

Innovative Negotiation Strategies for Achieving Win-Win Outcomes

Haiming Zhang*

Jiangxi Hanvos Senior High School, Nanchang, 330000, China

* Corresponding Author Email: zhanghaiming@hanvos-jx.com

Abstract. Negotiation is a communication process between two or more organizations or individuals, in which they discuss, negotiate, and strive to reach a consensus or agreement. The purpose of this process is diverse, including establishing connections, resolving common issues, handling conflicts and disputes, and improving relationships between each other. At the same time, this is also a process of meeting the needs of all parties. With the continuous advancement of globalization, communication between countries has become increasingly frequent, and business negotiations have become more and more common as a result. However, it is worth noting that despite the increasing number of business negotiations, it is not always easy to reach an agreement through negotiation. This usually requires significant effort from all parties, demonstrating sincerity, and employing skilled negotiation skills. This article aims to analyze commonly used techniques in business negotiations, identify the most suitable method for both parties to reach an agreement, and achieve a win-win situation.

Keywords: business affairs; negotiation; Win-win strategy.

1. Introduction

1.1. Background and Significance

With the progress of the times, communication between countries has become increasingly frequent, and at the same time, business negotiations have also become more frequent. Negotiation is the process of communication, discussion, and reaching consensus or agreement between two or more parties (whether organizations or individuals). In business negotiations, everyone wants to gain more benefits, but people cannot only focus on their own interests, because every more benefit gained by each person will lead to less benefit for the other party. If this is the case, business negotiations will not succeed [1].

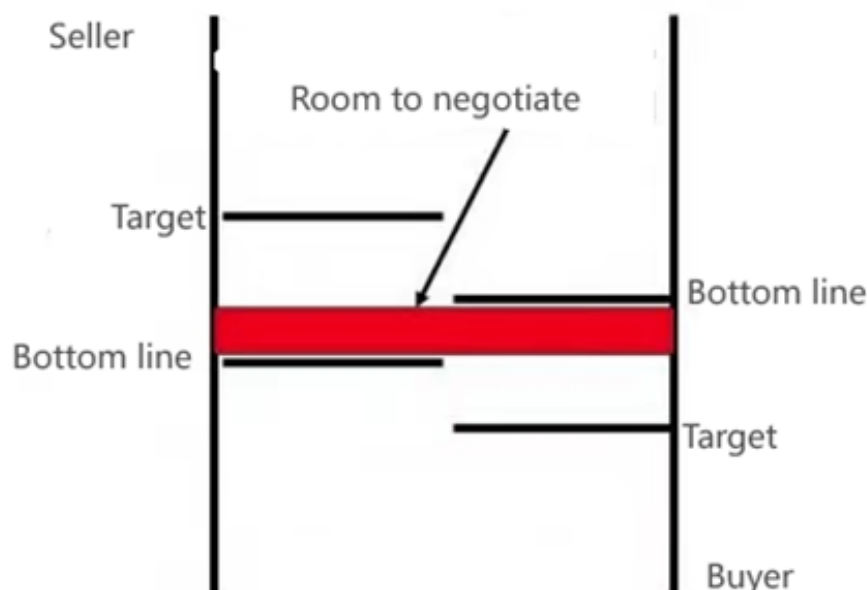


Fig. 1 the room to negotiate [2]

1.2. Research questions and objectives

The prerequisite for successful business negotiations is that both parties must have a relatively satisfactory outcome to the negotiation. This indicates that there is more than one outcome in business negotiations [3], but both parties need to have the idea of giving up some benefits before the negotiation in order to achieve a win-win situation. But how can we achieve a win-win situation and ensure that everyone is satisfied with the negotiation results?

2. Case Description

2.1. Case background

Geely Automobile Group is a leading automobile manufacturer in China, committed to becoming the most competitive and respected Chinese automotive brand. Geely Automobile Group currently owns the Geely Automobile brand, Lynk&Co brand, and Geometry brand. Proton is a domestic automotive brand in Malaysia, founded in 1983. It is a wholly-owned subsidiary of DRB-HICOM, established under the leadership of Malaysia's fourth Prime Minister Mahathir Mohamad. Mainly engaged in automobiles and automotive parts. This is a marathon style acquisition. Proton has been looking for partners since 2012, and the two sides began to contact each other five years ago. In May 2016, Proton officially began bidding, and Geely received the bid in June to form an acquisition project team with a maximum of more than 30 people. Group CFO Li Donghui served as the leader of the negotiation team, and Group Vice President Yu Ning served as the executive team leader.

