

TOPIC TWO

NEGOTIATION IN INTERNATIONAL PROCUREMENT

- **Definition and objectives of negotiation in International Procurement**
- **The linkage between the procurement process and negotiation**
- **The international negotiation process**
- **Factors affecting international negotiations**
- **International negotiation aspects**

Overview of negotiation

Negotiation is referred to as “a process of potentially opportunistic interaction by which two or more parties, with some apparent conflict, seek to do better through jointly decided action than they could otherwise” Negotiation brings two or more parties together to try to accomplish mutually beneficial outcomes, while meeting individual goals that may be at odds with the other negotiating parties' goals

Negotiation is a problem-solving process in which two or more people voluntarily discuss their differences and attempt to reach a joint decision on their common concerns. Negotiation requires participants to identify issues about which they differ, educate each other about their needs and interests, generate possible settlement options and bargain over the terms of the final agreement. Successful negotiations generally result in some kind of exchange or promise being made by the negotiators to each other. The exchange may be tangible (such as money, a commitment of time or a particular behavior) or intangible (such as an agreement to change an attitude or expectation, or make an apology).

Negotiation is the principal way that people redefine an old relationship that is not working to their satisfaction or establish a new relationship where none existed before. Because negotiation is such a common problem-solving process, it is in everyone's interest to become familiar with negotiating dynamics and skills. This section is designed to introduce basic concepts of negotiation and to present procedures and strategies that generally produce more efficient and productive problem solving.

Objectives of negotiation

a) Certainty

The aim of contract negotiation is firstly to achieve certainty, to record what is being supplied, when, in what quantities and to what standard, and the consequences of delay or failure to meet many agreed requirements. Many disputes are caused by the failure of the parties to define, at the beginning of their relationship exactly what is going to happen. This is very important in the case of complex projects, where project plans and methodologies will normally be prepared as part of the contractual documentation.

(b) The best deal

Seeking clarity does not conflict with the view that negotiations should achieve the best deal, it merely points out that both parties to a negotiation have to understand what is that they have agreed to. Careful discussion of each element of the deal also ensures that each party's objectives are acknowledged and dealt with i.e. each party gets the best deal. In main negotiations, negotiators should aim for a win-win solution which benefits both parties.

(c) Creation of long term relationships between the parties

For example partnering in industries like aerospace and IT is essential, due to the complexity of the products and related projects. Such negotiations will focus on the long aspect of the negotiation so as to create a permanent settlement to the conflict in place.

Other objectives include obtaining the best possible quality, best price and timely delivery.

A LINK BETWEEN PROCUREMENT AND NEGOTIATION

• **Needs Identification and Specification**

Clear specifications guide what is to be negotiated (quality, quantity, standards, timelines).

• **Supplier Selection**

After identifying potential suppliers, negotiation determines the most suitable one in terms of value, reliability, and compliance.

• **Price Determination**

Negotiation directly influences cost savings, discounts, payment terms, and total cost of ownership.

• **Contract Terms and Conditions**

Procurement requires agreement on warranties, penalties, delivery schedules, dispute resolution, and legal obligations — all achieved through negotiation.

• **Risk Allocation**

Negotiation defines who bears risks such as transport damage, delays, currency fluctuations, or quality failures.

• **Quality Assurance**

Standards, inspection procedures, and acceptance criteria are negotiated to ensure value for money.

• **Delivery and Logistics Arrangements**

Lead times, shipping terms (especially in international procurement), and performance milestones are agreed through negotiation.

- **Payment Terms**

Credit period, advance payments, installment structures, and payment methods are negotiated to protect cash flow.

- **Compliance with Regulations**

In public procurement (e.g., under Public Procurement and Disposal of Public Assets Authority), negotiation must align with legal procurement frameworks.

- **Relationship Management**

Effective negotiation builds long-term supplier relationships, which improves future procurement performance.

SUCCESS FACTORS IN NEGOTIATION

A variety of conditions can affect the success or failure of negotiations. The following conditions make success in negotiations more likely.

Identifiable parties who are willing to participate. The people or groups who have a stake in the outcome must be identifiable and willing to sit down at the bargaining table if productive negotiations are to occur. If a critical party is either absent or is not willing to commit to good faith bargaining, the potential for agreement will decline.

Interdependence. For productive negotiations to occur, the participants must be dependent upon each other to have their needs met or interests satisfied. The participants need either each other's assistance or restraint from negative action for their interests to be satisfied. If one party can get his/her needs met without the cooperation of the other, there will be little impetus to negotiate.

Readiness to negotiate. People must be ready to negotiate for dialogue to begin. When participants are not psychologically prepared to talk with the other parties, when adequate information is not available, or when a negotiation strategy has not been prepared, people may be reluctant to begin the process.

