

## SUCCESSFUL INTERNATIONAL NEGOTIATIONS

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It is a pleasure to present this paper to this conference of esteemed peers. This, the 37th Annual Conference of the Canadian Nuclear Association/Canadian Nuclear Society, gives clear evidence that our industry is alive and well, serving the domestic and international markets competitively, safely and constantly striving for better ways to provide the valuable resource of energy that drives our economies.

As many of you know, AGRA is an international engineering, construction, environmental and systems technology company with over 5,000 employees worldwide. We have tremendous experience in thermal and hydro power through our subsidiary AGRA Monenco; HVDC transmission through our 50% ownership of Teshmont Consultants; and in nuclear power, with our 50% ownership of CANATOM. We are active members of Canada's international exporting community and look forward to continuing our strong relationship with all of you in the future.

Part of the underlying fundamentals which help drive successful business deals are negotiations. As everyone knows, societies have been engaged in negotiations since the dawn of time. The voyageurs who discovered Canada traded goods for pelts; your children negotiate to stay out late on a Saturday night and of course, many of us, while trying hard, negotiate ourselves around the often challenging and undulating lies of a golf course.

Today, while the links may offer a more enjoyable challenge to negotiate, I am going to speak about successful international negotiations. Without question this is a topic which affects us all and one which offers no right answer, no one solution and no perfect direction on the pathway to success. International negotiations offers a myriad of complexities from different legal and political systems, language and religions, cultures and traditions. As these interact and in most cases collide, they create a horizon filled with potentially explosive and destructive outcomes. These elements make success in international negotiations just that much more delicate to create.

Today I am going to outline three areas of discussion and thought. I want to focus on a general framework or the context of a typical negotiation; second I will highlight some of the integral and practical components that relate to this model and third, I want to throw out a number of other items which often aren't spoken about but exist and should be built into your strategies.

First, the Framework.

Within the public realm of academics and theorists, there are a multitude of papers and discourses on negotiating: like for instance the zero sum game. For this paper, I have chosen to include the framework outlined by Arvind V. Phatak and Mohammed Habib, both of the Department of International Business at Temple University in Philadelphia. For future reference, their article, *The Dynamics of International Business Negotiations* appears in the May 1996 edition of *Business Horizons*.

As everyone is aware, negotiations include a great deal more than just the issues dealt with at a negotiating session. They often also include a broader framework or context in which a negotiation will occur. Phatak and Habib highlight what they refer to as umbrella contexts, those being environmental and immediate. The environmental context refers to the forces in the environment that are beyond the control of either party involved in negotiations -- like legal and political pluralism, currency fluctuation and foreign exchange, government controls and bureaucracy, instability and change, ideological and cultural difference and the influence of external stakeholders.

The immediate context includes factors in which you, the negotiator have some level of control over. There are five such areas: relative bargaining power of negotiators and the nature of dependence, levels of conflict underlying potential negotiations, the relationship between negotiators before and during negotiations, desired outcome of negotiation, and the impact of immediate stakeholders. As you can see in this illustration, the complexity of international negotiation requires you as a participant to take nothing for granted.

You must be prepared to open your eyes and ears. You may have to be flexible and bend or change some of your long held opinions and traditions. If you do not, you will find success much harder to discover. These elements all play in a negotiation process, each to a differing level and each with a different emphasis.

As you can see, the figure outlined by Phatak and Habib is complex and intertwining. Some of the items are self-evident like currency and political issues. Within the framework of the model, I want to augment some of the items. While the model doesn't identify the particular weighting of any one aspect, in my view there are a number which irrespective of uncontrollable events are primary to your negotiations. I want to focus on three items: 1) culture, 2) knowing your customer's organization and building relationships with them to be better positioned to negotiate, and 3) how your proposal should be included as part of your negotiating strategy. I also want to add an item which is not identified by Phatak and Habib, confidentiality.



