

Management for Professionals

Marc Helmold · Tracy Dathe ·
Florian Hummel · Brian Terry ·
Jan Pieper *Editors*

Successful International Negotiations

A Practical Guide for Managing
Transactions and Deals

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Editors

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Preface

In today's world, negotiations are an integral part of governments, businesses, private areas and organisations. World trade is increasing, thus leading to more business transactions across borders. This trend leads automatically to an increased need for international business negotiations and intercultural awareness by organisations, companies and employees. This book has been written by five editors with different backgrounds and experience in international negotiations. This book is unique and is based on the A-6 negotiation concept developed by Dr. Helmold. The German book "Erfolgreiche Verhandlungen" (Helmold et al. 2019) contains elements of this industry-proven negotiation concept. Certain sections of the book refer to the aforementioned tools and A-6 concept. The knowledge and experience of this diverse group of editors helped to create a unique negotiation guide with many unique selling propositions (USP). It was a pleasure to see many ideas and inputs throughout the process of this book editing. The book project started in beginning of 2018 with the concept and was finalised in 2019/2020 with this publication. Professor Terry is Professor in London and teaches at various business schools in the UK and Germany. Professor Pieper teaches economics and acts as foreign direct investment advisor for foreign companies. Professor Hummel is one of the academic leaders of the IUBH Internationale Hochschule with great experience in service and hospitality industries. Dr. Dathe was in top finance positions and teaches at various business schools. In parallel, she has her own consulting company. Professor Helmold teaches supply chain management (SCM) and negotiations in the international context at the IUBH Internationale Hochschule in Berlin and other universities in the UK and China. He supports companies in supply, project management and negotiations. The collaboration of different personalities with their individual strengths has led to a unique book, which can be at present regarded as one of the most advanced books in this field.

The book would not have been possible without the implicit and indirect support of practitioners, academics and students on doctoral and master levels. The majority of contributions of the country examples are from students of the IUBH Internationale Hochschule campus studies in Berlin. There are many students, who contributed to research about international negotiations and the studies on this exciting topic. Research on master levels in native and other languages triggered a process of creating winning and failing strategies in international negotiations of 37 countries

in total. Besides economically powerful countries like Germany, the USA, China, India or Japan (top largest 20 economies), it was thus also possible to add smaller but very interesting examples of several regions in the world. Nisha Becker, who is lecturer in several business schools in Berlin, helped us in the country examples and in proof reading. The authors hope that the book will also contribute to understand other countries and cultures in a better way, as they are convinced that diversity and intercultural experience in enterprises is a key success factor in a highly competitive environment.

There are a couple of groups and people we would like to mention. Firstly, we would like to thank all co-authors of the chapters. In this context, we would like to name Warda Samara, Juanira Gonzalez and Youssef Hammadi as students, who graduated with excellence in the master of leadership and master of business administration courses of the IUBH Internationale Hochschule. In this context, we have to mention the many students who contributed to this book. Additionally, negotiation experts from automotive, railway, service and other industries contributed directly or indirectly to this negotiation guide. Furthermore, there are some people to be named like the general manager of Midas, Mr. Li, who gave permission for using the photograph and some examples of negotiations. We may not forget our families and friends, who were supporting the authors through their confidence and trust in the authors. Finally, the authors would like to thank Springer International, especially Mr. Baun and Ms. Barrios-Kezic, for the professional and smooth completion of this project.

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Abbreviations

AAA	American Arbitration Association
BATNA	Best alternative to a negotiated agreement
BME	German Association of Supply Chain Management
BRTE	Bombardier Railway Transportation Equipment
BT	Bombardier Transportation
CIETAC	Chinese International Economic and Trade Arbitration Centre
CIF	Cost, insurance and freight
CISG	United Nations Convention on Contracts for the International Sale of Goods
CJV	Corporation joint venture
COO	Chief Operating Officer
CPDM	Cameroon People's Democratic Movement
CPO	Chief Procurement Officer
CSR	Corporate social responsibility
DAP	Delivered at Place
DDP	Delivery duty paid
DTC	Design to cost
EN	European norm
EXW	Ex-works
FAS	Free Alongside Ship
FCA	Free carrier
FDI	Foreign direct investment
FIE	Foreign-invested enterprise
FOB	Free on board
GBO	Global business owner
GBS	Global business services
GPO	Global process owner
HKIAC	Hong Kong International Arbitration Centre
IATF	International Automotive Task Force
IBS	Integrated business services
ICC	International Court of Arbitration
ICIC	International Chamber of Industry and Commerce
IFM	Institut für Mittelstandsforschung
IHK	Chamber of Industry and Commerce