Means of influence or leverage. For people to reach an agreement over issues about which they disagree, they must have some means to influence the attitudes and/or behavior of other negotiators. Often influence is seen as the power to threaten or inflict pain or undesirable costs, but this is only one way to encourage another to change. Asking thought-provoking questions, providing needed information, seeking the advice of experts, appealing to influential associates

of a party, exercising legitimate authority or providing rewards are all means of exerting influence in negotiations.

Agreement on some issues and interests. People must be able to agree upon some common issues and interests for progress to be made in negotiations. Generally, participants will have some issues and interests in common and others that are of concern to only one party. The number and importance of the common issues and interests influence whether negotiations occur and whether they terminate in agreement. Parties must have enough issues and interests in common to commit themselves to a joint decision-making process.

Will to settle. For negotiations to succeed, participants have to want to settle. If continuing a conflict is more important than settlement, then negotiations are doomed to failure. Often parties want to keep conflicts going to preserve a relationship (a negative one may be better than no relationship at all), to mobilize public opinion or support in their favor, or because the conflict relationship gives meaning to their life. These factors promote continued division and work against settlement. The negative consequences of not settling must be more significant and greater than those of settling for an agreement to be reached.

Unpredictability of outcome. People negotiate because they need something from another person. They also negotiate because the outcome of not negotiating is unpredictable. For example: If, by going to court, a person has a 50/50 chance of winning, s/he may decide to negotiate rather than take the risk of losing as a result of a judicial decision. Negotiation is more predictable than court because if negotiation is successful, the party will at least win something. Chances for a decisive and one-sided victory need to be unpredictable for parties to enter into negotiations.

A sense of urgency and deadline. Negotiations generally occur when there is pressure or it is urgent to reach a decision. Urgency may be imposed by either external or internal time constraints or by potential negative or positive consequences to a negotiation outcome. External constraints include: court dates, imminent executive or administrative decisions, or predictable changes in the environment. Internal constraints may be artificial deadlines selected by a negotiator to enhance the motivation of another to settle. For negotiations to be successful, the participants must jointly feel a sense of urgency and be aware that they are vulnerable to adverse action or loss of benefits if a timely decision is not reached. If advantageous is to one side, negotiations are less likely to occur, and, if they do, there is less impetus to settle.

No major psychological barriers to settlement. Strong expressed or unexpressed feelings about another party can sharply affect a person's psychological readiness to bargain. Psychological barriers to settlement must be lowered if successful negotiations are to occur.

Issues must be negotiable. For successful negotiation to occur, negotiators must believe that there are acceptable settlement options that are possible as a result of participation in the process. If it appears that negotiations will have only win/lose settlement possibilities and that a party's needs will not be met as a result of participation, parties will be reluctant to enter into dialogue.

The people must have the authority to decide. For a successful outcome, participants must have the authority to make a decision. If they do not have a legitimate and recognized right to decide, or if a clear ratification process has not been established, negotiations will be limited to an information exchange between the parties. A willingness to compromise. Not all negotiations require compromise. On occasion, an agreement can be reached which meets all the participants' needs and does not require a sacrifice on any party's part. However, in other disputes, compromise--willingness to have less than 100 percent of needs or interests satisfied--may be necessary for the parties to reach a satisfactory conclusion. Where the physical division of assets, strong values or principles preclude compromise, negotiations are not possible.

The agreement must be reasonable and implementable. Some settlements may be substantively acceptable but may be impossible to implement. Participants in negotiations must be able to establish a realistic and workable plan to carry out their agreement if the final settlement is to be acceptable and hold over time.

External factors favorable to settlement. Often factors external to negotiations inhibit or encourage settlement. Views of associates or friends, the political climate of public opinion or economic conditions may foster agreement or continued turmoil. Some external conditions can be managed by negotiators while others cannot. Favorable external conditions for settlement should be developed whenever possible.

Resources to negotiate. Participants in negotiations must have the interpersonal skills necessary for bargaining and, where appropriate, the money and time to engage fully in dialogue procedures. Inadequate or unequal resources may block the initiation of negotiations or hinder settlement.

WHY PARTIES CHOOSE TO NEGOTIATE

The list of reasons for choosing to negotiate is long. Some of the most common reasons are to:

- Gain recognition of either issues or parties;
- Test the strength of other parties;
- Obtain information about issues, interests and positions of other parties;
- Educate all sides about a particular view of an issue or concern;
- Ventilate emotions about issues or people;
- Change perceptions;
- Mobilize public support;
- Buy time;
- Bring about a desired change in a relationship;
- Develop new procedures for handling problems;
- Make substantive gains;
- Solve a problem.

