Dissertation

on

Negotiations in Procurement Process

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Program: MSCM

Semester: Summer-2021

Submitted to:

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Date of Submission: September 30/09/2021

Letter of Transmittal

30 Sept, 2021

To,
Amir Husen
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Subject: Submission of dissertation report.

Dear Sir,

With humble honor and respect, I am submitting my dissertation report on **Negotiations in Procurement Process** as per partial accomplishment of the requirements for the MSCM degree. I have completed dissertation report on **Negotiations in Procurement Process** under the supervision of you.

This report is an integral part of our academic courses in completion of the MBA program which has given me the opportunity to have an insight into the MSCM. I hope this report reflects on the contemporary issues on the MSCM that are being Practiced by organizations in our country.

In completing the report I tried my best to blend all my knowledge and imparted every available detail and also attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Sincerely,
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Letter of Authorization

Certified that this dissertation “Negotiations in Procurement Process” is the bona**f**ide work of Md. Masudul Alam, who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

……

Amir Husen
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EXECUTIVE SUMMARY

The core objective of the dissertation is to fulfill the requirement of the **MSCM program** as Prescribed by the SU. I have been working as a **Manager** of **Procurement Department** at **Apex Holdings Limited** for last Eleven years. The main objective of the dissertation is to get the Hands-on experience of the real-world organization. The dissertation was completed with the objective of getting practical knowledge in the Procurement department of Apex Holdings Limited. Negotiation in Procurement is one of the major parts of my job responsibilities. The Procurement department of Apex Holdings Ltd offered me ample space and opportunities, not only to learn but also to exhibit my skills as a Procurement team member. I could use my theoretical knowledge of Procurement in real practice while participating in many discussions.

I also attempted to gather more information on basic job functions of other departments to have better understanding of the relation between them and the Procurement department. It was commendable to see how wholeheartedly they welcomed, acknowledged and appreciated new ideas and knowledge. I have provided few recommendations based upon my understanding and knowledge.

I successfully completed all the assigned duties and handed them over to the senior supervisor at the end of the dissertation. I thoroughly enjoyed the challenges that came along every single day. I could also bring some minor improvisations during my internship which were able to leave their marks. These lessons that I have learned will be a valuable one for my future endeavors as well.

LIST OF ACRONYMS

AIM	Ace Institute of Management
HRD	Human Resource Department
HR	Human Resource
MBA	Masters of Business Administration
STAR	System for Time And Recording
SPPS	Staff Product Purchase Scheme
OB	Organization Behavior
MC	Managerial Communication
SU	Sonargaon University
BATNA	Best Alternative to a Negotiated Agreement
MIL	Model-in-the-Loop
SPSS	Statistical Package for the Social Sciences discussion

Table of Contents

Chapter	Topic Name	Page No.
Chapter 1 Introduction	1.1 Introduction of Negotiation	**07**
	1.2 Objectives of Negotiation	**07**
	1.3 Major Causes of Conflict	**08**
	1.4 Advantages of the Study of Negotiation	**09**
	1.5 Limitation of the Study	**10**
	1.6 Case from a workshop on negotiation:	**11**
Chapter 2 Process of Negotiation	2.1 Negotiation in Procurement	**08**
	2.2 Stages of Negotiation	**09**
	2.3 Rules of Negotiation	**10**
	2.4 Negotiation Tools	**10**
Chapter 3 Organizational History	3.1 Theoretical Background:	**12**
	3.2 Materials and Methods:	**13**
	3.3 Integrative and distributive negotiation strategies.	**14**
	3.4 Some Negotiating exercises and activities	**16**
	3.5 Organizational History	**19**
Chapter 4 Analyzing & Findings	4.1 Analyzing & Findings	**22**
	4.2 Develop our team Skills	23
Chapter 5 Recommendation And Conclusion	5.1 Recommendation	**24**
	5.2 Conclusion	**28**
	Reference	**29**

Chapter 1

Introduction

1.1 Introduction of Negotiation:

Negotiating is the process that procurement professionals go through to create favorable terms as part of a new supplier contract. This can involve negotiating different terms with an existing supplier when a contract is renewed, or discussing terms from scratch with a brand-new vendor.

Negotiations are typically used to determine the fairest price and payment terms, delivery and production time, quality standards and more. The negotiations need to consider the best option for both supplier and buyer, rather than just aiming to get the cheapest possible price, as this will help to build stronger relationships with long term suppliers.

To ensure everything we set out to achieve is covered in negations with suppliers, it is important to set objectives prior to entering into negotiations.