## CULTURE

Understanding the native culture of the people you are negotiating with is paramount. In North America, we approach negotiations by sitting down at a table, hammering out a deal, going for dinner and then building the lasting personal relationships. This is not the case in Asia. It is an inverted relationship. You must first invest in building and maintaining the relationship long before any negotiating begins. Even though this is one of the critical elements to conducting business in Asia, it is more often than not, the same one that we only learn from by experience instead of trying to work at it from the beginning.

For instance, the President of our associated company CANATOM visited Indonesia to make a pitch to the government on nuclear power plants. He was informed prior to his meeting that his Indonesian audience would smile, nod their heads and seem as though they were attentive and ready to accept his sales pitch. However, what this really meant was that he had "heard" you, and may not even agree with you or even understood what it was that was said. Body language and mannerisms are critical to understanding where you stand. In this instance, he came away totally convinced that he did make an impact, that his Indonesian counterpart was ready to agree with the pitch. Well, sure enough, even though you would have been convinced by the response of the Indonesian: focused, intent on listening to the pitch, positively shaking his head, smiling throughout, he didn't understand what was going on. He saw it as the very early beginnings of getting to understand who this person was and in building a relationship. We saw it as a door opener to get in and make a sale.

This is important to recognize because when you finally make it all the way to the negotiating table, you will find these types of things will occur and you must be prepared and aware of how to react and deal with them.

The other element of culture is your body language, how you conduct yourself consciously and unconsciously. This is important. When you get frustrated it shows. Even if you don't think it is obvious, you may raise your voice in frustration as negotiations are slowing. Your impatience shows. It irritates your counterpart, confuses them and then leads to an impact on the overall negotiation. These two elements are part of the cultural difference which the model highlights. It is incumbent upon you to learn about it, plan to deal with it by including it in your strategy from the start.

## KNOW YOUR CUSTOMER TO BETTER NEGOTIATE

There are two elements to knowing your customer: understanding what makes them tick and building the relationships that will lead to a better understanding. These are very much linked and speak to two of the areas in the model on relative bargaining power and relationship to the negotiator.

Often, we are short on intelligence on our clients in overseas markets. You should invest heavily in gathering key information on your client, the "what makes them tick plan".



These should be the assumptions on which you base decisions, and not your personal opinion or the view expressed in the business section of your local paper. "Knowing your customer" is probably an overly used cliché in the business world, but that's because it's true. The Golden Rule of marketing is to know your customer, have a blue print of his organization, its make-up, its driving principles and philosophies, its decision-making structure. Know what they view as a risk or non-starter in negotiation. Identify what they would be able to "give away" and be comfortable doing it to help both of you have a successful negotiation.

As part of identifying issues where your customer could be flexible, if at all possible, try not to bring your negotiations to a single issue. If you do, you set up a winner or loser situation, which is never a good thing when negotiating, especially in Asia where they will drive a hard bargain but at the end of the day ensure everyone is a winner. So, leave a few issues, make a package deal and invest in understanding what's important to them -- which means it may not always be money. By understanding your customer's needs, you will be able to better deal with a number of critical issues, and both of you will be able to proclaim victory.

For instance, let's say that your client is haggling over price. For him, you need to reduce your price. For you, you can't reduce your price because you need to include risk when it comes to delays in customs for delivery of your products, knowing it will never arrive in time. Knowing your client well enough, you can say to him you will reduce the price if he accepts responsibility for dealing with customs and accepts delivery of your product when it arrives at customs instead of directly to him. In this way, you trade away risk and his price is reduced, a win win situation. This trade off process can bring substantial upside in international negotiations, but only will work if you know your customer well enough to do so.

Clients are looking for the most value for the least cost and you are looking for supplying the least product and service for the most cost. It is critical to know your client to ensure you succeed in negotiations.