WHY PARTIES REFUSE TO NEGOTIATE

Even when many of the preconditions for negotiation are present, parties often choose not to negotiate. Their reasons may include:

- Negotiating confers sense and legitimacy to an adversary, their goals and needs;
- Parties are fearful of being perceived as weak by a constituency, by their adversary or by the public;
- Discussions are premature. There may be other alternatives available--informal communications, small private meetings, policy revision, decree, elections;
- Meeting could provide false hope to an adversary or to one's own constituency;
- Meeting could increase the visibility of the dispute;
- Negotiating could intensify the dispute;
- Parties lack confidence in the process;
- There is a lack of jurisdictional authority;
- Authoritative powers are unavailable or reluctant to meet;
- Meeting is too time-consuming;
- Parties need additional time to prepare;
- Parties want to avoid locking themselves into a position; there is still time to escalate demands and to intensify conflict to their advantage.

Definitions of related terminologies

For negotiations to result in positive benefits for all sides, the negotiator must define what the problem is and what each party wants. In defining the goals of negotiation, it is important to distinguish between issues, positions, interests and settlement options.

- An **issue** is a matter or question parties disagree about. Issues can usually be stated as problems. For example, "How can wetlands be preserved while allowing some industrial or residential development near a stream or marsh?" Issues may be substantive (related to money, time or compensation), procedural (concerning the way a dispute is handled), or psychological (related to the effect of a proposed action).
- **Positions** are statements by a party about how an issue can or should be handled or resolved; or a proposal for a particular solution. A disputant selects a position because it satisfies a particular interest or meets a set of needs.
- **Interests** are specific needs, conditions or gains that a party must have met in an agreement for it to be considered satisfactory. Interests may refer to content, to specific procedural considerations or to psychological needs.
- **Settlement Options**--possible solutions which address one or more party's interests. The presence of options implies that there is more than one way to satisfy interests.

Negotiators have developed many schemes to describe the sequential development of negotiations. Some of them are descriptive--detailing the progress made in each stage--while others are prescriptive--suggesting what a negotiator should do. We prefer a twelve-stage process that combines the two approaches.

STAGES OF NEGOTIATION

Stage 1: Evaluate and Select a Strategy to Guide Problem Solving

- Assess various approaches or procedures--negotiation, facilitation, mediation, arbitration, court, etc.--available for problem solving.
- Select an approach.

Stage 2: Make Contact with Other Party or Parties

- Make initial contact(s) in person, by telephone, or by mail.
- Explain your desire to negotiate and coordinate approaches.
- Build rapport and expand relationship
- Build personal or organization's credibility.

- Promote commitment to the procedure.
- Educate and obtain input from the parties about the process that is to be used.

Stage 3: Collect and Analyze Background Information

- Collect and analyze relevant data about the people, dynamics and substance involved in the problem.
- Verify accuracy of data.
- Minimize the impact of inaccurate or unavailable data.
- Identify all parties' substantive, procedural and psychological interests.

Stage 4: Design a Detailed Plan for Negotiation

- Identify strategies and tactics that will enable the parties to move toward agreement.
- Identify tactics to respond to situations peculiar to the specific issues to be negotiated.

Stage 5: Build Trust and Cooperation

- Prepare psychologically to participate in negotiations on substantive issues. Develop a strategy to handle strong emotions.
- Check perceptions and minimize effects of stereotypes.
- Build recognition of the legitimacy of the parties and issues.
- Build trust.
- Clarify communications.

Stage 6: Beginning the Negotiation Session

- Introduce all parties.
- Exchange statements which demonstrate willingness to listen, share ideas, show openness to reason and demonstrate desire to bargain in good faith.
- Establish guidelines for behavior.
- State mutual expectations for the negotiations.
- Describe history of problem and explain why there is a need for change or agreement.
- Identify interests and/or positions.

Stage 7: Define Issues and Set an Agenda

- Together identify broad topic areas of concern to people.
- Identify specific issues to be discussed.
- Frame issues in a non-judgmental neutral manner.
- Obtain an agreement on issues to be discussed.
- Determine the sequence to discuss issues.
- Start with an issue in which there is high investment on the part of all participants, where there is not serious disagreement and where there is a strong likelihood of agreement.

- Take turns describing how you see the situation. Participants should be encouraged to tell their story in enough detail that all people understand the viewpoint presented.
- Use active listening, open-ended questions and focusing questions to gain additional information.

Stage 8: Uncover Hidden Interests

- Probe each issue either one at a time or together to identify interests, needs and concerns of the principal participants in the dispute.
- Define and elaborate interests so that all participants understand the needs of others as well as their own.

Stage 9: Generate Options for Settlement

- Develop an awareness about the need for options from which to select or create the final settlement.
- Review needs of parties which relate to the issue.
- Generate criteria or objective standards that can guide settlement discussions.
- Look for agreements in principle.
- Consider breaking issue into smaller, more manageable issues and generating solutions for sub-issues.
- Generate options either individually or through joint discussions.
- Use one or more of the following procedures:
- Expand the pie so that benefits are increased for all parties.
- Alternate satisfaction so that each party has his/her interests satisfied but at different times.
- Trade items that are valued differently by parties.
- Look for integrative or win/win options.
- Brainstorm.
- Use trial and error generation of multiple solutions.
- Try silent generation in which each individual develops privately a list of options and then presents his/her ideas to other negotiators.
- Use a caucus to develop options.
- Conduct position/counter position option generation.
- Separate generation of possible solutions from evaluation.