1.2 Objectives of Negotiation:

There are a number of factors that need to be considered when defining the objectives of a negotiation with a supplier. These may include but aren't limited to:

- cost
- value for money
- delivery time
- payment conditions
- after-care and maintenance terms
- quality standards
- lifetime costs each product/service
- importance of each product/service to your business

One of the first things we should do when preparing for negotiation is create a list of which factors are the most important. This will give you some scope to then decide which factors can be compromised on and which are not open to compromise.

When considering the important factors, think about what our preferred outcome would be, realistically. What price/payment conditions/quality/etc. should we agree on? And what is the very least you will accept based on what we think the supplier is likely to offer?

It is important to remember that the agreed terms should hold some benefit for both sides of the arrangement. A cheap price may be favorable short term, but accepting a slightly higher price or changes to other terms will help to reinforce the long-term relationship if we intend to use the supplier again/continuously.

1.3 Major Causes of Conflict:

Opposing interests (or what we think are opposing interests) are at the core of most conflicts. In a modern complex society, we confront these situations many times a day. The modern organization adds a whole new group of potential causes of conflict that are already present:

- competition over scarce resources, time
- ambiguity over responsibility and authority:
- differences in perceptions, work styles, attitudes, communication problems, individual differences
- increasing interdependence as boundaries between individuals and groups become increasingly blurred
- reward systems: we work in situations with complex and often contradictory incentive systems
- differentiation: division of labor which is the basis for any organization causes people and groups to see situations differently and have different goals
- Equity vs. equality: continuous tension exists between equity (the belief that we should be rewarded relative to our relative contributions) and equality (belief that everyone should receive the same or similar outcomes).

1.4 Advantages of the Study of Negotiation:

- In procedural terms, negotiation is probably the most flexible form of dispute resolution as it involves only those parties with an interest in the matter and their representatives, if any. The parties are free to shape the negotiations in accordance with their own needs, for example, setting the agenda, selecting the forum (public or private) and identifying the participants. By ensuring that all those who have an interest in the dispute have been consulted regarding their willingness to participate and that adequate safeguards exist to prevent inequities in the bargaining process (i.e., an imbalance in power between the parties), the chances of reaching an agreement satisfactory to all are enhanced.
- Like any method of dispute resolution, negotiation cannot guarantee that a party will be successful. However, many commentators feel that negotiations have a greater possibility of a successful outcome when the parties adopt an interest-based approach as opposed to a positional-based approach. By focusing on their mutual needs and interests and the use of mechanisms such as objective standards, there is a greater chance of reaching an agreement that meets the needs of the parties. This is sometimes referred to as a "win-win" approach.
- Negotiation is a voluntary process. No one is required to participate in negotiations should they not wish to do so.
- There is no need for recourse to a third-party neutral. This is important when none of the parties wants to involve outside parties in the process, e.g., the matter to be discussed or the dispute to be resolved may be highly sensitive in nature.
- Unlike the outcomes of certain adjudicative processes, e.g., the courts, the outcome of a negotiation only binds those parties who were involved in the negotiation. The agreement must not, of course, be contrary to Canadian law (e.g., an agreement to commit a crime would be illegal and thus void for public policy reasons).
- Assuming that the parties are negotiating in good faith, negotiation will provide the parties with the opportunity to design an agreement which reflects their interests.
- Negotiations may preserve and in some cases even enhance the relationship between the parties once an agreement has been reached between them.
- Opting for negotiation instead of litigation may be less expensive for the parties and may reduce delays.

1.5 Limitation of the Study:

- A particular negotiation may have a successful outcome. However, parties may be of unequal power and the weaker parties may be placed at a disadvantage. Where a party with an interest in the matter in dispute is excluded or inadequately represented in the negotiations, the agreement's value is diminished, thereby making it subject to future challenge. In the absence of safeguards in the negotiating process, the agreement could be viewed by a participant or others outside the process as being inequitable, even though the substance of the agreement may be beyond reproach.
- A successful negotiation requires each party to have a clear understanding of its negotiating mandate. If uncertainty exists regarding the limits of a party's negotiating authority, the party will not be able to participate effectively in the bargaining process.
- The absence of a neutral third party can result in parties being unable to reach agreement as they be may be incapable of defining the issues at stake, let alone making any progress towards a solution.
- The absence of a neutral third party may encourage one party to attempt to take advantage of the other.
- No party can be compelled to continue negotiating. Anyone who chooses to terminate negotiations may do so at any time in the process, notwithstanding the time, effort and money that may have been invested by the other party or parties.
- Some issues or questions are simply not amenable to negotiation. There will be virtually no chance of an agreement where the parties are divided by opposing ideologies or beliefs which leave little or no room for mutual concessions and there is no willingness to make any such concessions.
- The negotiation process cannot guarantee the good faith or trustworthiness of any of the parties.
- Negotiation may be used as a stalling tactic to prevent another party from asserting its rights (e.g., through litigation or arbitration).

