locations. Business negotiators often select locations that are geographically placed somewhere between each company's headquarters. When the meeting is in a neutral location, both sides travel, both sides have reduced access to information and both sides want to conclude the negotiation as quickly as possible to minimize costs.

CONCLUSION

Effective negotiation is a key to the improvement of organizational competitiveness. There is more to negotiation skills than is available in many books dedicated to the subject. Negotiation skills lie at the very heart of business success since business is driven by humans who are social beings. This socialization process involves constant interaction hence the need for negotiation for best outcomes and results. There is therefore need to interweave negotiation skills into the fabric, character, processes and procedures of organizations that would be successful in the 21st century.

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