Stage 10: Assess Options for Settlement

- Review the interests of the parties.
- Assess how interests can be met by available options.
- Assess the costs and benefits of selecting options.

Stage 11: Final Bargaining

- Final problem solving occurs when:

- One of the alternatives is selected.
- Incremental concessions are made and parties move closer together.
- Alternatives are combined or tailored into a superior solution.
- Package settlements are developed.
- Parties establish a procedural means to reach a substantive agreement.

Stage 12: Achieving Formal Settlement

- Agreement may be a written memorandum of understanding or a legal contract. Detail how settlement is to be implemented--who, what, where, when, how--and write it into the agreement.
- Identify "what ifs" and conduct problem solving to overcome blocks.
- Establish an evaluation and monitoring procedure.
- Formalize the settlement and create enforcement and commitment mechanisms: Legal contract
- Performance bond
- Judicial review
- Administrative/executive approval

Planning the negotiation

Time invested in planning and preparation before the negotiation will substantially improve the outcomes of any purchasing negotiation. Failure to plan properly often leads to poorly formulated objectives for the negotiation, and the use of inappropriate negotiating styles or tactics. This leaves both parties with a sense that a better result could have been achieved.

Most negotiating teams greatly underestimate the amount of time needed to adequately prepare for, and research the background to, a negotiation. Negotiating teams should also remember the impact of their negotiation on other negotiations with the same supplier as well as other suppliers.

Effective negotiation involves adopting a planning strategy that develops answers to the key negotiation questions:

- What is the context in which I must operate?
- What am I trying to achieve?
- What problems am I likely to encounter?

Understanding the context

Negotiation always takes place within a context. Some of the important issues to consider in understanding the context of a negotiation include:

- The supply market in terms of:

Competition: is the market fully competitive, dominated by a few larger suppliers, filled with unsophisticated suppliers?

Growth: is this a new market, a growing market, a mature market, a retracting market? What is the impact of new technology on this market?

- Geography: is this a global market, a distributed market, a rural market? Is distance an issue? power: who owns the suppliers? What level of turnover do the suppliers have? What is their financial status? What proportion of their turnover does this contract represent?

Team negotiation

Negotiation doesn't always take place between individuals. For significant purchases, you may decide that a team of negotiators would be appropriate. Consideration should be given to the make-up of the team (for example, whether technical and financial experts or end users should be involved). A leader needs to be selected, and roles of members need to be established and clarified. These negotiators need to be appropriately trained and supported. Negotiators may wish to spend time rehearsing and role-playing the options that are likely to arise. If negotiations with suppliers are an ongoing activity in the organization, it may be worthwhile considering developing a pool of skilled negotiators within each function who can participate in a team.

Negotiation variables

Time: most people describe negotiation as if it were an event. This implies that it has a definite start and finish within a fixed time frame. In fact, negotiation is a process rather than being an event. In the preparation it is important to gather as much information as possible both about the organization's interests and alternatives and the interests and alternatives of the supplier. After the formal negotiating phase has finished and an agreement has been reached, it must be documented, formally agreed, implemented and monitored.

The management of time within the negotiation, slowing the process down and speeding it up according to the needs of the organisation, is a common tactic. It also helps one party when situations change in an unexpected direction. Taking control of time is often a way of taking control of the rest of the negotiation.

However, it should be noted that, generally, good outcomes in purchasing negotiations cannot be achieved in tight time frames. It is worth investing the time that is necessary to explore issues, identify the needs and interests behind expressed positions and develop creative and innovative solutions of mutual benefit to the negotiation.

Time is a valuable commodity in a purchasing negotiation. The organisation can often make best use of available time to improve its negotiating position substantially by gathering useful information - which allows the development of alternatives to the solution being proposed by the

supplier.

Information: information *is* at the heart of any negotiation. Adequate attention to gathering information during the preparation phase of negotiation can significantly enhance the likelihood of a mutually satisfactory agreement being reached during the formal phase of the negotiation. During the formal phase, it can be a common strategy for parties to try to conceal their true interests and priorities. The chance of obtaining accurate information from an experienced negotiator during an adversarial negotiation is quite low, Information is normally easiest to gather during the preparation phase before the formal negotiation begins.

- **Power:** It is important to make a realistic assessment of the power relationship in any purchasing negotiation. Power involves being able to control or manage the decisions of the other party. There are many ways in which this can be done, which range from managing their perceptions of potential loss through to reducing their alternative networks.