1.6 Case from a workshop on negotiation:

We had to sell a training program to Sue, a former member of our law firm we knew she needed to purchase a program and she also held a grudge against our firm. Mary heaped abuse on us. I wanted to punch her, but Chuck (my partner) just smiled and began applying some standard negotiating principles.

First, he identified our interests as the selling of a program at a decent price and the maintenance of a good relationship with Mary and her law firm (focus on interests, not positions). Next, he completely ignored Mary's obnoxious personality (separate people from problems). And he offered to sell Mary only the latest program, with a price break for a quick sale (options for mutual gain).

But his most effective technique was the "jujitsu." When the other side pushes, don't push back. When they attack, don't counterattack; rethink their attack as an attack on mutual problems. Two tools are used--ask questions instead of making statements, and respond with prolonged silence in the face of unreason. Chuck used them both, and we completed the sale and got a better price than we had hoped for. Other Techniques you can use

- Broadening the Pie: Create additional resources so that both sides can obtain their major goals
- Nonspecific Compensation: One side gets what it wants and the other is compensated on another issue
- Logrolling Each party makes concessions on low-priority issues in exchange for concessions on issues that it values more highly
- Cost Cutting: one party gets what it wants; the costs to the other are reduced or eliminated
- Bridging : Neither party gets its initial demands but a new option that satisfies the major interests of both sides are developed

Chapter 2

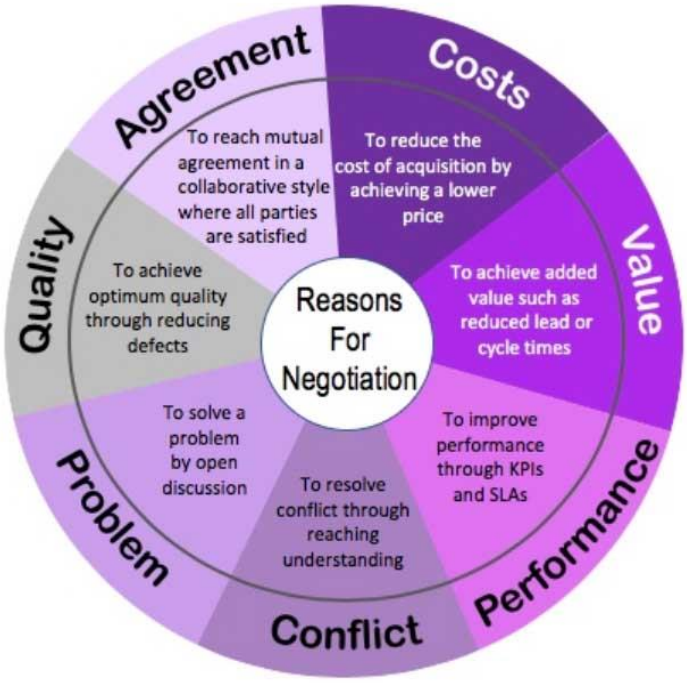
Process of Negotiation

2.1 Negotiation in Procurement:

Negotiation is communication between two or more parties with the desired outcome of reaching a mutually satisfactory agreement.

There are a number of reasons for negotiations:

- **Costs** - To reduce the cost of acquisition by achieving a lower price.
- **Value** – To achieve added value such as reduced lead or cycle times.
- **Performance** – To improve performance through KPIs' and SLA's
- **Conflict** – To resolve conflict through reaching understanding.
- **Problem** – To solve a problem by open discussion.
- **Quality** – To achieve optimum quality through reducing defects.
- **Agreement** – To reach mutual agreement in a collaborative style where all parties are satisfied.



2.2 Stages of Negotiation:

The negotiation process comprises seven main stages.

1. **Preparation** - Arguably the most important step is preparation. Without thorough preparation including research, knowing the objectives, understanding the concessions and having a BATNA, the negotiation is unlikely to reach the optimum outcome.
2. **Opening** - This is where both parties explain what they want as a result from the negotiation.
3. **Testing** - This stage is where try parties and understand what is really important to each other and where concessions could be made. Effective communication is very important at this stage, ensuring that good listening skills are put into play to gather as much information as possible as well as reading body language from the other parties.
4. **Proposing** - This is where each party puts forward their proposals of what they would like to achieve having heard the opening stage and been involved in the testing.
5. **Bargaining** – This takes place where each party offers to give up something in return for something back i.e. tradable. If one party has to give something up but receives nothing back in trade, this in known as a concession.