IPO	International Procurement Organisation
ISO	International Organisation for Standardisation
JIT	Just in time
JV	Joint venture
LdO	Least desired outcome
MBA	Master of Business Administration
MCIA	Mumbai Centre for International Arbitration
MdO	Most desired outcome
MEP	Margin enhancement plan
MNC	Multinational corporations
NCG	Non-conformity goods
NGO	Non-governmental organisation
NPO	Non-profit organisation
OEM	Original equipment manufacturer
P&L	Profit and loss account
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
PR China	People's Republic of China
QCD	Quality, cost and Delivery
QCDDT	Quality, cost, delivery and technology
QMS	Quality management system
ROP	Risks and opportunities
RPA	Robot process automation
SCM	Supply chain management
SME	Small- and medium-size enterprises
SSO	Shared service centre
SWOT	Strengths, weaknesses, opportunities and threats
TCO	Total cost of ownership
UN	United Nations
USP	Unique selling proposition
VMI	Vendor-managed inventory
WFOE	Wholly foreign-owned enterprise
WTO	World Trade Organisation
ZomA	Zone of mutual agreement
A-6	Negotiation Concept by Dr. Marc Helmold
3R	Retention, Related Sales and Referrals
5S	Seiri, Seiton, Seiso, Seiketsu and Shitsuke
7P	Product, Price, Place, Promotion, Physical evidence, People and Process

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Best-in-Class Negotiations in the International Context

1

Marc Helmold

1.1 Definition and Elements of Negotiations

The business world of today is dynamic and changing constantly. Increasing international trade, the ongoing direction towards globalization, the movement towards digitalization and other trends lead to interactions between countries, companies across borders and increased negotiations in the international context. People negotiate with each other every day even when they do not realize it. They negotiate with family members, friends, colleagues, buyers, sales executives, superiors and businesses. Negotiations are a form of verbal or non-verbal communication, mostly verbal communication, about a certain and controversial aspect or element, which is characterized so that the negotiation parties aim to find an agreement. The agreement can only be achieved if all negotiation sides have common and overlapping motives, interests, objectives and the intention to resolve the conflicting views by finding a zone of mutual agreement (ZomA) (O'Brien, 2016). All people have various desires and motives. These desires or motives are important for the negotiation outcome (Helmold, Dathe, & Hummel, 2019). Buyers have the desire and the need to achieve the lowest purchase price in a transaction, whereas the sellers strive for the highest selling price. Both sides are aiming for the optimal price for their own advantage (O'Brien, 2016). Higher budget demands in international companies for new market developments are also needs or motives, which must be enforced in internal company negotiations (Helmold, Dathe, & Büsch, 2017). For example, in one company, there may be a wish for additional sales people to expand into other countries and markets, so that the sales executive has to negotiate the additional budget for the head count increase and international market expansion within your company. Job interviews also include the wishes and

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needs of those involved, namely to find the right employee or position. In addition to the actual position, there are numerous elements in the interview and job interviews, such as salary, fringe benefits or social benefits that are part of the negotiations. Not only in business, but also in private life, there are plenty of needs that end in negotiations. For example, a daughter's desire to be taken by car to school by her father instead of using local public transport, or members of a family negotiate, where to go on vacation. All of these needs and desires are negotiating controversial issues and usually result in a more or less consensual outcome. Negotiations are interactions between two or more parties about a specific issue with the parties' fundamental interest in reaching an agreement. Negotiations are characterized by an averted reconciliation of interests and a negotiated result (O'Brien, 2016). Negotiations are varied as all authors describe and take place in every imaginable area of life. Examples of negotiations can be the following situations:

