

Negotiation Management @ Practice

Awareness, Research and Empowerment

Potsdam / Malaga

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Germany's first university negotiation academy

- **Founded in 2014**
- **Objective:** Exploration of current challenges & derivation of solution approaches for complex negotiations
- **Cooperation with companies from various industries**
e.g. automotive, aviation, pharmaceuticals, energy, construction, transportation and many more.
- Understanding of **negotiations as a management process**



The significance of negotiation in purchasing



Important business negotiations nearly always involve sums **running into the millions**.

Researchers have identified numerous **success factors** for optimizing purchasing negotiations across different disciplines.

“If a company were to improve its **negotiation performance** by just 1% overall, it would permanently increase its **profit** by 10% to 20%.”

Current status of negotiation skills in business negotiations

Requirements faced by negotiation agents in their day-to-day work



Negotiation is a matter of **ever-growing importance** within business.

This also means that it's crucial to:

- raise awareness of this topic among employees.
- implement tools and instruments based on scientific findings.
- review negotiation performance on an ongoing basis.

Source: NAP (2018)

Complexity of negotiations



Multi-personal Situation

At least one other party participates in a negotiation, which is characterized by **different goals, perspectives or backgrounds**. A successful negotiation therefore requires **understanding and seeing through the other side**.



Conflicting Preferences

It is the nature of a negotiation that the negotiation partners have **more or less divergent negotiating preferences**. The fact that the negotiation partner has divergent ideas and is not prepared to take up one's own offers can be a **high emotional burden** in a negotiation.



(no) Agreement Zone

In a negotiation, the possible **agreement space is not always visible** and often first **needs to be created** by the negotiating parties.



Interaction

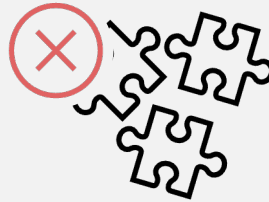
An agreement is reached as a **result of an interactive process**, in which each party attempts to **manipulate the counterpart to enforce their negotiation preferences** as far as possible.

Problem areas in negotiations



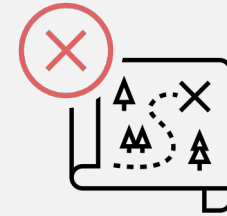
Learning by doing and entrenched routines

Individual learning by doing engenders that there is no general knowledge of negotiation.



Lack of structure

Negotiation preparation is often unstructured because there is no uniform procedure.



No learning effect

Success factors and lessons learned for the organization can not be derived.

These problems result in negotiations often lacking top performance.

Different perspectives from negotiation research are integrated into the approach



Interaction-based research

By analyzing human and organizational behavior in negotiations, it is possible to derive recommendations for optimum negotiation strategies and tactical approaches.

Example: Anchoring strategies



Game theory-based research

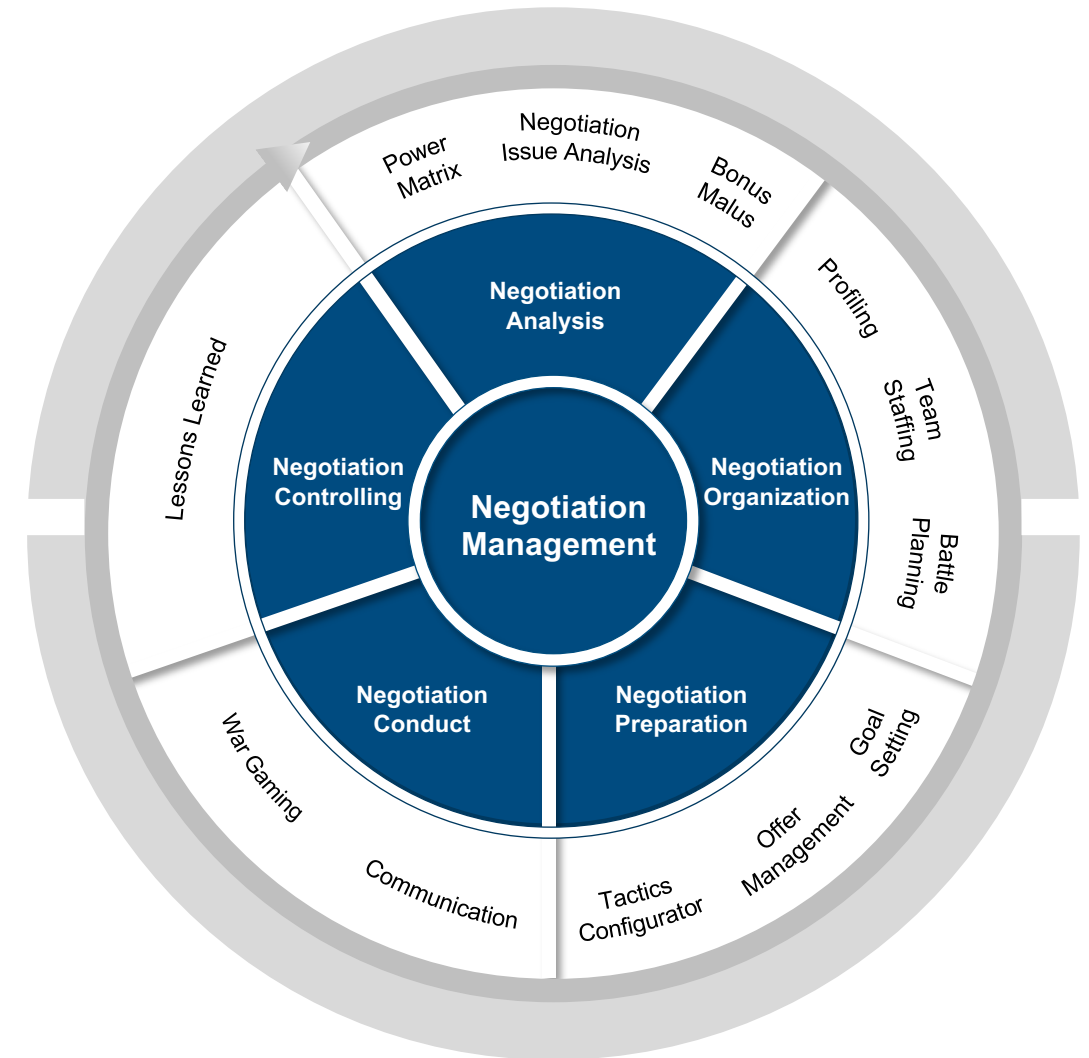
Negotiations are viewed as a closed, interdependent decision-making problem between at least two parties that can be resolved with the aid of formal mathematical models.

