AN APPRAISAL OF CONTRIBUTIONS OF NEGOTIATION TO BUSINESS SUCCESS

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Abstract

This piece of work discusses the contribution of negotiation to business success, with the key objective of evaluating and suggesting better ways of negotiating. Business transactions cannot be carried out successfully without two or more persons or organizations coming together to deliberate on issues that could be a source of common interest to them. These discussions bother around price, delivery, terms of payment, quality, discount, installations among other issues. The level of profit made by business organization depends, to a large extent, the level of competence exhibited during the process of negotiation. This piece of work discussed extensively, the various methods or strategies that can be used during negotiation to achieve fruitful results. It is recommended among other things that negotiators should be prepared before negotiation, avoid too many arguments, eschew win-lose situation, avoid sarcasm and interruption of proposals.

Introduction

Never in history has any transaction been one sided. People give one thing or the other in business relationship to get what they want. This is the reason why every buyer tries as much as possible to benefit maximally from the seller or supplier. In the same manner, the supplier also ensures he benefits from the buyer as much as he can. These two opposing interest calls for negotiation. It will sound ridiculous if the buyer simply pays any amount of money the seller requires him to pay without making any frantic effort to bargain and to better his lot. In purchasing, one of the major tools for resolving the difference between a buyer and a seller is negotiation.

Negotiation Defined

Many purchasing scholars have defined negotiation is different ways. Let us consider some of these definitions. Menon (1995), defined negotiation as the art of arriving at a common understanding through bargaining on the essentials of a contact such as delivery, specification, price and other terms and conditions. Gottschal (2003), defined negotiation as an occasion where one more representatives of two or more parties interact in an explicit attempt reach a jointly acceptable position on one or more divisible issues about which they would like to agree. Lysons (1996), defined negotiations as any form of verbal communication in which the participant seek to exploit their relative competitive advantages and needs to achieved explicit or implicit objectives within the purpose of seeking to resolve problems, which are barriers to agreement.
Onwuka (1989), defined negotiation as a process whereby representative of the buying organization and the selling organization attempt to reach a precise agreement on all terms and conditions which make a contract come into being. It involves a thorough analysis of all aspects of the purchase, rational discussions, conferring and bargaining on each aspect and arrival at a common understanding of what is best in the interest of both parties.

Robins and Brown (2005) defined negotiation as the process whereby two or more parties decides what each party will give and take in an exchange between them.

Okwonkwo (2006), defined negotiation as the “give and take” trading process by which the conditions of a transaction are agreed and acted upon; an attempt by two parties to complete a transaction through the use of bargaining.

There are many definitions by different authors which cannot be considered here. These definitions above have a central or similar message. First, it involves at least two persons or organizations who are interested in benefiting from each other. Secondly, negotiation is a verbal communication between the parties involved. Thirdly, for negotiation to take place there must be a pressing need or issue to be addressed such as price, delivery, discount, installation and other after sales service. And finally, the purpose of negotiation is to reach an agreement. According to Okorie (2011), negotiation is the process by which two or more parties come together to discuss and reach agreement over areas of conflicting interest which include, but not restricted to price, installation, delivery, discount and maintenance.

**Objectives of Negotiation**

There are many objectives of negotiation. At every point in time, one or more of the following objectives may be the reasons for negotiation.

1. To establish fair and reasonable price: in some situations, it may be necessary to go into negotiation in other to establish fair and reasonable price. This becomes imperative if the buyer sees the seller’s price to be too high or exorbitant. The only way to arrive at a price that is reasonable and fair to both parties is to go into negotiation.

2. To get the supplier to deliver on schedule: late delivery could cause the buyer a great deal if it is not guided against. No buyer will allow late delivery to cripple this production processes which will ultimately bring about loss of goodwill, loss of customers and stoppage in production. To avert and properly manage the possible occurrence of any of these, the buyer and seller will be left with no option but to negotiate.

3. To obtain the quality specified: it may sometimes become imperative to negotiate with the supplier to ensure that the quality specified is actually obtained. This is necessary if the buyer is not sure of strict compliance or adherence to quality specified.

4. To get maximum co-operation from supplier: Negotiation between the buyer and the seller creates closer ties between them, and ultimately, there will be maximum co-operation between them.

5. To have control over supplier’ performance:

The performance of a supplier has a direct impact on the general performance of the buyer. There is, therefore, need for the buyer to have a measure of control over delivery, installation, price, quantity etc. this can only happen through negotiation.

6. To develop a good and continued relationship with competent supplier.

**What to Negotiate**
There are many issues to be negotiated between buyers and sellers. The prevailing circumstance between the parties involved determined what to be negotiated. According to Lysons (1996), the following are some of the most common place items.