6. **Agreement** - Once bargaining has been completed it is expected that an agreement can be made. Agreement has to have acceptance from both parties to be legally binding.
7. **Closure** - The final stage is closure. This stage includes the documentation of what has been agreed, whether that is a contract or minutes from a meeting. Closure is an important stage – without the documentation the agreement is open to interpretation.

2.3 Rules of Negotiation:

1. **Clear realistic objectives –** Know what success looks like. What are the minimum outcomes you must achieve? Think about if you cannot achieve them, what is your walk away point?
2. **Develop your game plan –** Understand your position and who is in the weaker position. Most negotiations require trade-offs and compromise so it is important to know what the deal-breakers are and where you may be willing to trade.
3. **Research you opposition –** Take time to study and understand your counterpart. What is their style? Can they be trusted? What are their objectives and identify any common goals? Communication and active listening skills will play a part here.
4. **Win-Win** – Aiming for a win-win is ideal where you have an ongoing relationship, as if that party felt that they were treated unfairly in the negotiation they this may cause issues and damage the relationship further down the line. You should still focus on your objectives but consider the relationship more important than win-lose.
5. **Active Listening** – Listen to the other party and pay attention to their interests and what matters to them and ask questions to help you understand where there are tradable.
6. **Build Trust** – Building trust is key to a negotiation. Knowing both parties are ethical and will follow through and are trustworthy is key in the negotiation process and continuing a relationship.
7. **Focus on Value** – For both parties to come to an agreement there must be value.

2.4 Negotiation Tools:

- **Reasons for Negotiation** - The need for negotiation within procurement can present itself in a number of ways. This model explores the reasons for which negotiation may become necessary.

- **Stages Of Negotiation** - The negotiation process comprises seven stages shown in the model.
- **Negotiation Preparation** - This model shows how much resource should be used with negotiation preparation.
- **Negotiation Check List** - This template should be used as part of the negotiation preparation. This check list will enable a buyer to be certain that all generic aspects that could present themselves in a negotiation have been thought about as well as research prior to the negotiation itself.
- **Negotiation Styles -** Negotiation styles vary depending on the relationship that a procurement professional has with their supplier.
- **Win-Win -** This model outlines the four potential outcomes of any negotiation.
- **Negotiation Ploys -** Negotiation ploys/tactics are often used but can be subject to risks. Ploys/tactics have to be carefully researched prior to introducing them into a negotiation.
- **MIL -** This model outlines the goals that the parties within a negotiation can achieve.
- **MIL Template** - This template is designed to be used prior to a negotiation as part of the preparation. By recording what has to be achieved, what would be beneficial and what would be an added bonus, a procurement professional can have a full overview of the areas that they are able to trade or concede on
- **BATNA -** This model shows the importance of having a BATNA – a Best Alternative to A Negotiated Agreement.
- **If Negotiation Fails** - Whilst in industry parties enter into negotiation with a view of generating a satisfactory outcome, it is not always possible to reach an agreement. If the negotiation cannot conclude in an acceptable manner there are options for escalation.

Chapter 3

Theoretical Review

This paper aims to analyze how buyers and sellers use trading strategies considering the relationship between them and the transaction sequence. It also focuses on assessing what are the reasons associated with the use of each strategy. For this, we used a multiple case study method, analyzing the negotiations between distributors of inputs and producers. We studied 13 cases with a dyad approach (buyer's and seller's view on the same trading).

3.1 Theoretical Background:

Negotiation processes include iterations of face-to-face interactions initiated by parties at the inception of any relationship and developed as the relationship progresses over time (Karrass, 970). Webster (1981) asserts that the negotiation process is one of the principal influences at work in the buying and selling interaction process (in Neslin and Greenhalgh 1983). This is also a unique encounter because of the simultaneous presence of the elements of cooperation and conflict (Mathews et al. (1972). Formal negotiation is a skill that can be learned through experience and practice. People who negotiate a lot tend to be much more skilled at it than people who have not participated in many formal negotiations. Experienced people are more likely to know what to say when, when to make concessions, when not to, what to concede, what not to, and, in general, how to manipulate the situation to their own advantage. For this reason, negotiation tends to favor the experienced party. It is possible to overcome this problem with negotiation skills. In general, it is useful to know and understand the difference between integrative (or win-win) negotiation strategies and distributive (or win-lose) strategies. A mutually gain situation or a win-win strategies are most useful when it is possible to develop a solution to a problem in which both (or all) sides win, or at least come out ahead of where they would, were the conflict to continue. This is possible following the rules of principled negotiation. On the other hand, when the situation is unavoidably win-lost, however, as it often is (at least in part) in intractable conflicts, then principled negotiation is unlikely to work. In that case, either distributive negotiation (which is much more adversarial) or a needs-based approach (such as analytical problem solving) is more likely to yield success.