At the beginning, more than 20 companies worldwide received bids, and after layers of screening, six were selected, and then three, which are well-known to the public as Geely, PSA, and Renault. Finally, on May 24, 2017, Geely emerged as the winner.

2.2. Negotiation process

This is a marathon style acquisition. Proton has been looking for partners since 2012, and the two sides began to contact each other five years ago. In May 2016, Proton officially began bidding, and Geely received the bid in June to form an acquisition project team with a maximum of more than 30 people. Group CFO Li Donghui served as the leader of the negotiation team, and Group Vice President Yu Ning served as the executive team leader.

At the beginning, more than 20 companies worldwide received bids, and after layers of screening, six were selected, and then three, which are well-known to the public as Geely, PSA, and Renault. Finally, on May 24, 2017, Geely emerged as the winner.

2.3. Outcomes of negotiation

Seven years later, the Malaysian Prime Minister personally convened a project meeting to promote the expansion of the scale of China Malaysia automobiles from over 100000 to 500000. The commercial cooperation between China and Malaysia over the past 50 years of diplomatic relations proves the firmness and deepening of the bilateral relationship. In 2023, the total bilateral trade volume between China and Malaysia will reach 1338.34 billion yuan. As a crystallization of China Malaysia automotive cooperation, Geely and Proton's partner DRB-HICOM deepen their cooperation to jointly build the Malaysia Tanjung Malin Automotive High-tech Valley (AHTV project) and jointly create a highland for ASEAN new energy and new technology research and development manufacturing.

3. Analysis the problem

3.1. The limitations of traditional negotiation strategies

Generally speaking, the traditional negotiation method refers to distributed negotiation. This method is usually based on the premise that one party gains benefits while the other pays a price and is a win-win negotiation. The negotiation process is to appeal that each party's goals are fair and try to stimulate the opponent's emotions to make them feel generous towards you, thereby achieving the goal. Although we cannot deny that this negotiation method does have certain effectiveness, the success rate of such negotiations is extremely low. This is because not everyone will remain generous to their opponents, and in tit for tat business negotiations, unlimited begging for the opponent to give up their interests often leads to negotiation failure.

3.2. Application of innovative negotiation strategies

However, Geely did not use distributed negotiation when negotiating with DRB-HICOM Group, but instead used interest-based negotiation. During the negotiations with DRB-HICOM Group, the Geely team's plan had many aspects that moved Proton, "touching their pain points and knowing where they could not solve the most." (From the press conference after Geely Group signed the acquisition agreement with DRB around 2pm on May 24th). During this period, Geely Group seized the opportunity very well. Based on the interests of DRB-HICOM Group, a win-win agreement was reached.

3.3. Key factors analysis

As mentioned earlier, Geely Group has seized the interests of DRB-HICOM Group very well and opened up a very good start in negotiations based on these points. For example, in terms of vehicle models, the Proton has not been able to adapt well to the SUV market in Asia. Geely will introduce a mid size SUV into the joint venture company for production and sales, which is a point that Proton attaches great importance to in the negotiations. In addition, both parties have agreed to use the Proton brand in markets where the Proton brand is strong in the future, and in other markets, the Proton will serve as Geely's production base in Malaysia, producing and selling to surrounding markets. Geely will exchange tangible and intangible assets such as cash and technology for shares, while the amount and combination of funds held by Geely are still under negotiation. Equity below 50%

Why does Geely hold less than 50% of the shares? Because Proton has its specific background, it is a national brand and pride of Malaysia, and the shareholding ratio is fully respected and agreed upon by both parties, without any compromise. It is not convenient to disclose specific conditions such as board seats and voting rights at the moment, but it can be confirmed that 'Geely is the leader in management'.

From this, it can be seen that Geely not only focuses on its own interests during negotiations, but also considers the interests of DRB-HICOM Group. Geely was able to gain favor from DRB-HICOM Group by giving up only 0.1% of its shares. It can be seen that interest-based negotiation is very efficient and can increase the probability of transactions. By giving up interests in other aspects, it can bring greater benefits to the collective.