Example: Prisoners' dilemma

The NAP negotiation management approach

Negotiation success built upon scientific findings:

- **Structured-analytical** approach
- Consideration of all **activities before, during and after negotiations** for optimal negotiation results
- Use of scientific **tools that build on each other**
- **Validation and performance measurement** of the entire tool system
- **Benchmark and best practice integration**
- Proven **increase in efficiency and effectiveness**



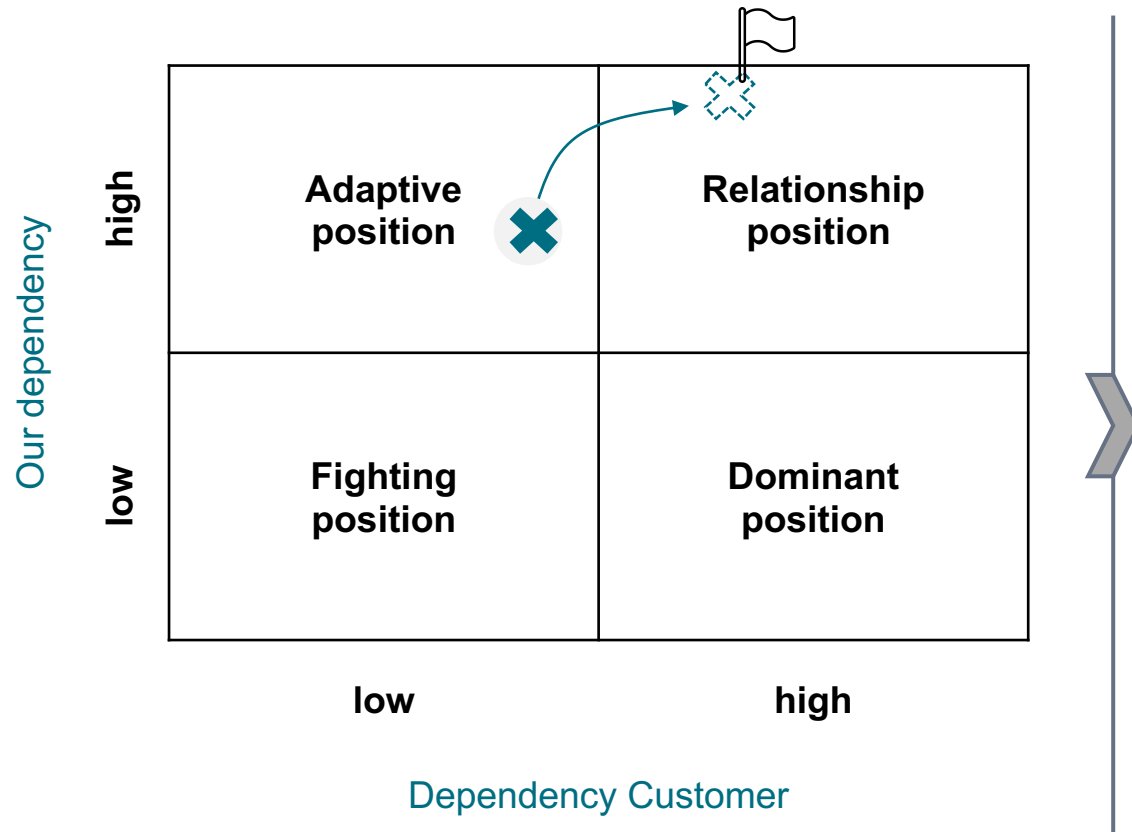
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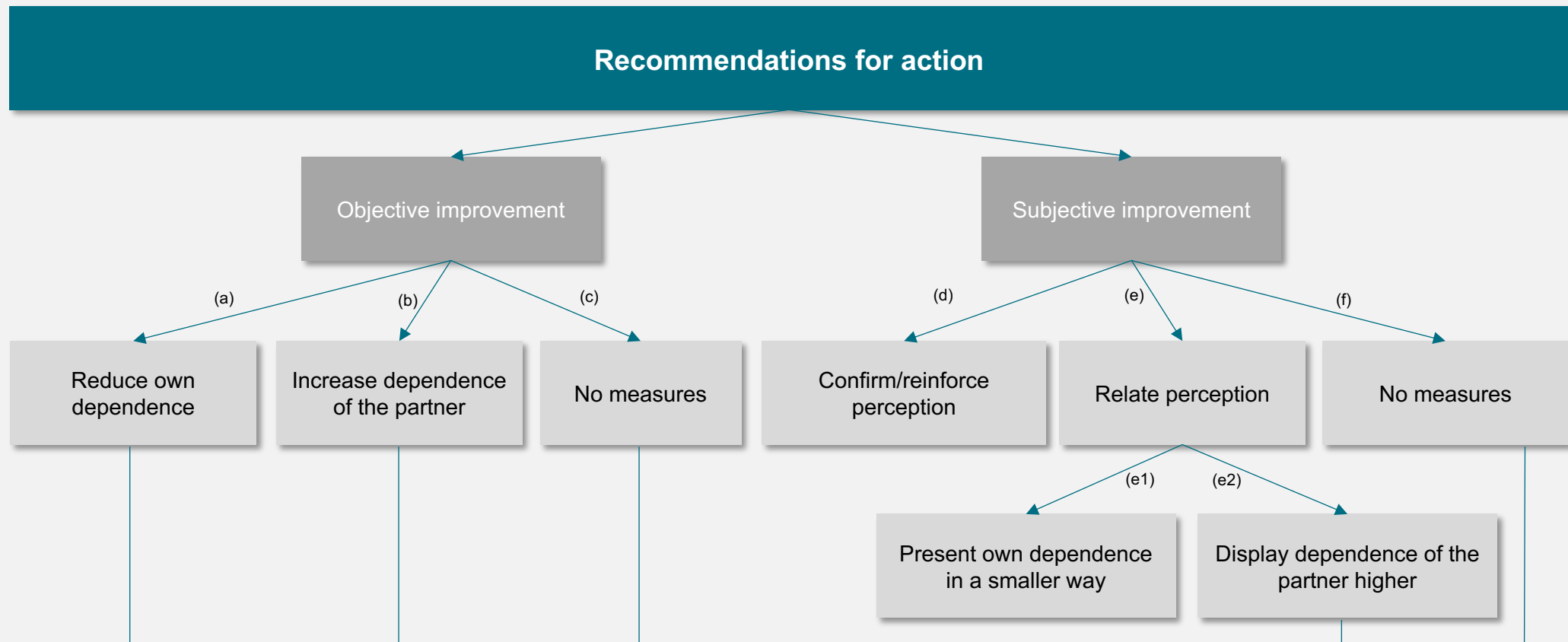


