

Should Negotiating Skills be a Core Corporate Competency?

It's Beyond Individual Skill, New Book Says; HP Broadens Procurement Metrics

SCDigest Editorial Staff

In a world of increased outsourcing, virtualization, alliances, strategic supply chain management and more, should negotiations excellence be viewed as a core corporate competency worth developing?

That's the message in a new book titled "**Built to Win**," by **Hallam Movius** and **Lawrence Susskind**. Both authors are leading academics and also executives at the Consensus Building Institute.

Negotiating skills grow in importance each year, they say, as both the business and supply chain environment become more complex.

"Some organizations have recognized this need and have identified negotiation as a core competence their managers are expected to master," Movius and Susskind write. "They collectively spend hundreds of millions of dollars each year on off-the-shelf negotiating workshops. Unfortunately, these organizations are for the most part wasting their money.

The reason? Such companies view negotiating skills as residing primarily at the **individual level**, rather than as a competency that can **pervade the enterprise**.

"They are not the same thing," the authors say, noting that negotiating competence is critical internally as well as externally – though the benefits from internal and external negotiating skills are different.

Building a Negotiations Framework

Many companies do not do much of anything to improve their negotiating skills. Others spend lots of money sending managers across disciplines to vari-

Large companies write thousands of contracts per year, but generally don't really track, for example: what types of agreements are best for solving what types of problems; why certain options or strategies work best where, how technical and legal language actually played out; what types of agreements turn out to be better or worse for the organization, etc.

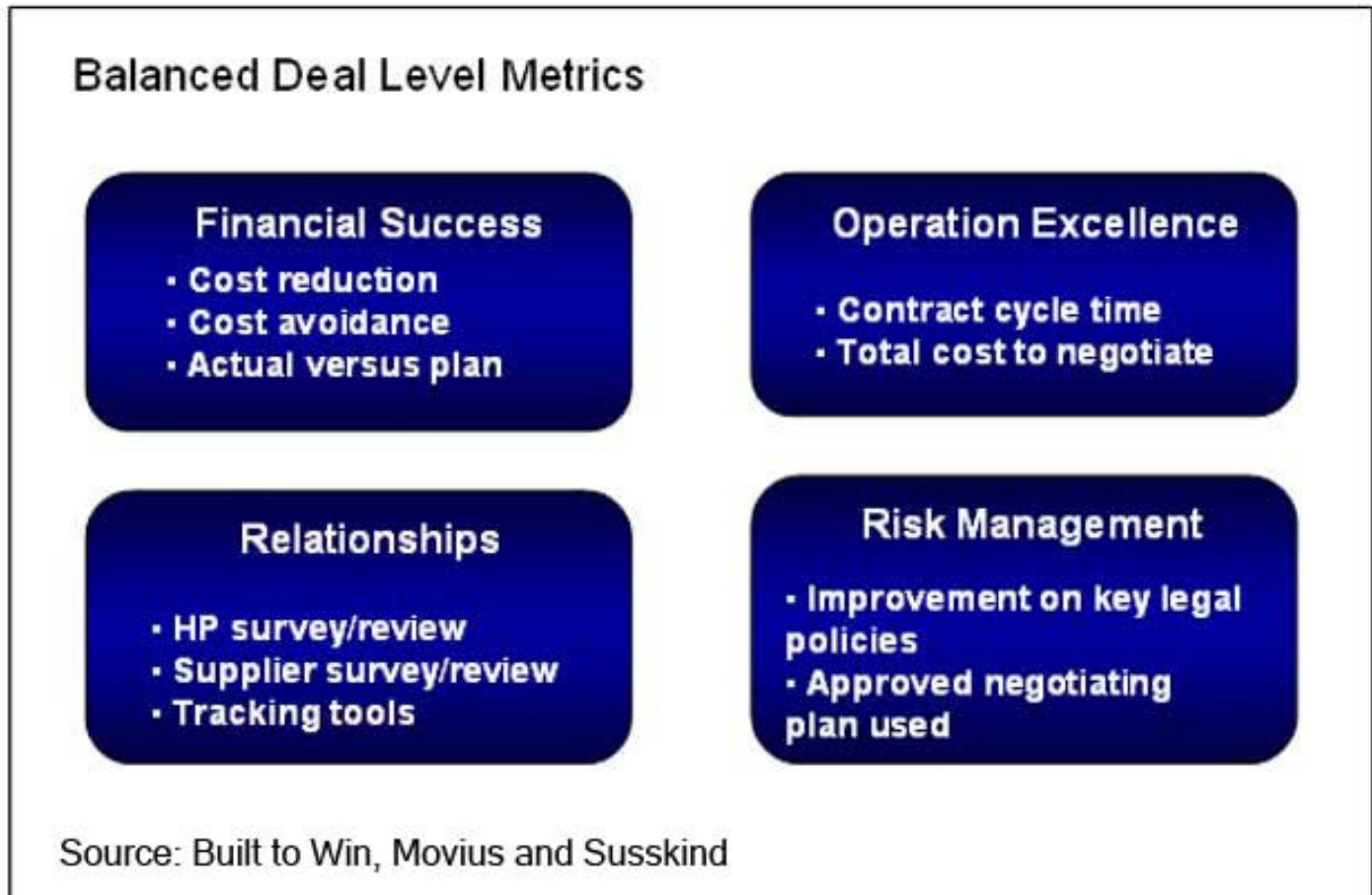
ous negotiations courses and/or buying training materials. Most then rely on company lawyers to handle the detailed terms and conditions – and often many of the toughest issues.