- Commercial discussions and agreements between buyers and sellers about a delivery of parts and the relevant commercial transactions
- Technical agreements on performance characteristics of products between customer and supplier
- Agreements between supplier and customer about the performance and specification characteristics of services
- Coalition negotiations between two or more parties to form a government after the last federal elections
- Online auctions of the purchasing department of a large corporation for scopes of a large project
- Hagglng with the seller at the flea market with the subsequent purchase of an antique piece of furniture
- Students who have an oral exam and who have to answer subject questions from the professors
- Applications and job interviews for a position with human resources and Department of Salary
- Request for a salary increase of an employee with your supervisor due to a very good performance
- Agreement of employee objectives between employee and manager in the context of the objective setting process in a company
- Agreements of freelance consultants on project sizes and workload with the commissioning customer
- Application of a fee lecturer at a university to lecture to students of economics
- Discussion between parents and children, in which restaurant the family goes in the neighbourhood
- Children asking their parents for sweets or toys while shopping in a supermarket at the cash register
- Hostage-taking and the hostage-takers' claims to the police to obtain money and to receive an escape or getaway vehicle.

Everybody is in the context a negotiator but for the purpose of getting better, one has to train, acquire and improve certain skills that are becoming more important than ever in today's business environment. Especially, cross-cultural communication difficulties make international business negotiations extremely challenging (BME, 2018). Even though one has international business experience, the negotiations need to be well prepared beforehand and the negotiator must have the right and appropriate negotiation skills to bring international transactions to a successful conclusion. Whereas in the 1980s and 1990s only multinational companies (MNCs) had international exposure in terms of supply and demand, it is visible that nowadays also small and medium-sized companies (SMCs) focus on international value chains in procurement and sales. The winner in 2017 of the innovation award of the BME (English: the association of the German procurement and supply chain management), the German company "Jokey", emphasizes that global procurement and global negotiations are fundamental elements in order to achieve global excellence (Global Procurement Excellence Initiative, BME, 2018). As a result, this book describes how international negotiations can be pursued in a structured, professional and effective way. The word "n-e-g-o-t-i-a-t-i-o-n" comes from the Latin *neg* (no) and *otisia* (leisure) referring to businessmen who, such as the patricians, had no leisure time in their daily business life. It shifted to the meaning of business (*le négoce* in French) until the seventeenth century when it took on the diplomatic connotation as a dialogue between two or more people or parties intended to reach a beneficial outcome over one or more issues where a conflict exists with respect to at least one of these issues (Helmold et al., 2019; O'Brien, 2016). Negotiations can be defined as "the bargaining (give and take) process between two or more parties (each with its own aims, needs, opinions and viewpoints) seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict" (O'Brien, 2016). Negotiations and the bargaining process require two or more parties. Moreover, all parties must have the wish to reach an agreement and must consider mutual concerns with the objective to resolve the conflict. Negotiations have characteristics that can be outlined as follows:

- Bargaining process
- Two or more parties
- Willingness to reach an agreement
- Mutual concerns of parties
- Overlapping motives and interests
- Willingness of conflict resolution
- Lose or firm business relationship
- Buying or selling including consultancy
- Common interest and common language
- Communication between parties
- All parties must want to engage
- All parties must have a need to engage

- Means of interacting in a direct or indirect way
- Means of finding conclusion
- Keeping agreements.

1.2 Principles for Successful International Negotiations

The book describes how international negotiations can be pursued in a structured, professional and effective way. The book has several unique selling propositions (USPs). It is written by experts from various industries in top management positions and includes examples and cases. These industries include, amongst others, the automotive, the railway, the machinery, the digital, the foreign investment, the public and the service sector. Included are here the practical experiences of the authors Professor Helmold, Dr. Dathe, Professor Hummel, Professor Terry and Professor Pieper in international transactions and bargains. Furthermore, the contribution of research by international master and doctor students has added valuable knowledge to the book. There are more than 35 country examples in the book, showing suitable strategies and openers in international negotiations. Additionally, many other negotiation experts from different industries and with diverse intercultural backgrounds have provided significant inputs to the publication. Finally, individual results of research projects from master and doctor theses have added practical facts to the negotiation guide. The book provides an extensive overview of negotiations and the successful breakthrough in conflicts. It ideally combines in a systematic way many elements such as negotiation preparation, execution, strategies, tactics and psychological factors with international elements and parameters. The publication outlines how negotiations can be successfully executed in six steps (A-6 negotiation concept) in order to reach the optimum negotiation outcome. The book emphasizes the practical relevance by integrating the experience of the authors as well as theoretical and practical attributes. It provides many unique elements and outlines country-specific strategies and recommendations for 37 countries, which is a unique feature in the existing literature.