Sometimes the balance of power will sit with the organization, simply because of the size of the contract and buying power. Sometimes the balance of power is in the supplier's favour, where the organization is a small customer or a supplier has an actual monopoly, a geographical monopoly or a virtual monopoly position in the market.

The Definition and Purpose of Negotiations. Many feel that negotiations are "haggling" or "beating down" the other party in order to get your way. This type of win-lose orientation ignores the potential for finding areas of agreement where both parties can benefit. The definition of negotiation that I prefer is, "the process of working out a mutually satisfactory agreement." As a result, the purpose of negotiations is to reach a mutually beneficial deal. Generally, if both parties do not get something that they want from the negotiations an agreement will not be reached.

When to Negotiate. In a business buying situation, negotiations are likely to occur when the five criteria for competitive bidding are missing. They are (1) at least two or, preferably, more qualified vendors, (2) vendors who want the business, (3) clear specifications, (4) an absence of collusion among bidders, and (5) a purchase dollar value large enough to justify the expense of competitive bidding. In most other situations, negotiations will be used before the buyer and seller reach agreement.

When specifications are inadequate, two-step bidding may enable the buyer to combine negotiations with the bidding process. In the first step, technical proposals are requested. After the technical proposals are evaluated, bids are requested from those sellers who provided satisfactory

technical proposals. Buyer-seller negotiations may occur in either step. The buyer should indicate from the beginning whether negotiations will play a part in either step of the process.

Barriers to Effective Negotiations. Six barriers can limit the effectiveness of any negotiation process. First, individual styles of managing conflict (competing, compromising, problem solving, and inaction) may clash, resulting in frustration by both parties. Next, the past, present, and expected future relationship between/among the negotiating parties can inhibit (or facilitate) effective negotiations. Third, a win-lose orientation can inhibit the ability of the negotiation process to find mutually beneficial solutions. Next, the "mixed motive" nature of most negotiations, where each party wants to win and maintain a long-term working relationship adds tension to the process. Fifth, negotiations are less effective when the negotiators do not have authority to reach an agreement. Finally, complex issues may be interpreted in simple win-lose terms.

An understanding of the negotiation process can help the purchasing professional minimize the six barriers to effective negotiations.

Characteristics of Effective Negotiators. Effective negotiators (and negotiation teams) must have a wide range of characteristics. They include planning ability, a high tolerance for ambiguity, a desire to achieve, an ability to think clearly and rapidly, patience, and an ability to objectively consider others' ideas. They also include problem solving ability, tact, self-restraint, a good knowledge of human nature, an ability to listen, an ability to gain respect, and competitiveness.

As you can see from this partial list, the development of effective negotiation skills requires much training and practice. Several of these skills, for example self-restraint and competitiveness, conflict. In order to provide the needed array of skills it is often desirable to form negotiation teams where member skills complement each other.

Techniques that Facilitate the Negotiation Process. Developing your negotiation skills is a continuing process. There are two developmental techniques that are useful for this process. The first, "lessons learned," provides insights from previous negotiation sessions. It is a critique of a recently concluded negotiations. Examples of questions that might be included in a lessons learned include: What did we learn? What went well? What could have been done better? What did not go well that should have gone well? What did the other party do well? What did the other party not do so well? If the other party learns from its mistakes what should we be prepared for next time? The answers to these and other questions can help any negotiator improve his/her future performance.

The second developmental technique, the "caucus," provides insights into ongoing negotiation sessions. The caucus is a planned or unplanned break in negotiations that gives the negotiator (or negotiation team) an opportunity to review its strategy, tactics, or progress before proceeding. The

caucus should immediately be used when disagreement, confusion, and/or misunderstanding occurs within a negotiation team. The caucus may be used to critique ongoing negotiations, resolve misunderstandings within a negotiation team, revise strategies or tactics, slow down momentum if negotiations are not going well, or create a pause that causes the other team to caucus.

The caucus should be used as a routine part of negotiations. You should avoid using the caucus only when a crisis arises because this sends unnecessary signals to the other party. If you are negotiating individually, a caucus is achieved by excusing yourself, arranging to have yourself called away from the meeting, or telling the other party that you will get back to them.

Insights That Strengthen the Negotiation Process. Two common challenges in creating positive negotiation environments are the creation of a climate conducive to problem-solving and negotiating effectively in cross-cultural situations.

The following is a list of conditions that can enhance negotiations and improve the environment for problem solving behavior:

- a. Some common goal or objective
- b. Faith in one's own problem solving ability
- c. The motivation and commitment to work together
- d. Trust
- e. Clear and accurate communication
- f. A belief in the validity of the other's position

These conditions can reduce or eliminate the barriers to effective negotiations discussed earlier. Please keep in mind that these conditions are not quick fixes, but ongoing commitments that must be developed and nurtured over time.