The Power Matrix Tool



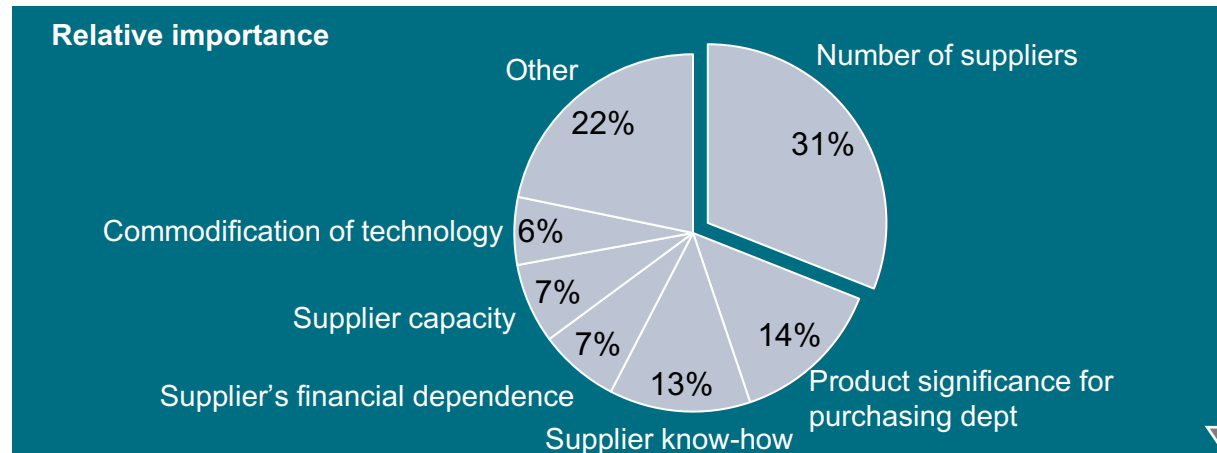
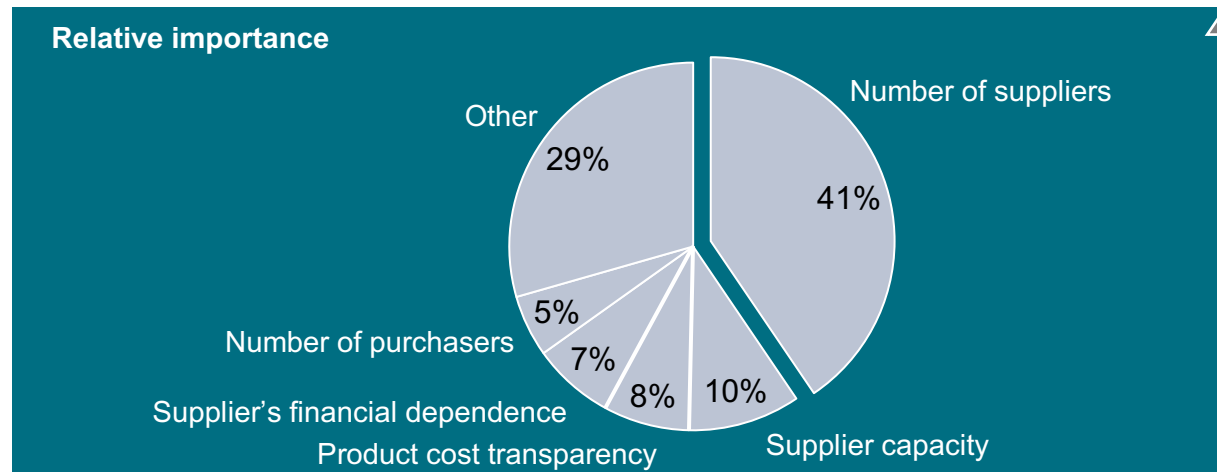
- ✓ The basic power constellations of an upcoming negotiation are mapped in the Power Matrix. The focus here lies on **dependencies of the negotiation partners**.
 - ✓ In order to assess the situation as objectively as possible, the results from the Competition Matrix are used.
 - ✓ Here it must be borne in mind that, unlike in the Competition Matrix, **the assessments of the negotiation partners can differ**.
 - ✓ If the distribution of power is to one's own disadvantage, approaches should be sought to change this position.
- Objective:** Changing the Competition Matrix or Giga Battle Plan
- Subjective:** Influence on the perception of the power constellation of the negotiation partner

The Power Matrix Tool: Recommendations for action

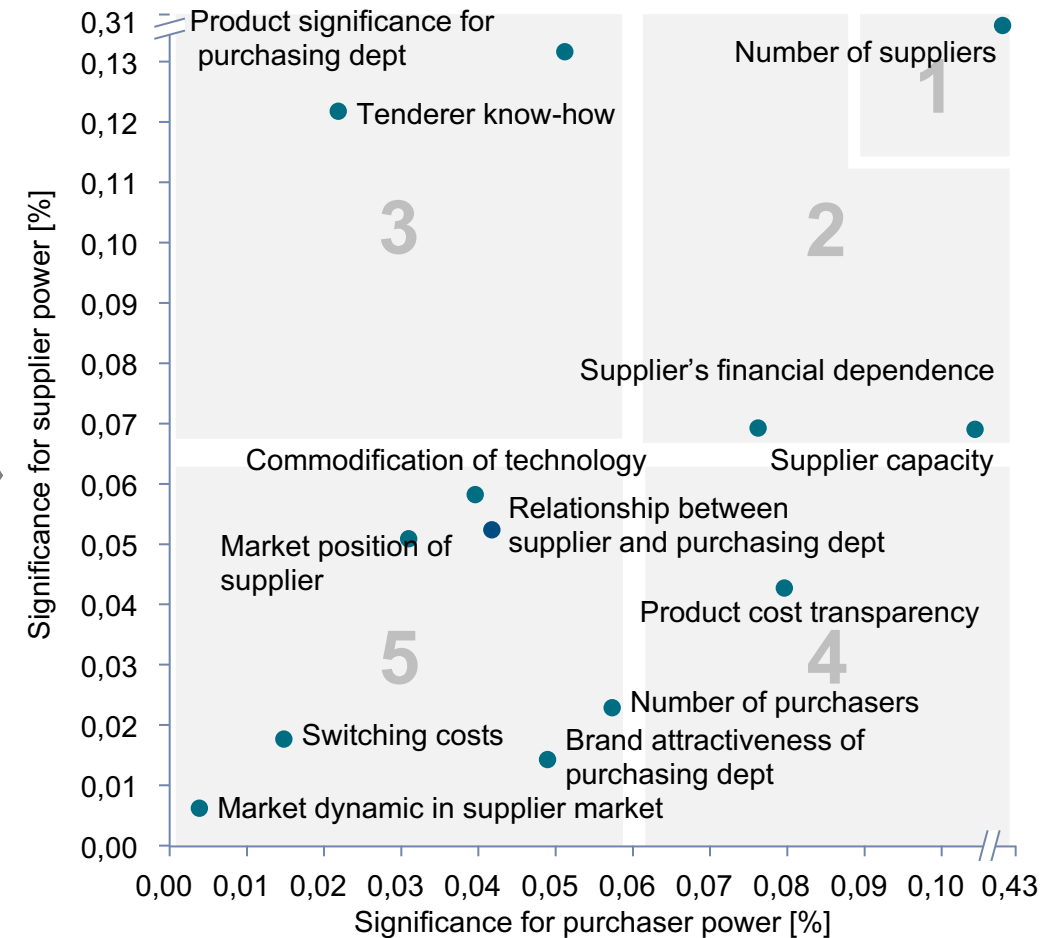


Competition as the essential factor determining negotiating power.