The target groups for this guide are employees who work in departments such as purchasing, sales, marketing or distribution and who have to negotiate product and service features in the international context such as quality, price, commercial elements, payment terms, technical specification on a regular basis. Furthermore, the guide is providing recommendations for people who work in areas such as engineering, design, quality management, human resources or finance. These departments indirectly contribute with their activities to the value creation processes of enterprises and have important negotiations, too. The third target group are managers and executives who deal with customers, suppliers and other stakeholders on an international basis. In addition, start-ups, small and medium-sized companies (SMCs) or larger companies in private or public sectors will benefit from the negotiation book, as the structured and systematic framework will enable them to have successful negotiation outcomes. Finally, academic staff, students, lecturers

and professors can apply the book as text and case book at bachelor and master levels, as the logical set-up and many best practice examples will help them to successfully teach negotiation skills in every environment.

The symbiosis of theoretical and practical examples in combination with the A-6 negotiation concept and international specifics makes the book unique. The concepts inside the publication will not make only negotiations successful, but also help to establish sustainable and long-term relationships with international business partners. The book closes the gap in the literature, academia and industry with the successful A-6 negotiation concept. The concept does not only outline how negotiations can be effectively and successfully be carried out, but also display ways how to maintain sustainable relationships with business partners in the international context. Recommendations from industry and practical examples enrich the value of the negotiation guide. The authors have in-depth experience from negotiations in multi-million euro projects in different industries. Expert, researchers and students contribute to the book by illustrating strategies and specifics of many countries. The negotiation concept conveys knowledge, guidelines and practical examples and how intercultural elements can be successfully utilized in negotiations in the international context. Based on various cases and examples from several leading industries, the authors draw attention to elements such as negotiation analysis, preparation and execution in combination with intercultural aspects and the psychology of bargaining and negotiating.

Although the book contains several chapters including political negotiations, negotiations by non-governmental organizations, negotiations in job interviews, negotiations in project management, negotiations in the service sector, the book focuses on negotiations in international business transactions. Many examples underline the necessity of negotiation competencies and skills in multinational companies (MNCs) or small and medium-sized companies (SMCs). Terms such as negotiation partners, negotiation opponents or the other negotiation side are used neutrally and synonymously.

This chapter outlines the existing gap in industry and academia to find suitable frameworks for professional and practice-oriented international negotiations. Although the market offers several books and guidelines, practitioners from industry stress that academic findings, practice-oriented negotiation elements and intercultural factors are not yet put into an integrated and user-friendly negotiation framework in today's world. Chapter 2 outlines the prisoners' dilemma and job interviews as negotiations. In Chap. 3, key skills and competencies are described as negotiation and intercultural capabilities in international companies will automatically lead to a competitive advantage (Helmold et al., 2017). This section appeals to SMC and MNC organizations that training and education are of high importance in globally acting companies. Chapter 4 outlines that negotiations are an integral part of the corporate strategy. It displays the significance of negotiations in the phases of strategy analysis, strategic choice and the implementation of strategies. This section describes that negotiations reflect a fundamental element of the strategic triangle with the analysis, choice and final implementation. The chapter is rounded up with the strategic pyramid as a suitable tool in conflict resolutions. Chapter 5 emphasizes