- Amendment to the quoted or existing price.
- Type of pricing agreement
- Quality, cash and trade discount
- Terms of payment
- Basis on which price increases are to be determined.
- Carriage charge.
- Time of delivery
- Method of delivery
- Delivery to prescribed sites
- Amendment to specification
- Amendment quantities
- Amendment to delivery dates
- Packaging requirements
- Supply and ownership of jig, special tooling etc.
- Allowance to scrap.
- Trade –in allowance
- Supply of samples.
- Method and place of inspection
- Acceptable quality level
- Method of determining labour, materials and overheads elements in cost type contact.
- Charges for use of patents owned by the supplier.
- Sharing of saving due to improved design or production factors
- Compensation for cancelled orders.
- Buyer’s remedies in respect of rejected goods or late delivery.
- Conditions and warranties applicable to the contact
- Passing the property in the goods.

**When to Negotiate**

The process of purchasing cannot come to a logical end without some kind of negotiation. It is more inevitable when competitive bidding cannot produce the required result. Different situations call for negotiation, when this happens, negotiation becomes the only way out.

Dubler (1981), identified the following circumstances under which negotiation can be used.

1. When any of the conditions favoring competitive bidding is missing.
2. When the business risk and cost involved cannot be accurately predetermined. Certain contracts cannot be qualified in terms of risk or cost. When this is the case, it becomes imperative to negotiate in other to be able to handle risk and cost variation as they come.
3. When many factors bear not only on price but also on quality and services. The essence of negotiation is to deliberate on the other exchange issues in addition to price. Such matters include quality, installation, repairs, and maintenance.
4. When tooling and setup cost represent a large percentage of total cost of a contract. Certain special contract calls for the use of special terms such as molds, special test equipment, jigs fixtures etc, all these items cost money. Now, negotiation becomes imperative as it must decide or agreed upon who to bear cost associated with these materials; is it the buyer or the seller? Who will take the title of these materials at the end of the contract?

5. When there is frequent interruption in production by the buyer due to change in Technology. The implication of this regular interruption is that the buyer and supplier must negotiate to determine from time to time how these change of orders can be handled.

6. When it takes a long period of time to produce the item required by the buyer. When this happens, it becomes imperative to negotiate at reasonable intervals in order to take advantage of future increase in price. This negotiation is important to avoid a situation where the contract between the supplier and the buyer will be frustrated by unexpected hike in price.

7. When a buyer is contracting for a portion of the seller’s production capacity, rather than for a product the seller has designed and produced.

**Negotiating Strengths**

In every negotiation, either the buyer or the seller will be in advantage position. These advantages or strengths are determined by a number of factors. According to Onwuka (1993), the buyer will be in strong position where:

I. Demand is not urgent and can be positioned.

II. Demand can be meet by substitutes

III. Suppliers are anxious to obtain the business

IV. There are many potential suppliers

V. The buyer is in a monopolistic or semi – monopolistic position

VI. When there is enough time for the buyer to develop alternative sources

VII. The business the buyer has to give the supplier is large

VIII. ‘Make’ as well as ‘buy’ options are available

IX. The buyer has a reputation for fair dealing and prompt payment. On the other hand, the supplier will be in a string position where:

i. Demand is urgent.

ii. Demand cannot be postponed

iii. Suppliers are indifferent about accepting the business

iv. The supplier is in a monopolistic or semi- monopolistic position.

v. Buyers wish to deal with the supplier due to his reputation for quality, reliability, efficient services etc.

vi. The supplier owns the necessary jigs, tools or specialized machinery.

vii. The supplier is well briefed regarding the buyer’s negotiation position.

viii. When there is much time available to reach agreement and the lead time is short, the negotiating strength of the buyer is largely reduced.

**Attributes of a Good Negotiator**
To be effective during the process of negotiation, a good negotiator should possess certain characteristics. Some of these characteristics are highlighted below:

I. He must be knowledgeable in the area of negotiation.
II. He must be skilled and experienced
III. He must have the ability to think and make sound judgment
IV. He must be able to analyze objectively, and evaluate all possible alternatives during negotiation.
V. He must be able to express himself in all cases. This will improve his chances of being successful.
VI. A good negotiator must be able to lead his team and take fruitful initiatives.

Ploys in Negotiation
During discussion, negotiators will, from time to time, be faced with one ploy or tactics to try to gain advantage over the other. Roy Webb, one of the most popular negotiating trainers in the United Kingdom believes that such ploys are limited value in long –term relationship. While knowledge of ploys assists the negotiation, reliance on them exclusively should be avoided.

