

Negotiation skills

Negotiation with buyers as well as suppliers and investors is vital for any company's survival as it establishes its relationship to the external them. Negotiation is also critical to optimising the company's performance and overall effectiveness.

Why do I need to know how to negotiate?

Good sales negotiation can easily boost sales revenues by improving the value of the deal. Good purchasing negotiation can easily save 10-20% of the cost of products and services bought or ensure that they are delivered to your specifications. Good negotiation with regulatory and planning authorities enables opening new markets and developing new technologies. Again, failure to negotiate debts often leads to business closure.

What will I achieve?

Negotiation generally results in a compromise between the two parties (price, condition, etc.) The key to good negotiation is to gain on issues that are very important to you and yield on those that are not. Thus you have to make a careful summary of all issues that may be brought into the negotiation by you or your negotiating partner and evaluate them for their importance to your cause. You also need to have a good feel for the issues that are more or less important to your partners to make the process most effective.

Collaborative approaches to negotiating

The aim of negotiation should focus on creative collaboration, rather than traditional confrontation, or a winner-takes-all result. The parties should seek and develop solutions that help both parties move forward via better, collaborative outcomes. Creative thinking and cooperative approach to finding better solutions than might first appear possible or have historically been achieved in practice must be encouraged and actively sought for.

Why?; because every negotiation provides an excellent opportunity to develop and improve synergies between the two sides within the negotiated outcome.

That is because each side – through its business relationship to the other party - is a source of valuable information on how the other side can more effectively relate to its business partners and thus provide valuable knowledge, if the negotiating process encourages such exchange through the friendly, collaborative atmosphere. Thus the overall aim of the negotiation is to achieve the best possible outcome for your side both short and longer term; e.g. get the best combination of a good deal here and now and education of your business partner so that it can serve you better in future interactions.

For tips on negotiating a great deal see our “**How do I... negotiate a great deal**” guide

The art and science of negotiation

Negotiating a deal, whether you are buying or selling, is a strange business.

Good negotiation requires a careful combination of empathy for the other person's situation and feelings and responsibilities to secure the best possible commercial outcome for the company. On occasions there can be a personal dilemma, particularly if your selling style is one that uses a lot of relationship-building and trust. So it is essential to remember that your fundamental responsibility is to your company, not to the other's. It is entirely possible to maintain a friendly helpful relationship while at the same time being very firm in negotiating the business. It also helps to make an assessment of where the other person is coming from; what the real and perceived issues are, and to separate the psychological factors from the practical ones.

What to do if it is all going wrong?

Referring a negotiation to a higher authority has a demoralising, undermining effect. If the other person's demands are not reasonable, commercially acceptable, or if any aspects of each side's position do not fit, negotiation is not the answer and you just have to walk away from the deal. This is for three reasons.

- It prevents you having to concede substantial ground unnecessarily
- It avoids raising false hopes, which would be difficult to satisfy later
- It stamps your personal authority and professionalism on the situation

A clear and honest "No, I'm afraid not," with suitable explanation and empathy for the other person's situation will be respected by all professionals.

Negotiating under pressure (debt negotiation)

A good example is debt negotiation. Many people who find themselves confronted by personal or business debts are understandably fearful or embarrassed to negotiate the situation until it's too late. Fear not - most people and businesses get into serious debt at some stage in their lives. The important thing is what you do about it.

When you know you have a problem, start negotiating. Taking our example on debt negotiation further, the reason why creditors will listen to you is that they fear losing their money and having to write off the debt altogether. To a creditor negotiating a debt means that they have a chance of recovering some or all of the debt. If a creditor fails to begin a debt negotiation with the debtor, the creditor faces costs of debt recovery (solicitor's letters and debt collection agency fees, etc), and a real risk that the debtor will for whatever reason be unable to pay any of the debt (insolvency, bankruptcy, deliberate avoidance, etc), which leaves the creditor no option other than to write off the debt, losing everything, and having to pay debt recovery costs.

Seek advice and help to educate yourself about the range of options that are available, those that apply in your case and make sure that you understand the processes involved. Try to avoid paying for this sort of help and contact your trade association, or local business support centre or other organizations depending on where you are.

How do I behave during negotiations?

Be positive throughout the negotiation and build trust in your negotiating partner. Show willingness to co-operate and negotiate fairly but never forget whose interest you represent. Try to maintain a calm detachment and professional demeanor. Negotiation is a bit like a game, it is a means to an end and not life and death.