

High Impact Negotiating: A Strategic Marketing Perspective

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Abstract. Successful negotiating is an integral part of sustained supply performance within supply chains and across networks. Since both negotiating and marketing are key drivers of value, it is important for supply professionals to take a 'marketing approach' to the development and execution of workable negotiating strategies in dynamic supply environments. More specifically, the paper highlights the mechanics of 'how' to implement a marketing mindset across the array of negotiating challenges in supply.

Introduction and Background. Given the seminal role of negotiating in all facets of supply chain management, it is imperative that practitioners and researchers continue to explore alternative angles from which to view negotiating phenomena at both the macro and micro levels. Successful supply professionals are careful, judicious, and innovative in applying the art of negotiation, both internally and externally.

Internally, purchasers negotiate frequently in settings dominated by cross-functional orientations. Purchasers expect cross-functional teams to deliver enhanced communications, joint ownership of problems, and more clarity in identifying and resolving problems, and increased creativity as related to overall effectiveness (Monczka, Trent, Handfield, 2005). To achieve some of the expected goals above, considerable negotiation activities transpire over time, modality, settings, and personalities. Adroit negotiating skills are required to maneuver the sometimes treacherous waters spanning the diverse functions.

Externally, purchasers negotiate competitively with entities up and down the supply chain and across networks. Whether the external relationships are friendly, adversarial, or somewhere in between, accomplished negotiating skills are a fundamental success requirement. For relationships spanning the spectrum from transactional to value-added to collaborative exchanges (Day, 2000), negotiating prowess plays a pivotal role in navigating parties toward the appropriate and beneficial outcomes.

Given the pre-eminence of negotiating in so many aspects of organizational life, especially in supply-related areas, it is incumbent upon practitioners to search for and examine alternative perspectives to enhance negotiating practice. One such opportunity to improve negotiating practice is the application of a marketing-oriented approach. Marketing offers a fresh, dynamic, and active vantage point from which to study and practice negotiating in simple and complex supply environments.

Why Marketing and Why Now? Increasingly organizations are adopting very strong marketing orientations that permeate every single aspect of the firm's behavior. Moorman and Rust (1999) offer the following observations regarding marketing in the organization:

“...it appears that during the past ten years there has been a movement toward thinking of marketing less as a function and more as a set of values and processes that all functions participate in implementing.”

“...several empirical studies of business organizations indicate that an organization wide market orientation has a positive impact on the financial performance of firms and their new products.”

The above quotes add immense evidence to the growing drumbeat of advocates suggesting the need for a strong market and marketing focus in organizational processes, both internally and externally. Traditionally marketing has been construed as an externally-focused set of processes. However, marketing practice is equally appropriate for internal organizational processes as well.

Why now? As organizations grapple with ever-increasing competition, global markets, resource constraints, a changing workforce, more market variety, a greater need to innovate more quickly, there is perfect confluence of timing, performance imperatives, and other demands that make marketing the ideal mechanism from which to enhance negotiating effectiveness. Marketing is an integral part of both buying and selling. Given the current role of marketing in all exchange processes, why not elevate its presence as a practical performance tool in negotiating?

Marketing also provides a great conceptual home for better understanding negotiating. More specifically, both marketing and negotiating can be explained from three distinct, but related conceptual perspectives – exchange theory, living systems perspectives, and relationship-based approaches. Exchange is at the core of marketing. Kotler and Levy (1972) suggested that marketing should answer two key questions: (1) Why do people and organizations engage in exchange relationships? (2) How are exchanges created, resolved, or avoided? These two questions also embody the core of negotiating.

The living systems perspective of negotiating is defined as a ‘motivated process of information exchange between or among living systems with the general goal of reaching agreement about certain joint or reciprocal acts’ (Tracy, 1995). Negotiating is viewed as a process combines two or more social systems in dynamic exchange. The exchange is symbiotic. This symbiosis is also at the core marketing.

Relationship-based approaches to marketing have gained considerable prominence as alternative models from which to view buyer-seller phenomena. Given that exchange processes are integral aspects of every relationship, it stands to reason that negotiating is also a relational phenomenon. Whether the relationship is transactional or collaborative, some value is created and delivered. This is exactly what transpires in negotiating. Each relationship involves some degree of value creation and delivery. Exactly ‘how’ the value is managed is the key topic of both marketing and supply. Among the intervening variables is negotiating.