## RELATIONSHIPS WITH YOUR CUSTOMERS

Building relationships with your clients are essential. Befriend these people. It's not good enough to have the best product and technology. For good or bad, there is a growing acceptance in the marketplace that the majority of companies have the highest technical level possible, that we are all on the same playing field. You need to differentiate yourself from everyone else by investing in service and relationships. You must invest in these, not just give lip service to them. When it's time to make the tough choices in a joint venture or contract negotiation - you have a substantially better outcome if you and the person you are dealing with have developed a trust between you. Equally, you should employ the information you know about the customer's needs and flexibilities to demonstrate the goodwill which will further demonstrate why he trusts you and why doing a deal with you will work.



Building your relationships require you to know the key players in any organization. You need to know who the gate keeper is, who can say yes and even more important, who can say no. Once you know how they operate you can invest your precious time and effort into building the right relationships with the right people.

As you develop your relationships you have an avenue to illustrate what you are all about. Be the innovator. Be the one who doing business with is the easiest. Be proactive, supply information -- both laterally and on a referral basis. They will know you are paying attention to their needs, even when it may not relate to the projects on which you are specifically working with them, but ones that are strategically important to them.

Pay close attention to the dos and don'ts, the colour and type of presents for them, everything is important. All of these are indicators of how important your clients are for you. Your actions exemplify the importance you place in building the relationships, the corner stone of all future personal and business relations.

The international business world is changing. At one time it was what you knew that ensured you were successful. Then it was what you knew and who you knew that made you successful. Now it has evolved one step further - who knows you. Your success internationally will be directly proportional to how effective your relationship building becomes.

A final element of knowing your customer is to openly acknowledge you may not be the best messenger to negotiate. By this I mean you engage a local agent or representative to help act as a liaison with the client. It is foolish to go any where in a strange country without some form of local advice, either from a national of that country or a close associate of the client who knows local procedures and protocol. Do not short change yourself in interpreting the different approaches which cultures and traditions bring. This could make your international experiences difficult.

## PROPOSALS

You may ask yourself the question, why am I now talking about proposals and what do they have to do with negotiating? Well, the proposal really sets the tone for future negotiation. Your proposal will of course respond to the requirements of the bid, it will be high quality, offer the lowest price and it will outline your expertise for the project. But, it should also set the tone for negotiation, setting out the way you think, giving your counterparts a chance to understand how you work. As well, the way in which you as a short listed company respond to a client will also set the tone. For instance, if you are able to deliver a fast turn around on revisions of specs, if you behave in a proactive and constructive manner, your counterparts will see your enthusiasm and interest in building the relationships to work together. It may sound odd, but every element from start to finish is a part of the negotiating process.

## CONFIDENTIALITY

I am now going to tread outside of the model framework to talk about a sensitive issue - confidentiality. What I mean by this is the security of your information - faxes, couriers, conversations, note pads, computer disks and hard drives. All of these contain pertinent information on your positioning during a negotiation and are hot commodities. I don't want to cast yours or my relationships with others in a poor light, but do not be naive about the stakes involved in negotiations, especially when some include billions of dollars.

Be smart. Think about where you are speaking, ie: the washroom, a restaurant, a lounge or an air plane. How many times have you been able to get a good stock tip while sitting quietly in an airport lounge -- except maybe on Bre X.

Be strategic with what you do. Take your notebook and anything which is critical to your negotiation with you. If you have a portable hard drive, take it with you. If not, keep the critical components on a disk, in your pocket.

Think about a secure way of communicating by fax or e-mail directly to your notebook with inscription. But, that sometimes is not even enough. My message is simple. THINK, use good judgment. You do not want to compromise your negotiating position.

## NUCLEAR

Now that I've set out a framework for negotiation, let me say that negotiations on nuclear projects are even more complex and longer than more familiar forms of project negotiation. This makes the need to understand the elements even more important, especially the ones which fall under the heading of patience. Nuclear projects have a longer development cycle making the capitalization of interest an issue, resulting in more external stakeholders like banks and loan agencies working to protect their investment.

So, after all of this, you can see the challenges are great, but so can be the rewards. Know your customers, build and maintain those relationships, persevere to make your negotiation work and above all, try to have some fun doing it.

Good luck and thank you for listening.