When conducting cross cultural negotiations the ability to understand the culture of the other party can reduce the number of misunderstandings that inhibit negotiations. Adequate preparation can improve cross cultural understanding. The lessons from cross cultural negotiations can also be applied when negotiating with those from unfamiliar industries or unfamiliar markets.

Negotiation Processes: Concluding Comments. First, most negotiations occur in the context of the past, present, and expected future relationship between the parties involved. For this reason past experience with the other party and expectations of future dealings with him/her/them should be considered when preparing for and conducting negotiations.

Second, preparation and planning are the most important parts of negotiating. Being glib and eloquent in presenting your position is of little help when the underlying preparation and planning are third-rate. The balance of this paper presents an eight step process for negotiation preparation.

NEGOTIATION PREPLANNING BASICS(1). A critical step in any negotiation process is planning. Without proper planning you are unlikely to know what your negotiation position should be, be able to anticipate what the other party is likely to do, be unable to realistically respond to the other party's proposals, and know if the agreement that you negotiated is reasonable. The following summarizes an eight step process that can be a useful guide for negotiation preparation.

1. Analyze the Other Party's Proposal. If you have received a proposal take the time to analyze it in depth. Evaluate price, delivery, specifications, terms, and any deviation from your requirements. A thorough knowledge of the other party's proposal can be a source of advantage at the bargaining table, especially if you know their proposal better than they do. Keep in mind that the other party's proposal is usually their beginning point (optimistic position) for negotiations.

2. Establish Your Objectives. State your objectives in terms of price, delivery, specifications, terms, and any other requirements clearly and in writing. Set specific objectives in terms of dollars, quality, service, dates, features, capabilities, and warrantee. You will now have objectives that are measurable rather than a vague desire to "Do the best you can."

3. Formulate Your Positions. Consider your objectives and set your Optimistic (what is the best you hope to get), Target (what is likely), and Worst Case (what is the minimum you can live with) positions for each issue that is likely to be negotiated. Graphing your Optimistic, Target, and Worst Case positions for each issue can provide an overall perspective that helps you develop your negotiation strategy.

4. Analyze the Other Party's Positions. You can also estimate and graph the other party's likely positions on each issue. This helps you develop a feel for their negotiation strategy. This puts you in the other party's shoes and helps you estimate what is likely to be important to them. The other party is probably doing a similar preplanning exercise, so don't underestimate them. You may now want to graph both positions to develop a feel for the range of likely negotiations. Such a graph might look like Figure 1. You might prepare several "Range of Negotiations" graphs to represent the various issues that are subject to negotiation.

5. Define and Organize the Issues. Having completed steps 4 and 5, you can now organize the various issues and identify the points of similarity and difference between you and the other party. Make a list of issues, with yours one side and the other party's on the other. Be sure that you can support your point of view in any dispute with solid data or information.

6. Develop Your Strategies and Tactics. Now it is time to plan your strategies and tactics. Strategy is the planning and direction of your negotiations. Tactics are the processes and maneuvers that you will use to put your plan into action. There are three practical strategies that you can use.

7. Select Your Negotiation Team. Decide who will be on the team and who will not. Decide who will be the team leader. Once you have selected your team, make sure each member understands his/her role. Make sure the team can work well together and that the team can support the team leader, even if it means sacrificing their own opinions.

8. Develop an Agenda. The agenda should cover the issues to be discussed, meeting logistics, and who should participate. Prior agreement on an agenda gives both parties to a negotiation time to prepare and think through their positions. When working out the logistics, consider hosting the negotiation meeting in order to take advantage of "the home field" advantage. When deciding who is to participate, make sure both sides are represented by decision makers. Do not hesitate to question whether the team's members have the authority to make commitments for their organization.

Aspects of International Negotiation/ Factors that affect negotiation

Attitudes About Risk

Nearly every business negotiation entails some level of risk. Some cultures encourage risk-taking and adventurous behavior in business, while others favor a more risk-averse approach. Negotiators should understand the cultural attitudes about risk before proposing any agreements that may include high risk levels. For instance, cultures that encourage freedom of thought also often encourage risk and exploration, while those cultures that favor traditional ideas may be less willing to depart from those ideas and explore risky situations.

Government-Business Relations

Relationships between governments and the businesses within their jurisdictions can also affect negotiations with overseas partners. Businesses in countries where the government encourages corporate growth and development operate differently than firms in countries with tight regulations. For instance, the government of Thailand has encouraged entrepreneurs and welcomed international partnerships. In countries with stricter regulations, government bureaucracies can make international negotiations more difficult than American companies are accustomed to encountering.

Communication Style

A major hurdle in international negotiations can arise when cultures clash over their communication styles. Even when both parties speak the same language, they may consider that the same words have different meanings. A culture that values expediency, efficiency and fast results may view the word "soon" as meaning "immediately." The same word, "soon," might mean days, weeks or even months to cultures that place more emphasis on taking their time and evaluating every aspect of the agreement.