on preparation and the need to have overlapping interests or a zone of mutual agreement. Preparing negotiations will take the majority of time and is crucial for the success. Chapter 6 describes three negotiation concepts by Ury and Fischer (Harvard negotiation concept), Schraner (negotiations on the edge) and Prof. Dr. Helmold (A-6 negotiation concept; successful international negotiations). This chapter ends with a summary and comparison of the three concepts. Although there are more concepts available in industry and academia, the three negotiation concepts by Ury and Fisher, Schraner and Dr. Helmold integrate the most significant methodologies and methods for successful negotiations. Chapter 7 outlines intercultural aspects with the research of Hofstede and Hall. Knowledge and awareness about different cultures and international aspects are important for achieving a competitive advantage in today's business world. Chapter 8 focuses on negotiations in business transactions between suppliers (seller or vendor) and customers (clients or buyer). It describes the Q-C-D-T plus alpha objectives and elements that are important for negotiations. The concept is used in the majority of manufacturing and service industries as the foundation for developing strategic objectives, which must be negotiated with stakeholders such as suppliers, governments or customers. Chapter 9 outlines the A-6 negotiation concept by Dr. Marc Helmold. The concept is a structured way to successfully win and execute negotiations. It uses six logical and integrated phases with proven tools and templates. Chapter 10 illustrates the categories of non-verbal communication and gives examples, and how aspects such as gestures, body and face language (kinesics) can be recognized and be used in negotiations. Chapter 11 describes useful tools such as the macro- (PESTEL) or micro-analysis (Porter's Five Forces), which can be ideally and smartly applied for the analysis in negotiations. Chapter 12 describes specific requirements for negotiations in outsourcing projects. Outsourcing, also described as "make-or-buy-initiatives", is an increasing trend in many business sectors. Companies are concentrating on core companies and outsourcing activities, processes and products to suppliers. Chapter 13 outlines negotiations in the global economy with a practical example. Chapter 14 gives recommendations for negotiations of companies which are in financial difficulties. Müller outlines symptoms in four phases from a strategic crisis, profitability crisis and liquidity crisis to insolvency and bankruptcy. The chapter highlights what measures and actions to take in negotiations with stakeholders in such a situation. Chapter 15 deals with the service industries and displays tools such as the 7P or the 3R concept. Chapter 16 tackles the challenges in complex projects. Project management contains cross-functional members and often different motives. Subsequent Chaps. 17–22 illustrate strengths, weaknesses, ice bergs and ice breakers in different countries and cultures. The country examples have been categorized into five major regions such as Europe, Asia, Americas, Arabic countries, Israel and Africa. The section is unique in the literature as this section includes, amongst the global top 20 economies, a total number of 37 countries with intercultural negotiation elements for each of the countries. These chapters have been created by experience, detailed research and literature reviews. Experienced experts from these countries contributed to these USPs as part of their master studies.

Negotiation competencies are key competencies and relevant to practitioners and academic staff. As international trade is increasing continually, it is one of the key competencies for employees of MNC or SMC. Business schools such as the IUBH Internationale Hochschule or the London Business School consider negotiation and intercultural skills as very important for future business leaders (IUBH, 2019; London Business School, 2019). Negotiation skills in the international context are key success competencies to drive better bargains and to create long-lasting and value-creating relationships in international trade (Helmold et al., 2017; London Business School, 2019). The book describes how negotiation can be successfully accomplished. Research on master and doctoral levels, case studies and the input by top managers from leading industries contributed to the negotiation guide. The recommendations and examples of the book will enable and engage employees in companies who have to negotiate in the international context (London Business School, 2019).

1.3 Negotiations in the Value Chain: Input–Transformation–Output

Negotiations are described as the bargaining (give and take) process between two or more parties. Each party has its own aims, needs, opinions and viewpoints and must be seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict according to O'Brien (2016). The major elements in negotiations are as follows:

- Bargaining process
- Two or more parties
- Reach an agreement
- Mutual concern
- Resolve a conflict.

Negotiations take place throughout the value chain and in all business transactions. The value chain contains inputs, the transformation and outputs as illustrated in Fig. 1.1 (Kürble et al., 2016). Inputs are used up in the process of creating goods or services. To distinguish between these, input resources are usually classified as:

Transformed resources
Transforming resources.

Transformed resources are those elements that are processed, altered or modified (transformed) throughout the operation and organization to produce the goods or services that are its outputs. In the car industry, raw material and components are transformed into final vehicles, or raw goods are used to produce end consumer goods. Transforming resources are everything that are used to perform the