Supplier model

Purchasing model¹

1: Correlation coefficients indicate a high internal and predictive validity, all coefficients $p < 0.001$

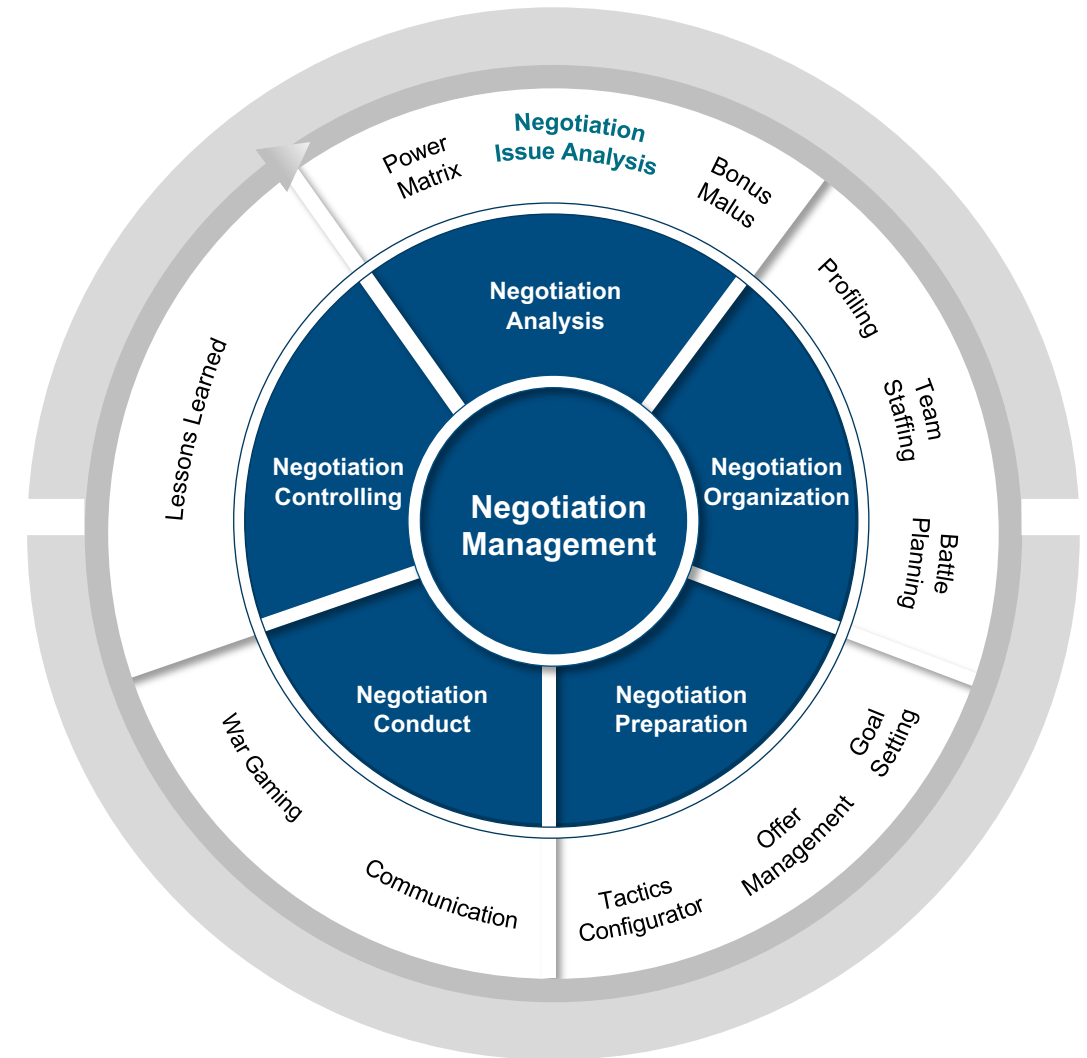


Source: Wild/Hebisch/Herbst (2020).

The NAP negotiation management approach

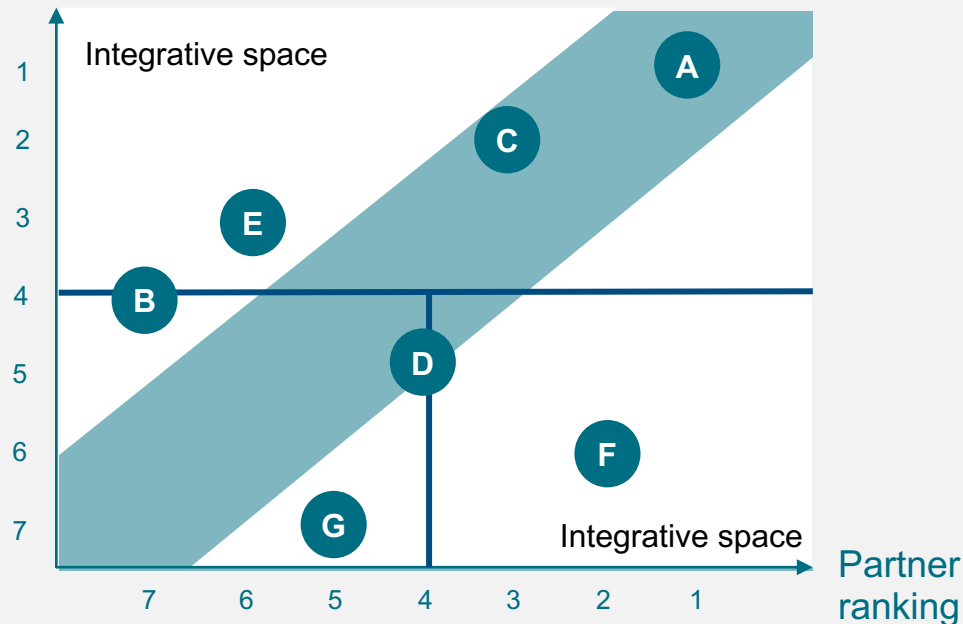
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What is the smart objective analysis (SOA)?

