

Finding value for all in a **business negotiation**

When a global software company came up against keen competition and pricing pressure on its products, it decided to increase sales — without giving discounts — to match its competitors' lower-priced products. As a result, the members of its sales team exceeded their quotas by up to 200%.

They achieved this feat not through pep talks or extensive networking, but by using joint-value-pursuit negotiation, an approach taught by Horacio Falcão, an affiliate professor of decision sciences with Insead, where he has been teaching both negotiation and international management for the MBA, EMBA and executive education programmes. "Joint-value pursuit" refers to two parties coming together to explore their fair share of value in a deal.

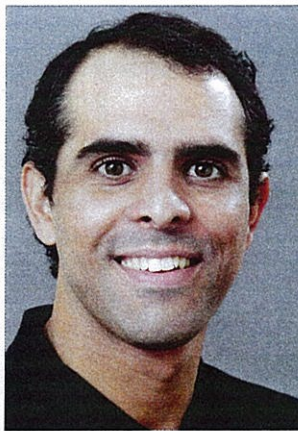
"Previously, they had a hard time meeting those quotas," says Falcão, who provides negotiation and mediation training, facilitation and consulting to both the private and public sectors. "Of course, that's the best performance [by the software company's sales team] but, on average, people manage to exceed aggressive targets after applying such win-win styles."

A lawyer trained in both civil and common law systems, Falcão has travelled across the US, Europe, Latin America, Africa and Asia, mediating complex disputes, facilitating dialogue,

and developing negotiation and consensus-building strategies since 1997. He has worked with clients such as the president of Costa Rica, Discovery Networks, Visa, Ford, Alianza Hispana, Lloyds TSB Group, the government of Paraguay, PricewaterhouseCoopers FAS, Temasek, MasterCard, London School of Economics and the Harvard Mediation Program.

Most industries across the world have a very strong win-lose frame of mind, Falcão says. "Many people see negotiation as a battle. So, they prepare themselves for a fight and come in with guns and shields. When the other person sees that, he's going to do the same," he says. "People should start asking themselves whether they are preparing themselves for a battle or for negotiation."

Typically, industries that are transactional and short term in nature and in which companies can choose to deal with more parties would negotiate in a less collaborative way, Falcão notes. They include mining companies, steel manufacturers and commodity brokerage firms. "Buyers and sellers come into the commodity market with a price they are willing to pay or sell at. If the price is not agreeable, they can move on to deal with another party," says Falcão. In such instances, one needs to be skilful in collaborative negotiation to be able to persuade the other party that the amount of time and effort invested would generate enough value to



INSEAD

Falcão: People should start asking themselves whether they are preparing themselves for a battle or for negotiation

compensate them for it. Falcão acknowledges, however, that negotiators also need to realise that some people would prefer not to spend the time and effort to collaborate when they can easily buy or sell a commodity from various parties.

Meanwhile, trades that are built on relationships or have a smaller number of players are already doing more collaboration and joint-value pursuit even without undergoing much training. "They just learn from experience that it pays off to do a joint-value game," says Falcão. For example, the Asian banking industry is relationship-oriented and, likewise,

the shipping industry values business ties. "I was just talking about that with a Hong Kong shipping agent, who told me his industry is all about building long-term value through relationships. It may just be a transaction in the meantime, but we know we are going to meet again in a year or so," he says.

In effect, companies or individuals should not come to the negotiation table thinking they can extract more value out of the other party. "That is a form of negotiation where you would come in trying to get eight out of 10 units of value for yourself. A win-lose negotiator would only focus on power. As you can imagine, that will generate a lot of conflict and resistance that might destroy the deal altogether," Falcão asserts.

So, how should one effectively proceed with a joint-value negotiation? A value negotiator would always look at what people want. Once he embarks on value discovery, he would then explore possible ways to increase value-add and how to get his fair share of the value.

There are missteps to avoid during the value-creation process. For instance, negotiators walk into a prospective deal and see only 10 units of value and presume there is nothing they can do to create more value. As a result, they have to tussle for their share of value. "Instead, they could ask themselves why the amount of value that's on the table is limited.

They should also see whether they can collaborate with the other party to find more value, which could lead to both parties' being able to get their fair share," Falcão says. In addition, parties involved in a negotiation also need to be more transparent with information dissemination, as withholding certain details may prohibit the devising of an effective solution.

The other blunder is to approach negotiation with a narrow scope. "If one party tells the other to confine the discussion to a price tag, this would result in each trying to get a better deal out of the other," says Falcão.

All in, he concedes it is difficult at times to convince stakeholders about value negotiation. "They might not have seen it and therefore have a hard time believing in it. There are also many people who have heard of win-win but they don't know how to do it. So, instead of blaming themselves for not knowing how to do win-win business negotiation, they blame the process," Falcão says. "The enemy in negotiation is not the other party. It is those missteps and the battle mindset."

The good news is that even though value negotiation is a sophisticated process, one only needs to do two or three things right and avoid the major mistakes. "You don't have to do the whole system and [you will] still be able to see lot of new value being created. This could lead to a deal," he adds. **E**