3.2 Materials and Methods:

The data was collected through structured questionnaire from mid-level managers of Apex Holdings Ltd. and mid-level executives of Apex Holdings Ltd. The scope of the study is the mid-level male and female managers of Apex Holdings Ltd. Both descriptive and inferential research was conducted to identify different dimensions of negotiators skills in Apex Holdings Ltd. Then hypothesis was formulated on the basis of core variables and conclusive research was applied to prove the hypothesis and infer the analysis. The data were collected through cross sectional survey method through a structured questionnaire. Quantitative and qualitative information related to successful negotiation was developed through the analytical scanning effort. The statistical package was used to conduct the various analyses was the SPSS, which is one of the most commonly used packages for quantitative research methods for data analysis (Bryman and Cramer, 1994).

Data were also collected from interviews with the parties in six distributors, three in Dhaka and three in the Chittagong.

The main result is that due to the importance of the relationship, the party's opportunity to use, in most of the time, integrative strategies. On one hand, in some cases sellers are willing to give up part of their earnings in order to maintain share in the customer purchases or due to a focus on the relationship continuity. On the other hand, in some cases producers tend to compete, seeking to protect their interests and the profitability of their business. Finally, it can be seen that the strategy adopted by the negotiators can change throughout the negotiation process, emphasizing the dynamic aspect of negotiation, being the central contribution of the study.

The research in the area of negotiation has presented several advances in the last decades, however, it has shown a lack of discussions with regard to the field of **Apex** Holdings Ltd business, focusing on the political as well global present situation sense in which negotiation is part of day-to-day operations.

According to Fells, Rogers, Prowse, and Ott (2015, p. 119), "although negotiations are central to business activities, there is a lack of information about what actually occurs during business negotiations".

Considering the business environment and the relationship between buyers and sellers, here highlight a latent opportunity for further studies that connect the issue negotiation and business relationship. Also argue that negotiation is part of day-to-day business. In that sense, "an in-depth understanding of how negotiators negotiate and how this process occurs in a business context can contribute more effectively to business negotiation practices".

3.3 Integrative and distributive negotiation strategies:

Negotiation strategies are decisive for the success or failure of a negotiation (Lewicki, Hiam, & Olander, 1996). Thus, it is crucial that negotiators define what strategy they will adopt, thinking about the results they want to achieve. Several studies have been conducted in recent years analyzing negotiation strategies in the relationship environment between buyers and sellers (Ramsay, 2004; Thomas, Thomas, Manrodt, & Rutner, 2013; Thomas, Manrodt, & Eastman, 2015; Zachariassen, 2008). The initial discussion is that integrative strategies may favor the development of long-term business relationships (Sharland, 2001; Thomas et al., 2013), since the quality of negotiators' relationship is derived from the way that parties deal with each other during negotiations (Fisher & Ertel, 1995). However, some other studies (Ramsay, 2004; Zachariassen, 2008) show that, while negotiators are aware that integrative strategies are beneficial to relationships, some of them tend to adopt distributive strategies as a way of protecting individual interests and maintenance of power, even in situations where it is expected to develop a relationship.

In this sense, this study aims to analyze, from real negotiations, what are the strategies used by negotiators (buyers and sellers) in relational contexts and the reasons which lead negotiators to adopt such positions. To carry out this research, the agricultural input distribution industry was chosen, and negotiations between sellers of inputs (dealers) and buyers (farmers) were analyzed. The choice of this sector was due to the strong relational characteristic present in producers' buying decision process (Kool, Meulenberg, & Broens, 1997), as well as the lack of existing studies focusing on the industry.

The study contributes to the discussion that in situations of relationships between the parties, the integrative strategy is not necessarily the most appropriate to be used, as was concluded by Ramsay

(2004) and Zachariassen (2008). Also, it suggests that alternative strategies, such as compromise, can be used by the parties to maximize long-term results even if it is necessary to earn less at the first moment. The paper also presents a list of motivations for each type of strategy that may be the basis for understanding the behavior of buyers and sellers in relational negotiations. Finally, as the central contribution of the research and refinement of existing theories, it is observed that negotiators can change their negotiation strategy throughout the process. As an example, a negotiator can start a deal by adopting a competitive approach depending on the protection of his/her individual interests, and migrate to a collaborative strategy, considering the importance of the relationship between the parties.