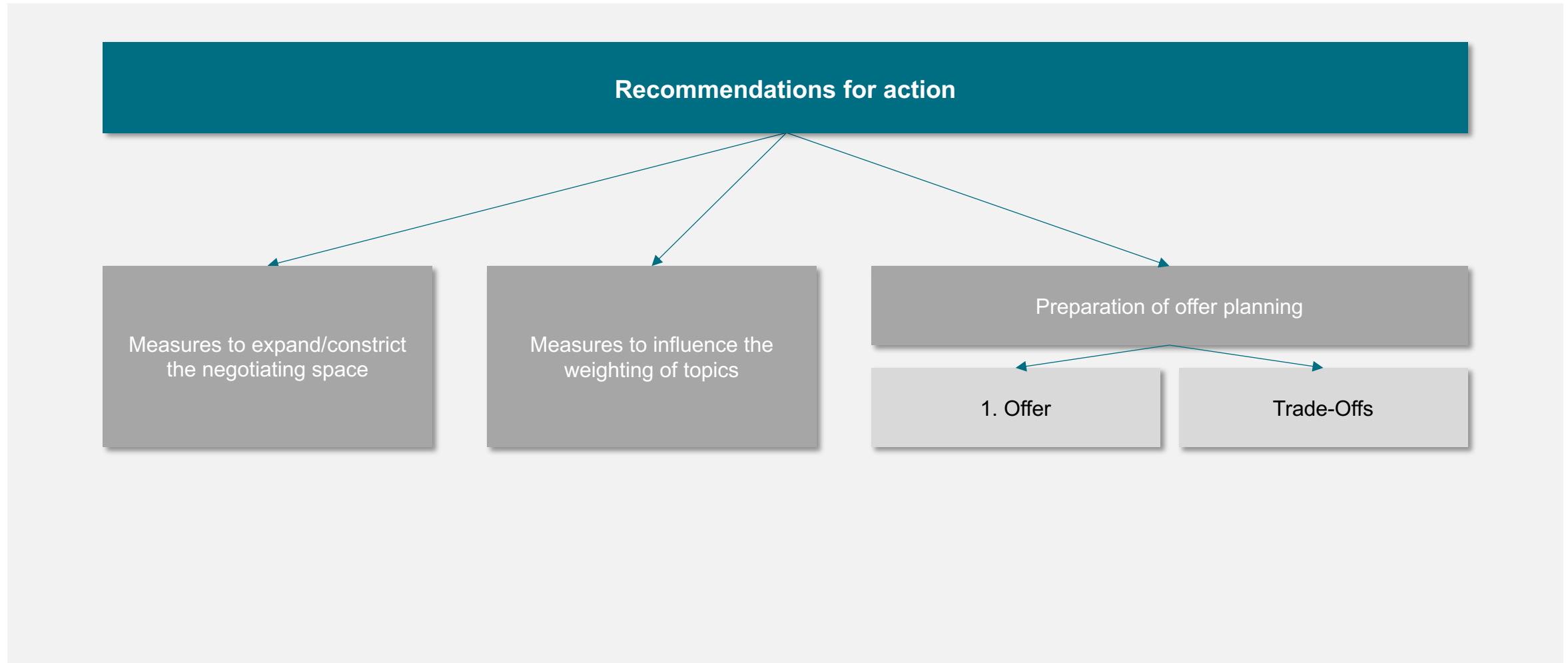
Own ranking



- ✓ The smart objective analysis covers the **differences in importance** between the negotiation parties with regard to the negotiation issues.
- ✓ **Integrative negotiation issues** that are significantly more important to one party than to the other offer an opportunity to improve the negotiation outcome:
 - The partner for whom the negotiation issue is less important can make concessions here in order to improve its outcome by receiving concessions in other areas in return.
 - Trade-offs can be used to optimize the negotiation process.
- ✓ Other negotiation issues that do not offer this opportunity are **distributive issues**.

Source: Voeth/Herbst (2015), p. 76f.

What are the recommendations of the SOA?



Negotiation research has been able to show in numerous studies that the **negotiator who makes the first offer achieves better negotiation results** because the offer acts as an anchor for the further negotiation.



Numeric

As a rule of thumb, the first offer should be formulated as precisely as possible (but not too precisely).



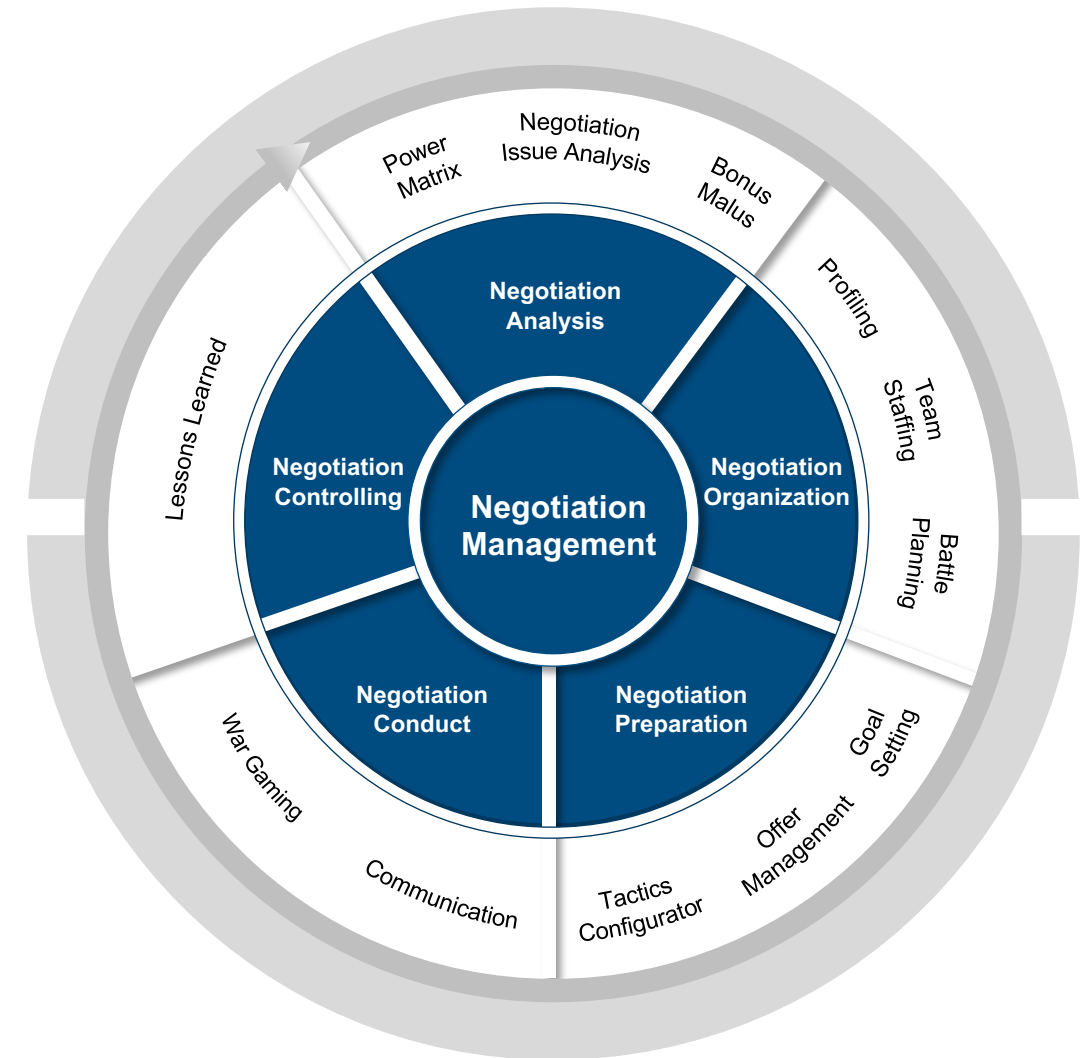
Semantic

In negotiations, in which no precise offer can or should be made, we can also apply a semantic anchor, which sets a clear direction.

