

## Negotiation Campaign Planning: Cultural Awareness and the Implications of Conditioning

Vince Scacchitti, Partner  
eXegy Partners, LLC

860/653-9210; [vincescacchitti@exegypartners.com](mailto:vincescacchitti@exegypartners.com)

Ron Guertin, Partner  
eXegy Partners, LLC

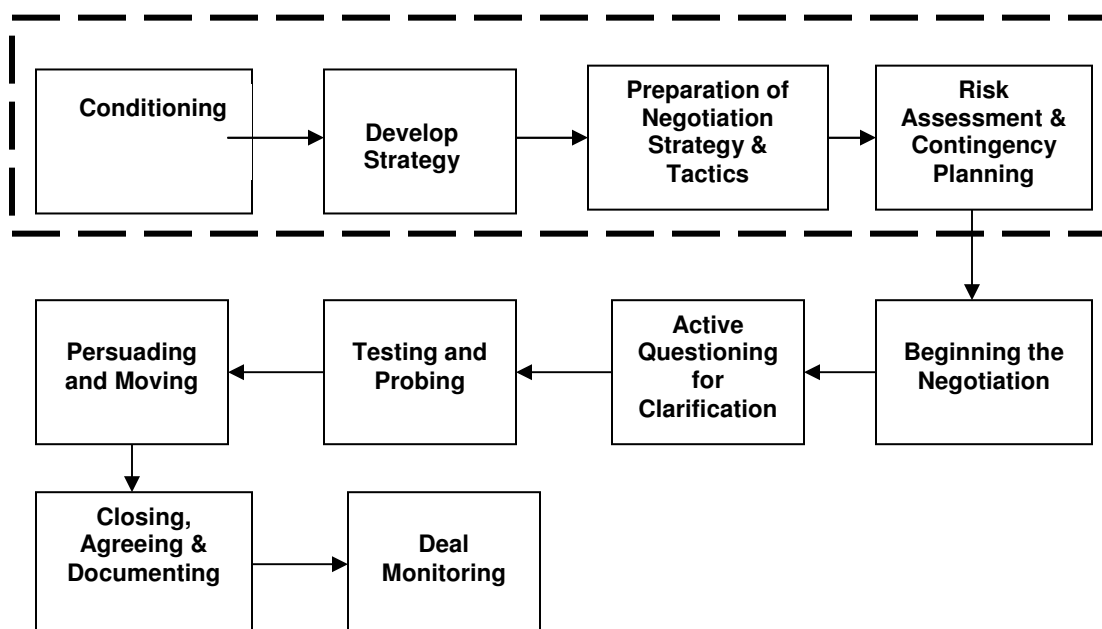
781/888-4193; [ranguertin@exegypartners.com](mailto:ranguertin@exegypartners.com)

90<sup>th</sup> Annual International Supply Management Conference, May 2005

**Abstract.** Often negotiations are engaged with limited preparation. The inherent belief is the negotiating process is intuitive and therefore we are armed and ready to face the challenges of the negotiation. The ability to adequately plan and think of negotiation as a process and campaign can lead to breakthrough results.

Negotiations are normally not a single conclusive event. Rather, they tend to be a series of proposals and counter-proposals which seek an equitable balance between the supplier and the customer. Every interaction with a supplier should be treated as an opportunity for negotiation and conditioning. In fact, supplier conditioning is a form of negotiating, as it can establish both the customer's and the supplier's wants and needs.

Negotiation Planning is the systematic mapping of the steps involved in conducting a negotiation with your suppliers. Negotiation Planning is not a stand-alone activity; it occurs within a process context and a variety of cultural variables and involves ongoing external and internal conditioning. Each of these variations affects the manner in which the plans are developed and executed. Regardless of the variables at play, planning is vital and often overlooked. The diagram below illustrates the overall negotiating process with the bracketed area reflecting the key elements of the planning process that precede the actual negotiation event.



Negotiating planning begins when the Category Team identifies goals and establishes business requirements. Data collection and analysis will continue to develop the team's negotiating position and define supplier conditioning messages. Internal Stakeholder communications will provide a conditioning message if the entire organization sends the same message. Even after contracting, negotiations will continue as performance measures are established and monitored, and opportunities for long term relationships become apparent.