To contribute to a better understanding of negotiation in business environments, this paper aims to analyze how buyers and sellers use negotiation strategies considering the relationship between the parties and the sequence of transactions, as well as to evaluate which motives may be associated to the use of each strategy.

Thus, in addition to this introduction, the paper is divided into four other sections. The first is the theoretical framework that addresses the discussion of integrative and distributive negotiation strategies, and compromise, followed by the discussion of strategies in relational contexts. The second part presents the method used to gather and analyze the results. The third one concerns the discussion of results. In the fourth, some implications of the results for the theory were presented from the cases that were used as the basis for the research. Last, but not least, the fifth section presents the final considerations and contributions of this research.

Basic Principle, Without Which Negotiation Is Impossible Successful negotiation requires compromise from both sides. Both parties must gain something, and both parties must lose something. We must be prepared to give something up to which we believe you are entitled. We cannot expect to defeat our opponent or "win" a negotiation by either the power of our negotiating skills or the compelling force of our logic. This is not to say that good negotiating ability is irrelevant. In most cases, a range of possible outcomes exists. A skilled negotiator often can achieve a settlement near the top of the range.

3.4 Some Negotiating exercises and activities we have focuses in Apex Holdings Ltd:

Learning Both-Win Strategy; Practice Bartering in a Market:

Apex Holdings Ltd is conditioned to believe that when a price is printed on a tag, it's no longer up for negotiation. But what that tag is actually telling us is that this is what the store owner has decided is the best match between market pressures on the seller's side and price incentives on the buyer's side. When they find a product at a low price, they feel like they have won the price comparison game, and when they buy a product from supplier, the seller feels they have won the business. But that scenario just proves how limited our imaginations are when we approach the buyer/seller relationship. If they as the buyer can think outside the box, they may find that they can create an opportunity for both of them to get what they want: a Both-Win outcome.

Both-Win is possible when they can create new value where none was seemingly available before.

Practice Reading the Room:

Too often we focus on information and forget that we are negotiating with fellow humans. As any great poker player will tell us, all humans have told of one sort or another. And as any stand-up comic will tell us, the better we can read the room, the better we'll be able to appeal to the specific people in front of us. Every audience is different, and every negotiating table is different.

When we negotiate, oftentimes our words say one thing while our demeanor says something else. Practice paying attention to how others communicate more than the information they are saying by the way they sit, whether they are looking at us or looking away, and whether their faces are open and interested or closed and distracted. If we practice this with people we know well, then we can start to learn how certain tells indicate a willingness to talk further, a fear that they won't get what they want, or (hopefully) a distinct interest in what we have to offer and motivation to learn more! This will help us build our mental encyclopedia of body language so that when we're at a negotiating table, we have some tools to draw on every time to make a decision about whether to go in one direction or another.

But there is more to reading the room than body language. We also want to read the table, so to speak, even before you're sitting down to talk. Our relationship with our own negotiation team and the other side starts before we arrive. As we work with buyers or sellers by phone and email, practice picking up cues. Some issues seem to make the other side tense, some issues do the other side keep returning to, Make a note of these. And while we're at it, see if we can figure out some background information.

Apex team Try to figure out who at the institution drives decisions, and of course make a note of this information, too.

Role-Playing Scenarios:

There is nothing better for honing your Effective Negotiating skills than role-playing with associate. Role-playing also helps them point out how effective certain tactics can be in a pressured situation.

They trying to Find a friend or associate to practice with to help them focus on where their strengths and weaknesses are, and be sure to incorporate some of the elements that make a real negotiation complicated and unpredictable to get the most out of it.

Practice Negotiating from the Worst Position Possible:

They think about something practical that they have been working toward getting for a long time without success. It's helpful to practice starting from a position of wanting something -- like a new dishwasher or car -- from a position of having limited funds. This is where they are practicing all the techniques of negotiation that move them from an impossible position to a handshake and a good deal.

Start by preparing to walk into a negotiation with this kind of serious limit. They think about what kinds of research could help them figure out how to defend against nibbles, for example. This advance research will give them a larger playing field for their negotiation, setting them up to get what they want from the negotiation!

As they negotiate, notice which techniques work in a personal negotiation that wouldn't work as well in a team negotiation between much larger entities. For example, an interaction between a single buyer and a single seller can rely a lot more on building personal satisfaction for the seller (building satisfaction), possibly by building the authority of the seller to their own organization. Reflect on how a team negotiation requires some different tactics.