The NAP negotiation management approach

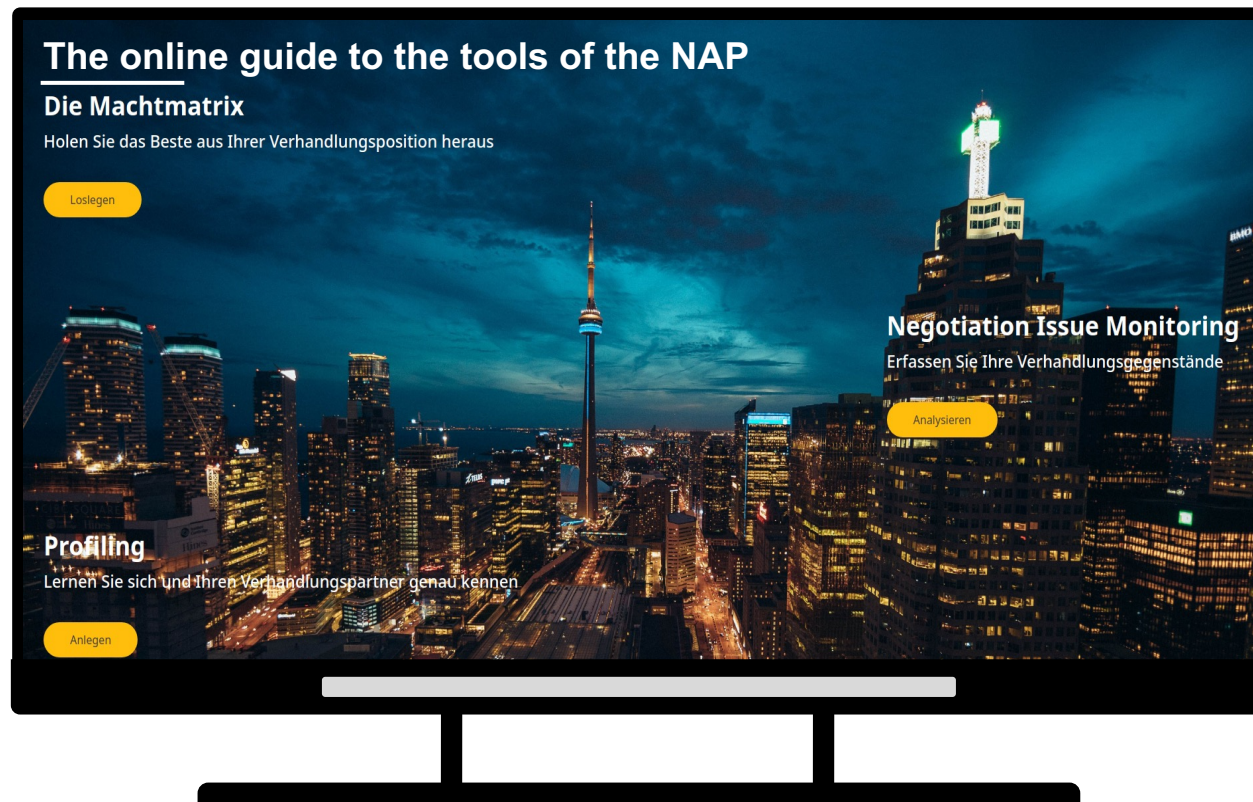
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The NegoManager - the digital support software

In addition to training, coaching and booklet, **digital negotiation preparation software** can be used.



- ✓ **Digital negotiation coach** which interactively guides you through the negotiation preparation process
- ✓ **Application of well-known tools** that are scientifically proven, **learned in training courses** and **digitally standardized**
- ✓ **Tool logics** bring out appropriate implications in each tool and point out logical blindspots
- ✓ **Tool links bring information together** in the right places across tools
- ✓ Software **scientifically proven** to lead to **medium efficiency** and **high effectiveness gains**

The NegoManager - the digital support software

1. Recording the negotiation issues

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1. RECORDING THE NEGOTIATION ISSUES

2. PRIORITIZING/RANKING THE ISSUES

3. EXPLORING BIASES

4. DERIVING RECOMMENDATIONS FOR ACTION

Please indicate what the mandatory issues (negotiation issues that absolutely must be settled with your partner in this negotiation) are in your upcoming negotiation. There may also be further issues (optional issues) that your side or that of your negotiating partner can additionally introduce; for these topics, please also indicate whether these additional topics are so called pain points, i.e., topics that are only of interest to one party in the negotiation.

Mandatory issues

New

Add

Manufacturing cost

Supply date

Payment date

Issue archive

Your optional issues

New

Add

long term agreements



Pain Point

Your partner's optional issues

New

Add

research cooperation



No Pain Point

The NegoManager - the digital support software

2. Prioritizing/ranking the issues

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- ✓ 1. RECORDING THE NEGOTIATION ISSUES
- 2. PRIORITIZING/RANKING THE ISSUES
- 3. EXPLORING BIASES
- 4. DERIVING RECOMMENDATIONS FOR ACTION

Now, please rate the importance of all negotiation issues from your own and from the partner's point of view by assigning the first rank to the most important negotiation issue, the second rank to the second most important, and so on. To do so, drag the negotiation issues to the appropriate rank via mouse click. Multiple assignments to a rank (e.g., rank 2 is assigned twice) are possible. If you are unsure about your partner's prioritization, please still make an approximation.