Practical Application/Example of the Marketing/Negotiating Marriage. Given the conspicuous similarities between marketing and negotiating at the conceptual level, it is a natural leap to the applied arena. Moreover, the negotiating process can be compared directly

to the steps or phases in the marketing process. The usual steps in the marketing process include:

- (1) Analyzing market opportunities
- (2) Developing marketing strategies
- (3) Planning the marketing program
- (4) Managing the marketing effort (Kotler and Lane, 2006; Mullins, Walker, Boyd, Larreche, 2005)

Analyzing Market Opportunities

Marketers are quite adept at identifying and responding to needs or gaps in the marketplace. The marketing process normally encompasses analyzing and delineating market opportunities, developing and crafting strategies to make the most of the opportunities, formulating a specific marketing program, and managing and measuring the marketing effort.

The starting point for marketing is marketing opportunity. Marketing opportunity is basically a 'gap' in the marketplace where some category of need is not being satisfied sufficiently. This gap represents a chance to design a product, service, or idea to match the expectations in the marketplace. It is an opportunity to offer value. Opportunity is unveiled quite often through research and canvassing external environments.

The same concepts apply to negotiating. Negotiators market ideas, concepts, and their positions on the issues at hand. Negotiators spot marketing opportunity by positioning their thoughts from the perspective of the other side. Positions are developed based on research, market intelligence, timing, and a host of other factors that converge to influence the choice of positioning strategies. The entire exchange equation is assessed in terms of how best to maximize the 'gap or opening' perceived in the marketplace of ideas. As negotiators become more sophisticated at assessing opportunities through research, numerous benefits are likely to accrue.

Marketing Strategy Development

Once marketing opportunities have been identified and the research analyzed, the next phase focuses on developing a strategy that will lead to the satisfaction of the needs and expectations of both buyers and sellers of ideas, products, and services. A key component of this phase is to position the idea among those competing for attention. The main question becomes, 'given product or service or idea space, where is the greatest opportunity'? The same marketing strategy perspective applies to negotiation strategy from the angle of negotiating posture or positioning, goals of negotiating, and the way in which the negotiating process is implemented. Strategy really represents the underlying conceptualization and execution of a plan of negotiation action. Negotiation strategy is not random or haphazard, but carefully devised based on goals, vision, and underlying philosophies on both sides. Negotiators, just as marketers, make choices about where and how to approach certain exchanges. These choices affect subsequent decisions regarding negotiating tactics and techniques.

Planning the Marketing Program

After devising the appropriate strategy, the next challenge is to actually plan the marketing program. This includes determining the appropriate mix of the product, price, promotion, and distribution variables. The nature of the marketing mix is dependent upon the needs and

characteristics of the various market segments. Each market segment has separate, identifiable needs and expectations. Just as there are market segments there are also negotiating segments with various expectations that must be met. Those needs and expectations are met by designing and implementing appropriate marketing mixes.

The product or service or idea represents what is being marketed or negotiated. Something of value is being exchanged. Different variations of products/services/ideas are offered for consideration of the other party, either buyer or seller. Each of these is offered for sale for some price or some monetary value that is important to each party. Value is negotiated/marketed throughout the process.

Communications strategies are also part of both the marketing and negotiating mixes. Messages must be fine-tuned to match the exact communications needs and expectations of the other party. Communications in both marketing and negotiating must occur from the frame of reference of the other party. Communications vary in style, tone, and structure in order to fit the needs of the 'customer.' Lastly, the distribution component of the marketing mix is considered. The key focus is on the best logistical approach to use to accomplish both marketing and negotiating goals. In both arenas, choices concerning time, place, and location are vital components of the mix.

Managing the Marketing Effort

Once the entire marketing program has been planned, skillful implementation and execution will be critical success factors. For both negotiating and marketing, adroit execution of the plan is essential. Specific attention is focused toward the 'actors' in both marketing and negotiating and how they carry out their respective roles. For each of the actors it is critical to determine strengths/weaknesses, perceptions of value, negotiating/marketing style, and time and competitive constraints.

Summary. Given the competitive dynamics surrounding negotiating experiences, it is important for negotiators to consider different perspectives to strengthen their negotiating stance. Marketing offers one possibility. Negotiators are marketing ideas and services. Given this backdrop, they should use specific marketing tools and techniques in the development and execution of negotiation strategies. They should consider market assessment (information and market intelligence regarding the other party), market segmentation (understanding the different categories of needs of the other party), marketing strategy development (understanding the idea, product, or service being negotiated from the perspective of the other side), and creating and delivering value throughout the negotiating process as marketers do in customer segments.

Since negotiators are really marketers, they should embrace marketing concepts overwhelmingly and integrate these perspectives in negotiating training and in the actual negotiating encounters, both internally and externally. As supply practitioners focus on continuous renewal in all areas, a marketing approach to negotiating offers considerable promise as a managerial tool.

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