Corporate Structure

Cultural aspects also affect how companies structure their decision-making processes. Some cultures favor an authoritarian, top-down approach while others seek out consensus and group unity. For instance, American companies tend to have a lead negotiator who speaks for the entire group. Many Asian cultures, including the Japanese and Chinese, favor consensus and teamwork when reaching a decision. These differences can lead to unmet expectations and frustration from both parties, so identifying the structure of the negotiating team is a vital part of a successful international negotiation.

Time

Currency

Laws and regulations

Culture

Culture is the set of shared values and beliefs of a group of people.

What Makes International Negotiation Different?

1. Political and Legal differences

- Firms conducting business in different countries are working with different legal and political systems
- Political considerations may enhance or detract from business negotiations in various countries at different times

2. International Economics

- Exchange value of international currencies naturally fluctuates
- The less stable the currency, the greater risk for both parties
- Any change in the value of a currency can significantly affect the value of the agreement for both parties

3. Foreign Governments and Bureaucracies

- Countries differ in the extent to which the government regulates industries and organizations

4. Instability

- Instability may take many forms: lack of resources, shortages of other goods and services, and political instability
- Challenge for international negotiators to anticipate changes accurately and with enough lead time to adjust for their consequences
- Negotiators facing unstable circumstances should include clauses in their contracts that allow easy cancellation or neutral arbitration, and consider purchasing insurance policies to guarantee contract provisions

5. Ideology

- Negotiators from other countries do not always share the same ideology
- Clashes in ideology may lead to parties disagreeing at the most fundamental level about what is being negotiated

6. Culture

- People from different cultures appear to negotiate differently
- People from different cultures may also interpret the fundamental processes of negotiations differently

7. External Stakeholders

- International negotiators can receive a great deal of promotion and guidance from their government via the trade section of their embassy, and from other business people via professional associations

Different Ways Culture can Influence Negotiations

1. Definition of Negotiation
2. Negotiation Opportunity
3. Selection of Negotiators
4. Protocol
5. Communication
6. Time Sensitivity
7. Risk Propensity
8. Groups versus Individuals
9. Nature of Agreements
10. Emotionalism

Factors That Influence Negotiation and their Outcomes

- The type of relationship you have or would like to create with the other party. For example, with collaborative relationships, it's easier to resolve a conflict since openness saves time than distributive relationships where there is a high level of competition.
- Personality – the personalities of the parties play a big role in negotiations. Your own personality and style will determine how much you trust the other person, how free you are with your emotions and how much you want to conceal or reveal your expectations and intentions in this process. For example, a problem solver negotiator is cooperative, concerned about the other party's interests and committed to fairness and efficiency. Therefore, his approach is to resolve the conflict amicably.
- Time – taking control of time is often a way of taking control of the rest of the negotiation. Good outcomes in purchasing negotiations cannot be achieved in time frames. It is worth investing the time that is necessary to explore issues, identify needs and create innovative solutions of mutual benefit to the negotiation.
- Your position in the market place – your relative power position will influence the negotiation situation, e.g. if the buyer is the only or one of the few buying firms of a particular item, then he has a relatively higher power position to influence the negotiation in his favour.

- Physical space – sometimes where the negotiation takes place can be important. Are you negotiating in a space you are uncomfortable and the other is comfortable? Negotiating space should always be appropriate to both parties.
- The range of options available to you – including the BATNA, you need to know when not to engage at all and when not to continue to engage in negotiation. For example, it may not be appropriate for one to enter into negotiation;
 - a) When you could lose everything you have.
 - b) When demands made on you are unethical.
 - c) When you are not prepared to negotiate.
 - d) When you are not interested in an outcome because you have nothing to gain.
 - e) When you have no time to negotiate as you would want to.
 - f) When you do not trust the other party to implement the agreed solution.
 - g) When waiting will improve your overall position.
- Subjective utilities – people place very different values on elements of a negotiation e.g. you may place high value on price and the lowest value on quality. It is important to be aware of your subjective utilities and try to ascertain the other person's subjective utilities. To find out what is valued by the other party is one of the key parts of negotiation and should be done in the preliminary phase.
- Past interaction – if there is a history of conflict to a resolution with this person, there is a likelihood for this to negatively affect the negotiation due to bias and mistrust among the parties.
- Information – the more information you have about the other party's financial situation, real priority needs, deadlines, costs and organizational pressures, the easier it will be to develop negotiation proposals which address these issues and the stronger the negotiation will be.
- Skill and experience of the negotiating team or individual will most definitely win the best deal from a given negotiation process.