They us the Power of the "No":

One of the most powerful tools in a negotiator's box is the willingness to say a firm "no" and stand by it. There are several important reasons why should keep this tactic in mind every time come to the table that Apex practicing.

Negotiations can easily become all-encompassing, and we might feel as though a perceived win or loss in this negotiation is a measure of something larger. The danger there, however, is that each negotiation is actually just one along a long string of negotiations we will take on -- often with the same entities -- over a long period of time. When appropriate, and when it's used well, saying "no" this time can set an anchor point for future negotiations, giving them more power the next time they're at the table. This could even push the other side toward new concessions in advance of their next meeting, thereby doing some of their negotiating for them.

Practice using the strategic "no" and, under the right circumstances, they may well find that concessions that the other side was holding in their back pocket come up more quickly, improving their more success at Effective Negotiating.

Understanding Assumptions and Setting a Guiding Principle:

We tend to assume that other people broadly share the same assumptions that we do about what is valuable and what is not. This can be dangerous, however, because while most of us share some assumptions, in practice that can sometimes mean very different things to different people. This is why it can be helpful, and sometimes even crucial, to understand how to set a guiding principle at the

beginning of a negotiation. As we talk through everything from what to have for dinner to whether we should renegotiate last year's deal with a supplier or buyer, notice that we probably see value differently from others we're talking with.

Notice that if they set value differently even with somebody who is supposed to be on their own team, this leads to problems. If it's getting late at dinnertime, we might suggest going out to eat as a way of decreasing stress, but tour spouse might see staying home as the much less stressful option. Unless we name this up front, we might find your arguing for the same thing -- decreasing stress -- while effectively negotiating against each other. Similarly, when we push our organization like Apex to renegotiate a big deal our team settled a year ago, we might be thinking about the value of bringing the price down, while somebody else on our team might see value in holding off on some major demands that we managed to stave off last time. If we aren't on the same page as our own team about what the guiding principle is and what has value, then we will be working against each other.

In those scenarios, we're working with somebody on the same side. But this is also an important tool to use with an opposing team. For example, if we can set a guiding principle up front that as the seller we deserve a fair profit, then we have an assumption built into the negotiation that is going to benefit our organization.

3.5 Organizational History:

Apex Holdings Limited

Apex Holdings Limited (AHL) is a holding company for the management of a wide range of manufacturing and export-oriented enterprises, ranging from Frozen & Convenience Foods, Textiles & Apparels, Chemicals & Agro businesses. The company was formed and registered in Bangladesh in 1998. The sponsors of AHL had set up its first export-oriented manufacturing enterprise in 1980 and have ever since grown into a sizable group of companies. As the number of companies under the management increased, the need for a management company to facilitate coordination and to maintain control over the individual company became necessary.

Sustainability:

Apex is a pioneer in sustainable manufacturing. Its sustainability efforts are driven by digitization, ecological cognizance, productivity, innovation, and adaptability. Apex has a three-pronged mechanism for addressing sustainability: environmental friendliness, usage of recyclable materials, and mainstreaming corporate social responsibility efforts into its daily operations.

Our commitment to environmental friendliness is multi-faceted. We have one of the largest privately-owned water treatment plants in the country where it researches how to recycle wastewater. Our factories use environmentally friendly chemicals that adhere to ZDHC (Zero Discharge of Hazardous Chemicals) guidelines, to promote sustainable manufacturing.

We have prioritized conserving resources. We use singeing and sublimation in the manufacturing of our textiles to minimize dye wastage and chemical usage. To conserve energy and maximize efficiency, we made the switch to LED lights from CFL lights and from clutch motors to servo motors in all of our factories and offices. Additionally, our operations utilize waste heat from factory power generation and use it to power air-conditioning and cooling units. Our energy conservation initiatives extend to our dyeing houses as well, as a part of the International Finance Corporation's (IFC) PaCT program.

We are the Global Recycle Standard (GRS) certified, which means that we voluntarily allow third-party assessment of our recycling efforts. We recycle the pre-consumer waste produced in our manufacturing processes into new fiber. We work with bamboo fiber, recycled polyester, recycled ocean plastic, nylon, viscose made from FSC certified wood pulp, and viscose made from pre-consumer recycled cotton in addition to using organic cotton in our manufacturing. Also, to integrate technological innovation into our sustainability initiatives and to promote recycling, we have collaboration with Reverse Resources to facilitate an online platform that allows a network of recycling spinners to access fabric scrap availability.