Forms of Ploys
Nice guy/hard guy: You are faced by two people, one difficult to deal with and aggressive, the other softer and conciliatory. The idea is that you become so afraid of the ‘hard guy’ that you make concessions to the softer negotiator.

Add ons: Basic deal only is negotiated. Everything else costs more money.

Deadline: Telling the other side the deal has to be complete by a certain condition otherwise it is off, the idea being to pressurize the other side into making a quick rather than the correct decision.

Russian front: Two choices are offered, of which one is so bad that you choose the second, less awful option.

Empty larder: Attempting to convince the other side by lying that you have little to offer so that they will reduce their demands.

Approval form: Telling the other side that anything you agree to, over a certain amount will also have to be agreed back at base, the idea being to get the other side agree to deal that do not require approval from a higher authority.

Higher Authority: These are some of large number of ploys that are used in negotiation and for which you should be prepared. It involves telling your opponent that you will need approval from top management before one can negotiate certain issues. It provides an opportunity to avert conceding to terms one is not too comfortable with. As one moves, however, towards building up long term relationships with suppliers there is far less reliance and indeed positive avoidance of such tactics in an effort to enhance a strategic relationship between a buyer and a supplier. Gavin Kennedy argues that all ploys can be neutralized by the other side provided they have the necessary experience.

Negotiation Strategies
How buyers negotiate with suppliers will be affected by their long term interest. In the case of long term strategic suppliers it is far more likely they will consider their negotiations e.g. A short term manipulative or tactical strategy at the supplier’s expense could jeopardize a long term partnership agreement.
Developing a supplier—a major buying organization may make considerable concession to influences supplier in order to encourage their development. However, with other suppliers, a more aggressive negotiation stance may be taken. Reducing the supplier base the preferred supplied may be given totally different treatment from others.

**Negotiation Mix**

Negotiation can take on different styles - Aggressive, assertive or submissive, or, may be dominated by a manipulative as opposed to an assertive phased approach (Baily and Farmer, 2005). During negotiation, body language will be studied. One cannot say definitely which is the best way to negotiate or which is the best style, much will depend on existing relationship and objectives. It is, however argued by experience, that negotiations based on “I win-you lose” leads to long term problems. These days, particularly with a view to longer-term negotiation objectives, one finds a move towards more of a “win-win” approach based on trading wants and using a diplomatic approach to reach a settlement.

**Summary**

1. Negotiation may not always be the appropriate way to reach an agreement—persuasion, complete acceptance, coercion or problem-solving may prove sound alternatives.

2. A skilled negotiator consider a wide range of options, gives a great deal of attention to common ground aspects; is flexible dealing with issues as they arise. He or she confirms what has been agreed in a ‘first draft’ agreement which is then confirmed/commented upon by the other party.

3. Negotiation style depends on the objective to be achieved—short-term gain may use an aggressive, assertive style. This approach tends to lead to long-term problems. A long term ‘win-win’ approach based on trading which is far more likely to reap reward-while one may concede on price, may be gaining on delivery or payment terms.

**Conclusion**

In conclusion, we forward a more comprehensive list, which itself is far from definitive. Negotiation is a complex, fascinating subject which, since it involves people, contain many variables. This list and the related discussion are meant only to indicate the area which we and others writer have noted as pertaining to successful negotiation. Those who negotiate successfully, 

- Plan well
- Can deal with pressure
- Listen well
- Understand people well
- Handle business judgment
- Avoid excesses
- Are creative thinkers
- Are committed to their cause once established
- Are skilled at dealing with risk
- Are skilled at asking questions
- Have higher aspirations
- Can handle time effectively
Recommendations
Finally, we recommend the following:

- Negotiation is concerned with trading not conceding.
- Always trade something for something.
- Remember if you help me, then I will help you.
- Attempt to educate the other side by putting a price on their demands.
- Listen to what they say.
- Avoid interrupting a proposal.
- Good preparation is a must for successful negotiations.
- Don’t tell lies, but there is no need to tell the other side about things that will give many arguments, remember only proposals can be negotiated.
- Remember which phrase you are in and act appropriately.
- Avoid sarcasm, blaming or point scoring.
- Agree an agenda.
- Avoid accepting the first offer.
- Test assumptions.
- Do not change the price, change the deal.
- Find out your best alternative to a negotiated agreement. It helps you to decide whether to agree or walk away.
- Identify your strategic objectives.
- Use ploy carefully and in a limited way. Remember the other side feels on reflection after the negotiations that have got a bad deal it may ruin future deals.
- At the end of negotiation, write down what has been agreed and show it to the other side for approval.
- Finally, we conclude that the success of every business enterprise involved in negotiation will be guaranteed if these key recommendations are carefully followed.

References