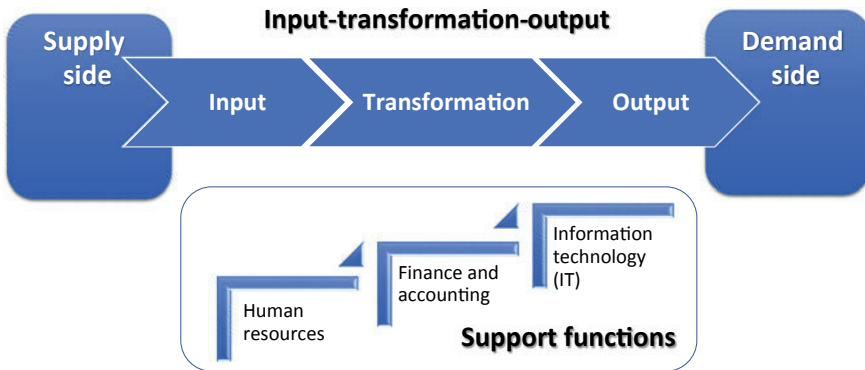


Fig. 1.1 Value chain: input–transformation–output. *Source* Author

transformation process. Machines, equipment, tools, knowledge or personnel are transforming elements in this context. Many people think of operations as being mainly about the transformation of materials or components into finished products, as when limestone and sand are transformed into glass or an automobile is assembled from its various parts. But all organizations that produce goods or services transform resources. Many are concerned mainly with the transformation of information (e.g. consultancy firms or accountants) or the transformation of customers (e.g. hairdressing or hospitals). The two types of transforming resource are staff (the people involved directly in the transformation process or supporting it) and facilities (land, buildings, machines and equipment). The staff involved in the transformation process include both people who are directly employed by the organization and those contracted to supply services to it. A transformation process is any activity or group of activities that takes one or more inputs, transforms and adds value to them and provides outputs for customers or clients. Where the inputs are raw materials, it is relatively easy to identify the transformation involved, as when milk is transformed into cheese and butter. Where the inputs are information or people, the nature of the transformation may be less obvious. For example, a hospital transforms ill patients (the input) into healthy patients (the output). The transformation processes include:

- Changes in the physical characteristics of materials or customers
- Creation of services by transforming input elements for customers
- Changes in the location of materials, information or customers
- Changes in the ownership of materials or information
- Storage or accommodation of materials, information or customers
- Changes in the purpose or form of information
- Changes in the physiological or psychological state of customers.

Many transformation processes produce both goods and services in combination. Goods are tangible items. Services are intangible and have additional specifics such as perishability, variability, lack of ownership and inseparability (Helmold et al., 2019). For example, a restaurant provides a service, but also produces goods such as food and drinks. Chapter 14 will describe the special requirements in negotiations in the service industry. Transformation processes may also result in some undesirable outputs (such as nuclear waste) as well as the goods and services they are designed to deliver. An important aspect of international organizations is the reduction of any environmental impact of waste over the entire life cycle of their products, up to the point of final disposal. Protecting the health and safety of employees and of the local community is thus becoming more important throughout the value chain and influences negotiations. Outputs are the result of the input resources and the transformation.

The value chain of companies (input–transformation–output model) contains functions and departments, which are entrusted with the activities described before. These activities are shown in Fig. 1.2 and can be described as primary and secondary functions. Primary functions (procurement, operations, marketing) are directly involved in the transformation process, whereas secondary functions support the transformation process (finance, human resources, logistics and information technology). Procurement is responsible for inputs such as raw materials, components and incoming material from supplying companies (suppliers or vendors). Other inputs can be facilities, machines or equipment, which also needs to be purchased before the transformation can take place. The incoming goods and materials are then processed and altered within the transformation phase in the operations or production department including adding value. In the last phase, the output, it is the responsibility of the marketing and sales department to provide the goods or services to the customers. All phases necessitate negotiations with

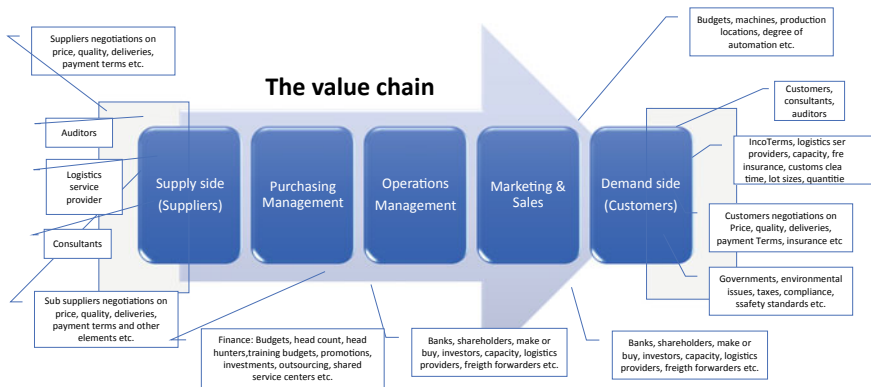


Fig. 1.2 Negotiations in the value chain. *Source* Author, adopted from Helmold et al. (2019)