Your party's ranking

1 Manufacturing cost

2 Supply date

3 Payment date

4 research cooperation

Pain Points

long term agreements

Your partner's ranking

1 Supply date

2 research cooperation

3 Manufacturing cost

4 long term agreements

5 Payment date

Pain Points

The NegoManager - the digital support software

4. Deriving recommendations for action

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- ✓ 1. RECORDING THE NEGOTIATION ISSUES
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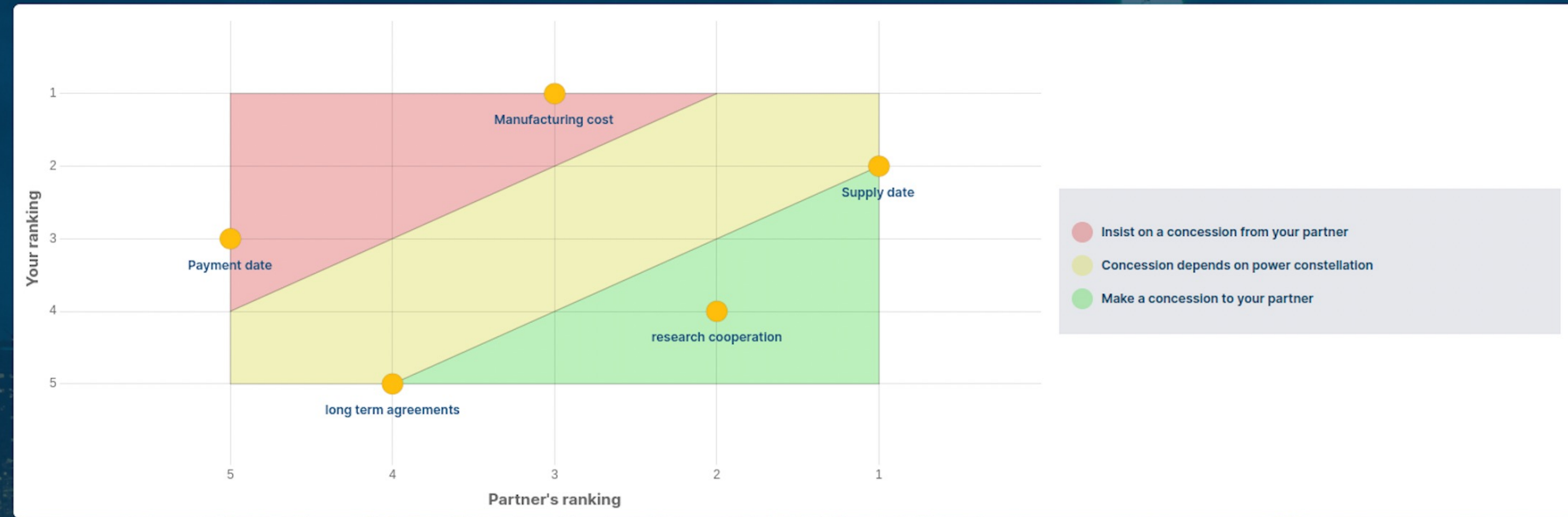
In this diagram you will find the result of the Smart Objective Analysis. The diagram shows whether there are differences in the importance of the negotiation issues between you and your negotiation partner. It also indicates for which negotiation issues your negotiation partner underestimates or overestimates the importance of said issues for you. Click on one of the following buttons to receive recommendations for action.

Recommendations for Action

Influence the importance of topics

Prepare for offer management

Configure the negotiation scope



No concessions

Payment date

Manufacturing cost



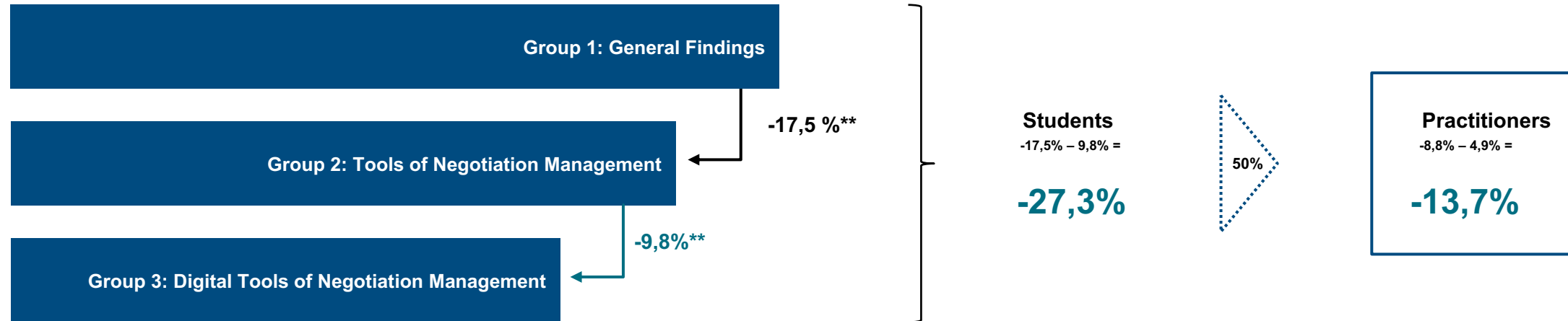
Concessions recommended

research cooperation



Negotiation management skills significantly improve negotiation performance

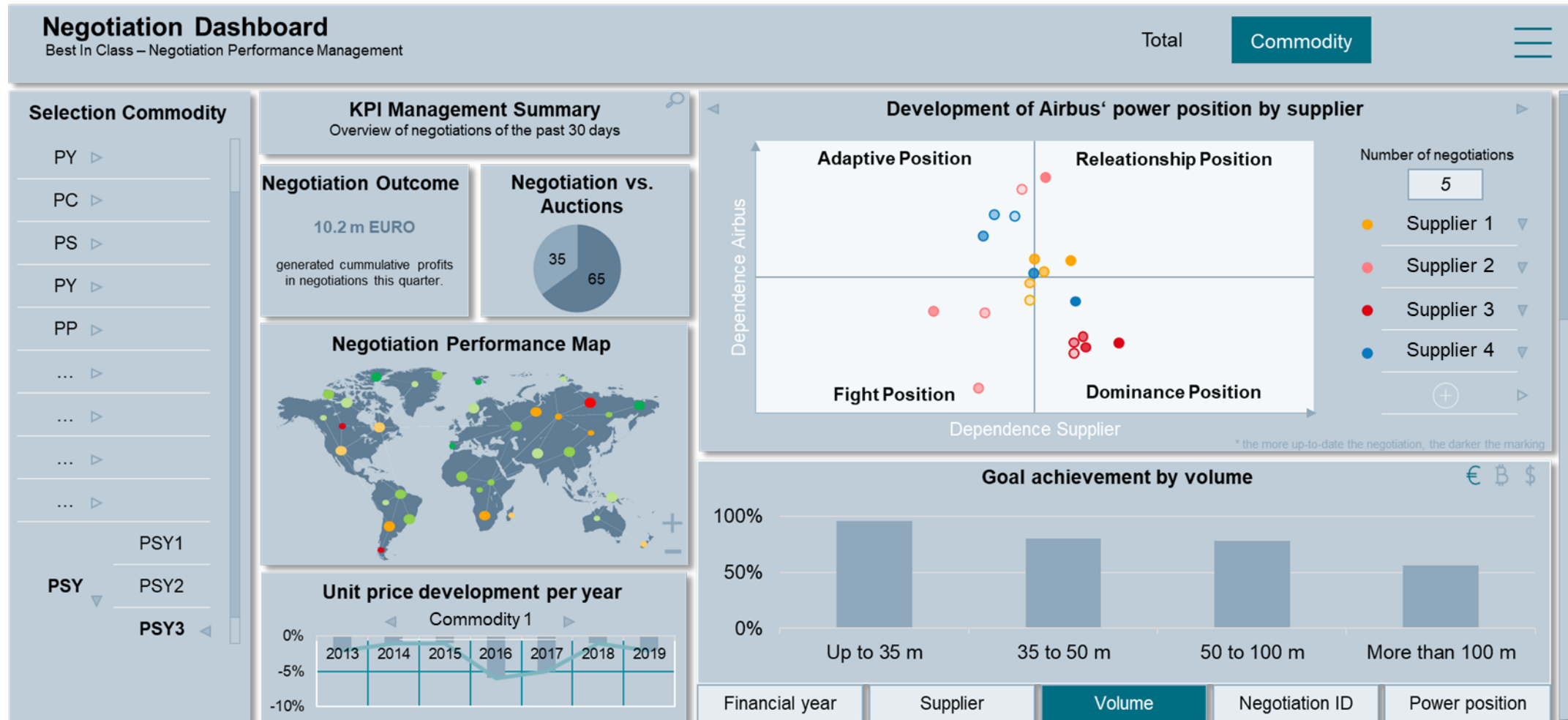
Realized total costs (savings in%)



** Significance level: $p < 0.01$

Negotiators who received training on the NAP tools achieve better results than negotiators with general negotiating skills (e.g. the Harvard concept). Further **clear improvements** can be seen **when the negotiators were able to use digital negotiation support tools**.