4. Suggestions

4.1. General strategy recommendations

Clarify the relationship between stance and interests: In business negotiations, a position is a respected transaction principle proposed by both parties to the other party [4]. Generally speaking, a position is very clear and explicit, and without a position, there can be no negotiation. And interests are the true needs hidden behind positions [5].

In fact, many negotiators hold the determination of "you lose, I win" or "you win, I lose" in negotiations, but this is not the case. Many people are not willing to believe that their position cannot be given up in negotiations, but they often forget that the most important thing in negotiations is interests. Stubbornness in their own views often leads to the worst outcome [6].

Based on this perspective, negotiators should focus on what they are truly pursuing. Everyone has different interests when negotiating. Recognizing the differences between each person's positions, while recognizing that giving up some interests is necessary is what a truly mature negotiator should do.

Propose innovative proposals in negotiations, exchanging soft benefits for more benefits: There are many types of benefits in negotiations, among which the most obvious are soft benefits and material benefits [7]. Material benefits are usually the most intuitive benefits, such as transaction amount, while soft benefits include many things, such as long-term cooperation, the impact on the reputation of the enterprise, or the impression given to the other party in negotiations. Generally speaking, negotiators will consider the balance between material and soft benefits by maintaining a long-term cooperative relationship between the two companies. For example, when purchasing an electronic device, the seller usually proposes to increase the price to provide longer after-sales service. This is an example of buyers exchanging material benefits for soft benefits, and buyers achieve long-term cooperation with the seller by sacrificing material benefits.

From this perspective, both parties have gained a feeling of "winning". As buyers, people have received longer after-sales service and can seek help from the seller in case of any difficulties in the future. As sellers, their single transaction volume has become higher, bringing them more short-term profits. Therefore, this will be a very good deal for both parties. It can be seen that negotiators need to better balance the interests of both sides [8].

Skills for asking questions: There is a widely circulated little story in the negotiation world:

A mother gave an orange to her neighbor's two children. The two children then discussed how to divide the orange.

The two people argued and eventually reached a consensus that one child would be responsible for cutting the oranges, while the other child would choose the oranges. Therefore, the two children each obtained half of the oranges according to the agreed method and happily took them home. The first child took half an orange home, peeled off the skin and threw it into the trash can, put the pulp on the juicer, and mixed it with juice to drink. Another child returned home and dug up the fruit pulp, throwing it into the trash can. He left behind the orange peel, ground it up, and mixed it with flour to bake a cake [9].

In this short story, we can see that both parties did not make perfect use of the orange. What caused this? Firstly, we can see that they are not clear about each other's needs, which leads to a waste of resources. Although this negotiation did not fail, it cannot be considered a good negotiation. In this negotiation, they did not use the technique of asking questions. In formal business negotiations, cleverly and effectively raising questions can steer the other party's thinking path while attracting their attention, allowing you to better control the overall trend and direction of the negotiation [10].

There are three main techniques for asking questions: 1. Open ended question, 2. Exploratory questions, 3. Clarifying questions [11].

Open ended questions are usually asked in terms of "how" and "why" to help the other party better explain their position and viewpoint. For example, you can write "why does your company think the price is normal" or "how do you ensure the consistency of product quality". Through these questions, you can obtain more information. Exploratory questions are questions raised based on a certain level of communication between the two parties, which can help the other party better express their true "feelings" and seek a direction that can be pursued (not an accurate answer), such as "how do you think we can improve our agreement? This type of question can help you understand the other party's

thoughts and better find a point of entry for your interests. As for clarification questions, it can help you determine the other party's viewpoint when there are differences in negotiations and avoid ineffective arguments, which will bring the negotiations back on track towards chaos. So, what do you mean Is that okay? ".