### **Why is Negotiation Planning Important?**

- Preparation and planning enables breakthrough results
- "Off the cuff" negotiating yields incremental improvements (at best)
- Planning is the key differentiator between skilled and amateur negotiators and will determine the course and outcome of the negotiation event itself

Negotiating planning should be used whenever supplier negotiations need to take place. This includes problem resolution and supplier performance and not just the commercial aspects that relate to pricing or managing the supplier e.g. supplier reviews.

Negotiation planning enables the procurement professional to better understand the situation and the range of acceptable (and unacceptable) outcomes. This creates the self-confidence necessary for a successful outcome. Approaching the negotiations within a complete picture of the stakeholder requirements (i.e., service, quality, etc in addition to price) ensures full stakeholder support in the negotiated outcome.

**External and Internal Conditioning.** External or Supplier Condition begins in earnest at strategy development with the Request for Information and assessment of current supplier(s) performance (conditioning often starts with the formation of category teams or even earlier with the organizational restructuring or announcement of the implementation of strategic sourcing on a functional basis). It provides a consistent message about what the supplier must do to meet the business needs and ensures the buyer/seller relationship is buyer led vs. supplier led. The conditioning process continues throughout supplier forums and audits, through the RFP/Q to negotiations, contracting and ongoing supplier management.

### **Key steps to Supplier Conditioning.**

- Understand the supply market and your position on Portfolio Analysis
- Within the Sourcing Group team establish the key messages you want to give to the supply base, both to incumbent suppliers and to potential new suppliers
- Communicate your approach with those people in your organization who have contact with suppliers (refer to the Stakeholder Map and Communications Plan)
- Actively communicate with suppliers about your approach - through the letter that accompanies the RFI/P/Q, and at face to face meetings and site visits
- To gain credibility you will need to carry out the messages you are giving - move business from complacent suppliers to those who are keen to succeed

### **Examples Statements of Conditioning Messages Include:**

- Our volumes are growing by x percent per annum
- We pride ourselves on giving excellent customer service to our customers, we expect our suppliers to do the same

- We want to work together with suppliers who can take a long-term view on our business
- We get enquiries from new suppliers weekly
- We have x% compliance to the company strategy
- Suppliers who meet our business needs are in a far stronger position to maintain their business with us than those who do not
- We're looking to launch a new brand and value those suppliers who can help us
- As a leader in our field, I'd imagine a supplier to our company would be well placed to win business from other customers in our sector (providing exclusivity is not your aim)
- We're changing our approach to purchasing and are re-assessing our suppliers based against our business needs

In addition to external/Supplier conditioning another key element of the negotiation planning process involves the internal conditioning of stakeholders and constituents. Internal conditioning is just as critical to successful negotiations, and is supported by the team communication plan. An understanding of the team's goals will increase support by preparing for change and hopefully reducing resistance to change. Conditioning helps stakeholders understand why the negotiations are occurring, and the expected benefits and timing. It prepares stakeholders for change and can reduce or mitigate resistance to change by obtaining stakeholder buy-in and support.

Stakeholder commitment to the team strategy will improve the negotiating position, as the organization will speak with one voice to the supplier. The benefits of the team strategy (improved supply, increased resources, reduced waste, better cash flow, etc.) should be clearly communicated to enlist support.

### **Some Examples of Internal Conditioning Message Themes Include:**

- Enhanced ability to meet or exceed business requirements
- By meeting or exceeding business requirements, a new supplier may also help achieve the stakeholders personal objectives
- Lower costs can free-up additional money for other projects
- Allow stakeholders to focus their efforts on other areas
- A new supplier may provide additional cost savings or increased productivity ideas
- Conditions the supply base that productivity and cost-down improvements are a requirement of continued business

Poor conditioning will sub-optimize the negotiation strategy as governance will fail and supplier power will negate the team's strategy. Internal confusion about roles responsibilities and roles will result in inconsistent behaviours and messages to suppliers and a mismatch in supplier relationships.