A new approach is needed, the authors say. Companies need to develop a cohesive strategic approach to negotiations. That includes such elements as: creating a common negotiations strategy model, developing metrics for measuring performance and improvement, and using each negotiation as a learning opportunity that can be captured for the benefit of future negotiations.

"We commonly find that organizations have no systemic approach to learning from their negotiations experience," Movius and Susskind write.

Large companies write thousands of contracts per year, but generally don't really track, for example: what types of agreements are best for solving

Should Negotiating Skills be a Core Corporate Competency? (Con't)



what types of problems; why certain options or strategies work best where, how technical and legal language actually played out; what types of agreements turn out to be better or worse for the organization, etc.

The book suggests a 9-step process for developing such an institutional competence in negotiations. Those ten steps are collected into three major phases:

- **Assessment:** Determining where you are, identifying sponsors and champions for this new approach
- **Creation:** Building a culture of learning and a common model and language
- **Sustainment:** Measuring and evaluating the results while attacking persistent barriers

The above description is a greatly simplified summary – the book primarily serves to lay out each of these phases and steps in detail.

One of the fundamental principles is that companies must formally create processes for how the front line negotiator (e.g., a procurement manager) interacts with and communicates to the many other stakeholders impacted by the negotiations. While the role of the “back tables” in the negotiation process and ultimate success of the program are well understood, nevertheless, the authors say, in most companies there is no formal approach for how this interplay between negotiator and others in the company is supposed to work.

“The boundaries between roles and responsibilities are vague and unclear, decisions have not been agreed, and process is not clear,” they write. Often, there is not even any clear process for basic steps, such as how a procure-

Should Negotiating Skills be a Core Corporate Competency? (Con't)

ment manager is supposed to gather requirements and concerns from engineering, manufacturing, marketing, etc., when pursuing negotiations (as just one example).

HP Makes Improvements

HP is one of several companies which the authors use as examples about how different enterprises have used these principles to develop negotiating skills as a corporate competence.

For example, while HP is well known for its procurement excellence, nevertheless the authors say its procurement metrics not long ago were almost entirely focused on cost savings, not on other metrics and measures important to the business.

"Because of the misalignment between procure-

ment's incentives and the interests of the organization as a whole, business leaders sometimes lost their preferred suppliers and didn't understand why," Movius and Susskind write. They also found HP had a very linear procurement process that didn't involve multiple stakeholders early and often enough.

In the end, HP decided to focus on "value" and "success" instead of just cost in its negotiations and contracts, using a framework similar to that shown below.

Of course, this type of approach could be viewed as simply good procurement practice, and that's true. But Movius and Susskind do a good job weaving a series of practices like this into a strong framework for building strength in negotiations.

In the end, they make a compelling case that, especially in today's world, companies must change their view that negotiating prowess is something that resides almost exclusively in the individual, but instead is something the enterprise itself can develop, and that most are missing the opportunity to learn from their experiences.