Using psychological techniques in negotiations: Excellent psychological skills often help negotiators better assess the situation [3]. During the negotiation process, negotiators need to pay attention to the following key points: 1. Careful observation and psychological analysis: Negotiators not only need to pay attention to the other party's words and tone, but also closely observe their every move. Tiny body language often reveals more true information than words. For example, when lying, people often unconsciously cover their mouth, touch their nose, ears, rub their eyes, or scratch their neck. Therefore, negotiators need to pay special attention to the other party's mouth, eyes, eyebrows, nose, and other parts, especially when their verbal statements contradict their body language, they should analyze their true intentions in depth. 2. Use conditioned reflexes to control the situation: Human behavior is often the result of conditioned reflexes. After fully observing and understanding the other party's behavior and psychological state, negotiators can adopt corresponding stimulus measures to prompt the other party to make the expected response, thereby firmly grasping the initiative of the negotiation.

Offer more strategically in negotiations: When quoting, comprehensive consideration should be given to the current negotiation environment and the relationship with the other party [8]. If both parties have established a long-term and close cooperative relationship, the quotation should be relatively reasonable to reflect the sincere willingness of all parties to cooperate.

As a seller, the initial quotation should be set relatively high, which can leave sufficient bargaining space for subsequent negotiations. As a buyer, the opposite strategy should be adopted, and the initial quotation should be as low as possible. This pricing strategy is not only aimed at the price itself, but also involves multiple aspects such as product quality, packaging, payment methods, etc. By setting high or even stringent requirements, one can be prepared to make compromises in subsequent negotiations.

After the initial quotation, both parties should not immediately increase and decrease the price. This may make the other party think that you are not adequately prepared or lack confidence in your own quotation. At the same time, the initial quotation should be complete, clear, and firm in attitude, without the need for any explanation or clarification. If you give too many explanations to the other party during the first quotation, it may make them feel that you lack confidence in the quotation and need to find reasons to prove its rationality.

Overall, quotation is a crucial part of negotiations and requires comprehensive consideration of multiple factors to develop strategies. By providing a reasonable quotation, a solid foundation can be laid for subsequent negotiations.

5. Conclusion

Business negotiation is an indispensable activity in economic activities. It can facilitate both parties to reach an agreement and is an important part of negotiations between both parties. Business negotiation is a two-way communication process aimed at reaching a common agreement on different requirements or ideas. There are many techniques in negotiation that can help us reach an agreement. Of course, in order to achieve satisfactory results in actual business negotiations, negotiators not only need to master the theoretical knowledge of negotiation, but also need to hone themselves through continuous practical experience. Communication plays a crucial role in business negotiations. Among them, language communication is the most important way of communication, and non-verbal communication is equally important as it conveys a large amount of information in business negotiations.

References

- [1] Huang Haixia (2022). On the Skills and Basic Connotation of Business Negotiation. *Business Observation* (21), 81-84
- [2] Hu Yanfang (2023). Research on Price Strategies for Win Win Business Negotiations *Enterprise Reform and Management* (23), 104-106 doi:10.13768/j.cnki.cn11-3793/f.2023.1318.
- [3] Pan Miao (2012). Application and Analysis of Behavioral Psychology in International Business Negotiations *Modern Economic Information* (16), 243
- [4] Si Yan'an (2023) Skills and coping strategies in international business negotiations *Modern Marketing (First Quarter)* (10), 132-134 doi:10.19921/j.cnki.1009-2994.2023-10-0132-043.
- [5] Shen Qi, Bu Haili, Qi Guli, and Ruan Qiheng (2022). Analysis of communication and persuasion skills in business negotiations *International Public Relations* (19), 77-79 doi:10.16645/j.cnki.cn11-5281/c.2022.19.042.
- [6] Lv Xiangsheng (2006). How to achieve "Win-Win" in international business negotiations *China Economic and Trade* (09), 66-68
- [7] Zhao Sujie (2008). Analyzing the "win-win" approach in business negotiations *Times Economy and Trade (Second Half)* (02), 167-168
- [8] Liu Xin (2020) Principles and strategies for quoting in business negotiations *Guangxi Quality Supervision Guide* (06), 160-161
- [9] Zhao Yangyang, Sun Li&Shen Ruonan (2014). Win win business negotiations *Electronic Production* (14), 274-275 doi:10.16589/j.cnki.cn11-3571/tn.2014.14.194.
- [10] Ding Yuqing (2012). How to achieve a win-win situation in business negotiations *Value Engineering* (25), 146-147 doi:10.14018/j.cnki.cn13-1085/n.2012.25.155.