From experience with similar research designs, it can be assumed that the **effects also occur with practitioners** (Herbst / Schwarz 2011), but are only half the size.



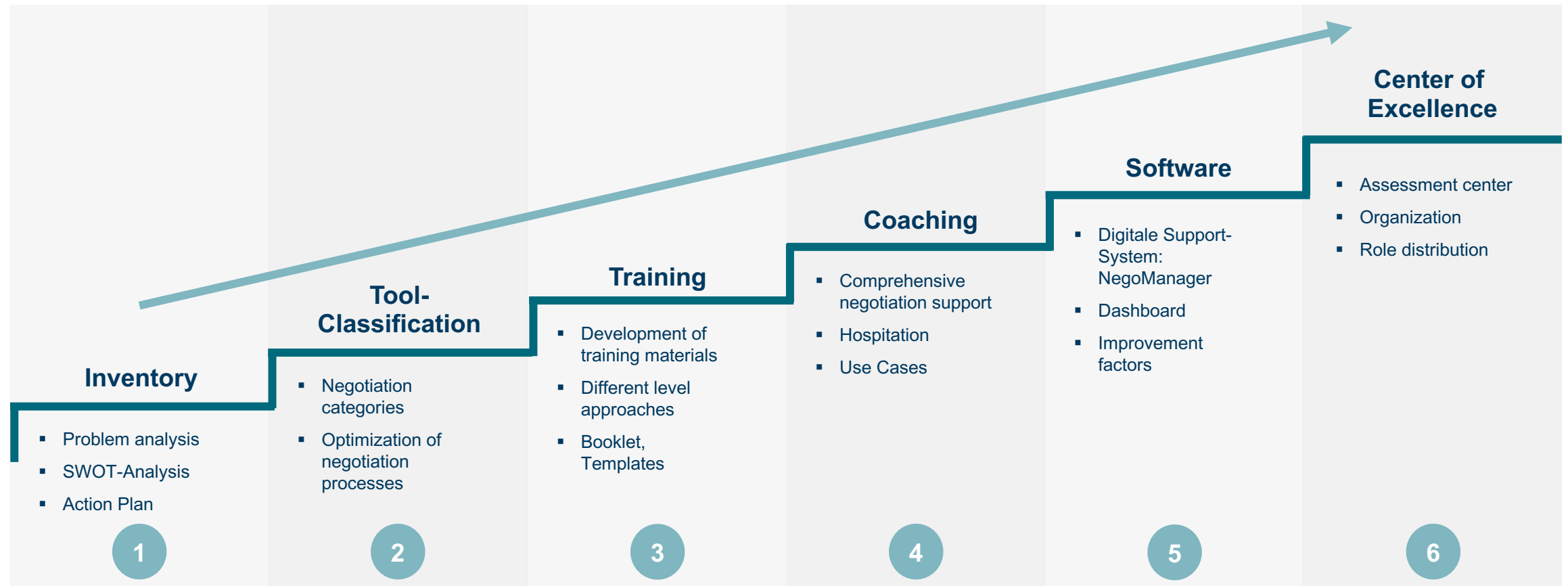
We see a rising awareness for the topic of negotiation management.



Quelle: www.manager-magazin.de, Zugriff am 07.04.2022.

Negotiation management implementation staircase

We understand Negotiation Management as a **multi-stage process** through which companies ultimately become more successful in their negotiations.



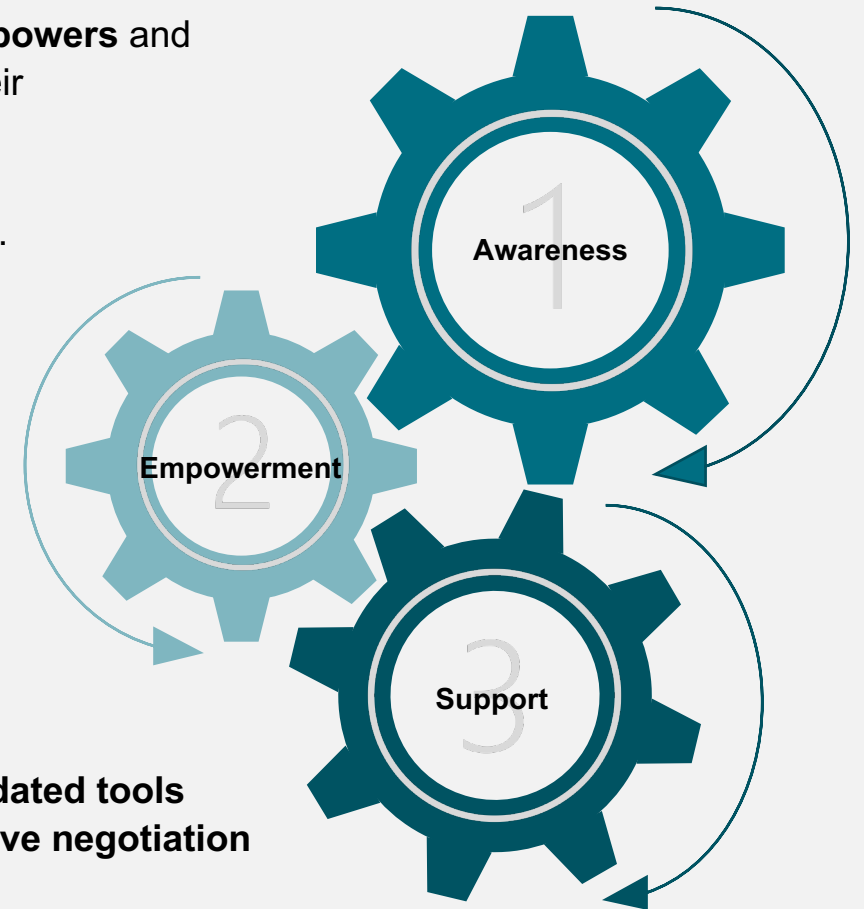
The NAP mission



*You either have to modify
your desires or strengthen
your abilities."*

Emanuel James „Jim“ Rohn

NAP **raises awareness, empowers** and **supports** companies and their employees in the area of **negotiation management** based on **scientific findings**.



NAP enables companies to negotiate better through the use of **scientifically validated tools** and thus, **sustainably improve negotiation performance**.



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