



## A Glimpse Into Factual Success Mantras Of Business

Management - Negotiation with a Vision

■ By Rajeev Aggarwal

We always construe negotiation as an activity done in order to settle a commercial model with a third party that provides services and/or materials. While this is true, this is not limiting. Negotiations are a part of our daily life, on work and off work, we negotiate at home for deciding family outings, with friends to decide where to meet, with vendors from those we buy our household needs and of course, at work where we negotiate regularly to get a "sweeter" deal. Negotiations are an important element of human interaction, and the outcome of good negotiation leads to laying the foundation of a strong relationship—be it in business or in one's social and family domains.

In addition, the act of negotiating by itself is a very cultural issue. I had my first experience of the cultural aspects of negotiation when I left India to work overseas. It was during a stint in the UAE where I was heading a large project and was accountable for the bottomline of the project, so I was watching each and every dirham being spent, very closely, with the aim of maximising the Project Operating Income. We had appointed a US national as the project manager, and he was a very experienced engineer having in his bag a trail of building refineries on the western coast of USA. It was Jim's first experience of working in the Middle East as a Project Manager.

He was in the process of awarding his first major sub-contract and he mentioned that he expected the bids to be submitted the next day, following which he will open them and award the contract to the lowest bidder. Upon hearing these words, alarm bells went off in my head as he did not mention the word "negotiate". I requested him to allow me the opportunity to close this specific deal and that he should watch the proceedings, which he graciously allowed. I set up the proverbial negotiating table and much to Jim's surprise, we settled at roughly 30% below the lowest bid price without any compromise on the scope. Jim was actually shocked, and he told me that in his 30 plus years of experience he never negotiated in the United States. His logic was simple—"Why should anyone ask for more than what they need?"

The last statement was my first major learning point, how culture plays an important role in negotiation. Later I came to know that a vendor would prepare two different prices for the same material - one to the US office of the client, and a higher one to the local office of the client in the Middle East. The US or Western price would be the "actual desired" price while the latter one would be loaded with negotiation margin. Depending on the office of origin of request, the respective offer would be submitted. The world is full of smart people, be it the client or be it the customer. One has to recognise this aspect and respect it.

Looking at the vision of the Western clients – as they have created an expectation of a "no negotiation" approach, they get relatively "true" prices, so they save the manhours and mental exercise of the activity of negotiations. Less effort is spent, less doubt remains in the minds of the buyer whether the final price was the rock bottom or not, and so on. They thus got more efficient in utilisation of their human resources. This

is akin to the mental peace one has in walking into a store and find the price tags clearly visible on the items, leaving little doubt in the customer's mind about what he or she will end up spending. Peace of Mind, that's the outcome.

The message given by the store in the above case is clear – I am transparent about what I will charge you and every customer is treated similarly. This peace of mind gets further strengthened if the customers find the quality and pricing to be "fair", then that store becomes the customer's preferred store for the future. A relationship is created, and should the store maintain its policy of "fair" pricing then the relationship becomes a lasting one. Both parties are happy.

In the above case the store/ shop has displayed the policy of "Relationship First" and not "Maximum Profit". So the approach towards setting the selling price of the goods is more focussed on customer loyalty and not higher profits. Costco, a leading warehousing chain that originated from Kirkland in Washington state is a major success story in the US and neighbouring Canada, as well as elsewhere in world as they display the "customer first" approach very boldly. Comparatively they may not be cheaper than a competitor in 100% of the cases, and they do not offer too many options for the products they stock, they still command very heavy customer loyalty, including the author of this article when I lived in Canada. I have delved

deep into their business model and have admired their approach of keeping it simple and bringing higher value to the customer. They also make profits.

Many business heads engage with their staff during their regular work routine. I have seen many take an approach of looking at the "bigger picture" which leads them forward to invest for the future, while many others desire business growth but wish to increase profits by cutting costs. They end up cutting corners instead, and invariably trim out the edges of the "business vision" thus ending with a truncated vision instead of a cost-efficient vision. While former businesses grow into becoming "brands", the latter generally shrivel up and dry out in subsequent years.

On the inter-personal side, small personal "victories" during negotiations generally lead to major losses in the long run. Many are victims of the thought "I am right, always" and will fight quite assertively with other colleagues. They may win at these instances, but run the risk of developing an unhealthy working relationship in the long run. Respecting the view of others and taking a "fair" decision runs very well for the manager and gain respect.

During negotiations, keeping the objective of developing a strong long term relationship helps both parties emerge as winners. As Nelson Mandela said "If you are negotiating you must do so in a spirit of reconciliation, not from the point of view of issuing ultimatums".

*(The author is an Adjunct Faculty at Indian Institute of Management-Nagpur in the area of Production & Operations Management. He has been appointed as Professor of Practice following his extensive experience of working around the globe, holding top management positions in Fortune 500 MNCs. He can be reached at rajeevagg@gmail.com)*



**Empirical  
Management**