CSR Policy:

We have mainstreamed corporate social responsibility into our operations and chooses to holistically develop our employees. Some of our initiatives are planting 1000+ trees a year, providing safe drinking water, on-premises medical and transport facilities for staff and family and daycare centers which have certified childcare givers for working mothers. We also organize wellbeing training sessions focused on financial literacy and nutrition of our employees as a regular practice. We are determined to invest in our people. Along with the support from the International Labor Organization (ILO), we have jointly developed a wage management system called the Fair Wage Method to address wage disparity challenges in the global garment manufacturing sector. We do not see these works just as corporate social responsibility but as a way to develop the community and the larger global availability.

Chapter 4

Analyzing & Findings:

As a company Apex Holdings Ltd always try to follow some core strategy for negotiation and vendor selection. We do study on every individual supplier about their product quality, price and scope of supply. Company management think negotiation processes involve a substantive, a communication, and an emotional dimension. These dimensions have been analyzed mainly in isolation of each other. We introduce an approach to consider all three dimensions and present an empirical study on the relations between these dimensions. Results indicate a strong linkage between communication behavior and emotions, while connections to the substantive dimension of the negotiation process are weaker.

We thus focus on the process perspective as a common ground between dimensions. This requires a unified framework for negotiation processes, which maps events in the different dimensions onto a common time scale. This time scale must also be comparable across negotiations for data aggregation and statistical analysis.

4.2 Develop our team Skills:

Every company today exists in a complex web of relationships, and the shape of that web is formed, one thread at a time, through negotiations. Purchasing and outsourcing contracts are negotiated with suppliers. Marketing arrangements are negotiated with domestic and foreign distributors. The contents of product and service bundles are negotiated with customers. Product development pacts are negotiated with joint-venture partners. It's difficult to think of any business initiative that does not require some form of negotiation.

Although the outcome of any single negotiation may not have much effect on a business's fortunes, the thousands of negotiations a typical company undertakes have, in combination, an enormous impact on its strategy and its bottom line. In my years of consulting on negotiations, however, I have found that companies rarely think systematically about their negotiating activities as a whole. Rather, they take a situational view, seeing each negotiation as a separate event, with its own goals, its own tactics, and its own measures of success. That approach can produce good results in particular instances, but it can turn out to be counterproductive when viewed from a higher, more strategic plane. Hammering out advantageous terms on a procurement contract may, for example, torpedo an important long-term relationship with a supplier. Or coming up with a creative response to one customer's unusual needs may undermine a broad market or product strategy.

Chapter 5

RECOMMENDATION AND CONCLUSION

5.1 Recommendation:

Negotiation is a process where two or more parties with different needs and goals discuss an issue to find a mutually acceptable solution. In business, negotiation skills are important in both informal day-to-day interactions and formal transactions such as negotiating conditions of sale, lease, service delivery, and other legal contracts.

Good negotiations contribute significantly to business success, as they:

- help you build better relationships
- deliver lasting, quality solutions — rather than poor short-term solutions that do not satisfy the needs of either party
- help you avoid future problems and conflicts.

Negotiating requires give and take. You should aim to create a courteous and constructive interaction that is a win-win for both parties. Ideally a successful negotiation is where you can make concessions that mean little to you, while giving something to the other party that means a lot to them. Your approach should foster goodwill, regardless of the differences in party interests.

A good negotiation leaves each party satisfied and ready to do business with each other again.

This guide explains why negotiation is important, and outlines strategies and tactics for negotiating well.

5.2 Conclusion:

Effective negotiation is a key to the improvement of organizational competitiveness. There is more to negotiation skills than is available in many books dedicated to the subject. Negotiation skills lie at the very heart of business success since business is driven by humans who are social beings. This socialization process involves constant interaction hence the need for negotiation for best outcomes and results. There is therefore need to interweave negotiation skills into the fabric, character, processes and procedures of organizations like Apex that would be successful in the 21st century.

The most notable finding of this research is that negotiation skills of negotiators i.e., mid-level Managers of AHL, Bangladesh have reasonably clear idea about negotiation skills/tactics. While the results of this research were based on percentage analysis, so need further replication of the work. In addition, the sample size is 57, which was not as large as it ideally might have been. The suggestion is that it is necessary to have a balanced acceptable fund for the detail and volume of data on skills or tactics for this research. In conclusion, the study of the skills of the negotiators in determining the outcomes of negotiation has yielded stimulating and exiting results. The findings can be applied to different negotiation experiments and hope that future researchers will expand and improve upon this work as they strive to understand bilateral influence processes.

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