

Good negotiation skills lead to good profits

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A first-of-its-kind study conducted recently has proved that having a clear and defined approach to negotiation makes a massive bottom line difference.



*Professor Barney
Jordaan, Programme
Director of the
Negotiating Skills
course*

The study - Improving Corporate Negotiating Performance - explored how the world's largest organisations (including Microsoft, BP, General Motors and TNT) are trying to improve their negotiating performance during tougher economic times. It was conducted by Huthwaite International and the International Association for Contract and Commercial Management (IACCM).

It found that companies without any formal negotiation processes in place suffered an average net income decline of 63.3% between 2007 and 2008. In contrast, the companies in the top 25% of the Huthwaite/IACCM 'negotiation maturity' benchmarking scale recorded an average net income increase of 42.5% over the same period.

These results, according to Professor Barney Jordaan, Programme Director of the Negotiating Skills course running at the UCT Graduate School of Business from 11 - 13 August, prove that careful planning, preparation and research - and having a formalised negotiation approach - is paramount to achieving negotiation success. It also proves that good negotiation skills can be the difference between success and failure in the corporate world, he said.

Jordaan advises companies to look at a few key elements to improve how they negotiate.

"Companies would do well to think more strategically about deals, what they have to offer and what they expect to get before they even reach the negotiation table - good negotiation begins with careful preparation and research. You also need to prepare the table (e.g. who is going to be there?; what do we do if we can't agree?) and design the deal in such a way that it is really attractive to the other party as well as yourself.

"Successful negotiation is not about 'winning at all costs'. In fact, coming up with mutually acceptable solutions that keep relationships in good order are more beneficial to businesses in the long run than deals where only one party gets its way," said Jordaan.

Jordaan adds that designing an attractive deal, especially in highly competitive industries, often requires some creative thinking and stepping in to the other party's shoes, offering the cutthroat food market as an example thereof.

"Imagine that a strawberry farmer is approaching a large food retailer to buy his products. There are many strawberry farmers in the market, so being successful will require designing a deal that offers more than just strawberries. It demands that the farmer understands what the retailer is looking for beyond just a good price. For example, are they looking for organic produce, do they support sustainable farmers, do they promote ethical treatment of farm workers, or are they looking for local producers?

"Understanding what else is important to the retailer beyond cost and quality can provide crucial extra leverage when the two parties meet around the table. Do not let your deal rest upon one factor only. Look for creative ways to add some extra value," he said. "In competitive climates this can be the real deal-clincher."

Besides having a mutually appealing deal to offer, businesses must also pay attention to what happens during the negotiation - the way the process is executed is critical to value creation and sustainable relationships.

The Negotiating Skills course is offered by the GSB's Executive Education unit and offers training on how to prepare for negotiations, create better value, persuade the other party, deal with obstructive types, and ensure long term co-operation through negotiation. Contact Junita Abrahams on 021 406 1323 or for more information. Alternatively, SMS 'Negotiate' to 31497.

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