**Planning the negotiations.** Preparation for the negotiation should be structured and involve the designated negotiating team. Collective input into the process reduces the risk of misalignment within the negotiating team, or post-negotiation disagreement with the outcome. The key areas to address in planning for the negotiation event are as follows:

- Define your objectives and desired outcome from the negotiation

- Assess the relative power balance between the parties and appropriate negotiation styles
- Highlight your Concessions to facilitate creation of proposals
- Define your Strategy on how you plan to achieve your desired outcome)
- Clarify Tasks (who is responsible for what e.g. roles and responsibilities)
- Construct the Negotiation Plan
- Conduct negotiations and plan for follow-up negotiations (as required)
- Finalize negotiation including discussion of supplier performance measures and signing of agreement

**Cultural Considerations.** Variations in culture are likely to be encountered during negotiations and must be explicitly covered in the planning process. Geographic/political aspects of culture can surface at any point in the process. Some of the more prevalent issues to consider when working across borders are listed below:

### Issues That Can Arise When Negotiating Across Borders.

<ul style="list-style-type: none"> <li>• Differences in language</li> <li>• Differences in cultures</li> <li>• Conflicting objectives</li> <li>• Time zones</li> <li>• Logistics</li> <li>• Cross-cultural misunderstandings</li> <li>• Different business drivers</li> <li>• Different laws and regulations</li> <li>• Punctuality</li> <li>• Business and Social Protocol</li> <li>• Negotiation Styles</li> </ul>	<ul style="list-style-type: none"> <li>• Process of Information Exchange</li> <li>• Role of Men and Women in Business</li> <li>• Orientation toward time</li> <li>• Methods of Conflict Resolution</li> <li>• Process for Decision Making</li> <li>• Verbal and Non-verbal communications</li> <li>• Written Communications</li> <li>• Business Etiquette</li> <li>• Forms of Agreement</li> <li>• Boss/Subordinate Relationship</li> <li>• Importance of Seniority</li> </ul>
--	--

The following table provides a comparison of various cultural considerations across regions of the globe.

### International Negotiations Cultural Considerations by Region

Cultural Consideration	North America	Europe	China	Latin America/Spain	Japan
<b>Time</b>	Emphasis on the effective and efficient use of time	View time as important and value punctuality and the efficient use of time	Chinese are masters in the “art of stalling” as they take a much longer view of time than	Believe time is plentiful; things will improve or be resolved as time passes; patience is required as most meetings	Viewed subjectively; very aware and efficient on deadlines, but maintain a long time

			western cultures	don't start on time	horizon.
<b>Propensity for Risk</b>	High- with clear understanding of facts, risk and risk mitigation strategies	Risk averse	Low- Unless the outcome is a certainty, the course of action is to "do nothing"	Conservative; avoid risk; Change is avoided until the last possible moment; tendency to choose a strategy that provides lower rewards, but higher probability of success	Risk averse; it is important to "save face"
<b>Negotiation Style</b>	Bottom line driven based on facts and data	Focus on accomplishing the task at hand	Use distributive bargaining concepts with very calculated positioning	Direct responses; view conflict as useful; process slow with frequent interruptions	Important to maintain harmony in relationships; open conflict is avoided and resolved through harmony and persistence
<b>Decision Making</b>	Decision making based on accountability resides at different levels of the organization	Highly centralized and top-down	Authoritarian approach; with most decisions made at the most senior levels	Highly centralized with decisions made at the top levels	Consensus based; slow methodical "bottom-up" process
<b>Trust</b>	Focus is on getting down to business; minimal time spent on "small talk" or developing relationships	Based on professionalism, competence and past performance	Built and based on past experience; very cautious and expect to develop strong relationships before negotiations are finalized	Personal rapport needs to be established before negotiations can progress; Past experience also plays a key role	Mutual trust and respect are critical; Trust has to be developed and can be slow in coming.

**Summary.** In planning for negotiations some of the critical success factors include:

- Taking the lead in the buyer/seller relationship
- Doing the legwork around stakeholder management to provide you with credibility in front of the supplier
- Finding out where and with whom the supplier has a relationship with your organization and then proactively managing that relationship
- Being clear about the message you give suppliers
- Helping colleagues to understand the importance of speaking with one voice and encouraging the suppliers to meet your business needs
- Clearly articulate your business needs, and never tire of talking about them - much the same way a salesman never tires about talking about his product

## **REFERENCES**

Moran Robert T. and Stripp, William G, Dynamics of Successful International Business Negotiations. Houston. Gulf Publishing Corporation, 1991.

Morrison, Terri, Conaway, Wayne A. and Bordem, George A, Kiss, Bow or Shake Hands – How to do Business in Sixty Countries. Avon. Adams Media Company, 1994.

Walker, Danielle, Walker, Thomas and Schmitz, Jorge, Doing Business Internationally – The Guide to Cross Cultural Success. New York. McGraw-Hill., 2003.

Walker, Michael A. and Harris, George L., Negotiation – Six Steps to Success. Upper Saddle River, PTR Prentice Hall, 1995.