Activity

Discuss how the following environmental factors will affect the negotiation process;

- a) Legal factors,
 - b) Political factors,
 - c) Economic factors,
 - d) Social factors,
 - e) Technological factors.
-

Factors That Weaken Negotiation Positions

- Lack of enough preparation time.
- Lack of knowledge with regard to market developments, market position of the suppliers and your own company's relative position.
- Lack of knowledge of the suppliers' cost structure.
- Too little listening and too much talk by the negotiating parties.
- Non or very few alternative sources available – BATNA
- Where there are very few potential suppliers and buyers of a given product or service.
- In cases where demand for a particular item is urgent and cannot be postponed.
- Anxiety to obtain the business.
- When the supplier uses arguments during the negotiation process that were not anticipated by the buyer.
- Lack of experience.
- The buyer is well known for unfair business dealing and differed payments.
- Few valid arguments to support either parties point of view.
- When both parties contribution to the other is small or insignificant.
- The buyer lacks relevant information about the suppliers' financial situation, manufacturing processes and any other relevant information to be considered.

Negotiation Tactics/Ploys

A ploy is a man oeuvre in a negotiation process aimed at achieving a particular result from the other party. It is during the actual negotiation process that parties will from time to time be faced with one side using a ploy or tactic to try and gain advantage over the other. All ploys have counters that an experienced negotiator would be aware of, it is therefore important to note that:

- Reliance on ploys can ruin a long-term relationship
- Ploys when recognized can be disarmed.
- Knowledge of ploys assists the negotiation but reliance on them exclusively should be avoided.

Examples of ploys and how they can be countered include;

Ploy	Measure
Nice guy/Bad guy	Style match or adopt contrast style
Add on	Make sure you get your money's worth
Deadlines	Avoid revealing what time you have to finish
Russian front	Do not accept poor deals – consider your BATNA

Other tactics or ploys

- **Silence** - When you have asked a question wait for an answer. Silence can put a lot of pressure on the other part
- **Building block technique** - This technique is very powerful and can easily be practiced by buyers. The buyers will progressively ask for a better offer step by step e.g. for additional quantities during scarcity and an increased range of products to be supplied. For example, the buyer may make such a request, “you have charged me a good price for 8 months contract but what if we extended it for 3 years.
- **Broken record** - This tactic is linked to the conditioning process where it is assumed that when you insist or keep requesting the same thing over some time, eventually the other party begins to believe it e.g. offering products on credit.
- **Recess** - When you feel that the negotiation has reached a standstill or may be the other party has offered something you were not expecting, it is advisable to call a recess. During the recess, have a short meeting with the team to decide how to move the negotiation forward.
- **Onus transfer** - This tactic is used to obtain empathy. Fore example, “if you were in my shoes what would you do”.
- **One more thing** - This tactic is used to get the supplier make a further move when the deal is at its conclusion. For example, one may make such a comment” well I think we are almost there, there is just one more thing we need to discuss”. This may be on delivery, terms of payments that have not been agreed upon.
- **Re-escalation of demand** - This is where one party threatens some action on the other. For example, one may make a comment such as “if you can’t move any further of this then I am afraid we must go back to our original position”.
- **Deadlines** - Suppliers tend to make comments such as “you must sign the contract by the end of the month to get the 20% discount”. More often these deadlines are nothing than a technique. Buyers can also use the same technique to gain an advantage.

TEAM COMPOSITION FOR AN INTERNATIONAL NEGOTIATION

The **team composition for international negotiation** should be multidisciplinary to handle legal, financial, technical, cultural, and strategic issues. A well-balanced team typically includes:

1. Chief Negotiator / Team Leader

- Leads discussions and sets strategy
- Makes final decisions (within mandate)
- Ensures objectives align with organizational goals

2. Procurement / Supply Chain Expert

- Handles sourcing strategy
- Evaluates pricing, delivery schedules, Incoterms, and supplier capability
- Ensures value for money

3. Technical Expert

- Clarifies specifications and quality standards
- Assesses product/service compliance
- Advises on performance requirements

4. Legal Advisor

- Reviews contract terms
- Ensures compliance with international trade laws and local regulations
- Advises on dispute resolution mechanisms

5. Finance / Accounts Representative

- Evaluates cost structures and total cost of ownership
- Advises on payment terms, currency risks, taxation, and financing

6. Logistics / Operations Specialist

- Advises on shipping terms, customs clearance, insurance, and delivery timelines
- Manages supply chain risks

7. Cultural / Language Expert (if necessary)

- Helps manage cross-cultural communication
- Prevents misunderstandings in international settings

Example (Ugandan Context)

If a Ugandan government entity regulated by the Public Procurement and Disposal of Public Assets Authority is negotiating with a supplier from China, the team may include:

- A procurement officer
- A government legal officer
- A finance officer

- A technical engineer
- A trade or customs expert

Key Principle:

An effective international negotiation team should be:

- Small but skilled
- Clearly assigned roles
- United with one communication strategy
- Given a clear negotiation mandate