

The Effect of Negotiation on Sales Performance in an Organisation

¹Dr. Kabuoh, Margret N, ²Dr. Egwuonwu, Thomas K &
³Dr. Ajike, Emmanuel O
*Department of Business Administration and Marketing
Babcock University, Ilishan, Ogun State Nigeria*

Abstract

Effective communication in business transaction is one of the tools that promote marketing activities. Communication comprises of various tools, one of which is negotiation meanwhile, people most often disregard the importance of negotiation due to its silence nature. This study evaluated the effect of negotiation on sales performance. Secondary data was employed as a source of data elicitation. Text books and journals were basically the instruments from where the information relating to the study variables were reviewed from. Results indicated that there exists a relationship between the independent variable (negotiation) and dependent variable (sales management). Recommendations were; that negotiation should be taken as a guide in the preparation of sales task. The employers should always train their staff on how to imbibe the negotiation guidelines and processes. There is need to motivate staff for sales performance achievements.

Keywords: *Effect, Negotiation, Sales performance, Sales Force, Communication.*

Background to the Study

Most organizations are interested in the maximization of shareholders fund hence the need for effective and efficient communication strategy. Marketing and marketing communication mix are changing, new tools, new opportunities and new challenges are emerging as the 21st century progresses (Smith & Taylor, 2010). Effective communication is displayed by accurate sales man's negotiation born out of efficient Sales management leading to organization's performance.

Leigh and Khakhar (2015) opined that international business negotiation is often a key element in marketing success. Negotiators frequently interact with potential business partners from markedly different cultural or social backgrounds. To be successful, they have to acquire a complex skill set that has to be acquired 'on the job' – a skill set that is useful in preventing undesired perceptions, filtering out communication 'noise' and that promotes successful negotiation outcomes. To quote Shi and Wright (2001:186); “In a global business environment, the business executive's work has an increasingly international orientation and international business negotiation becomes an important competency”. The growth of new emerging markets and of the global economy have seen increasing demand for negotiation training for marketing executives. Training consultants generally teach negotiation skills by drawing on communication theory and socio- psychological perspectives. The success of negotiations in international settings relies on the ability of managers to effectively communicate their message in different cultural settings (Schoop, Kohne, & Ostertag, 2010). Managers must be aware of the contextual factors influencing the negotiation process, and should have the ability to alter their style and strategies to suit their needs (Saeed, 2008).

In some selling situations, the salesperson or sales team have a degree of discretion with regards to the terms of the sale. Negotiation may therefore enter into the sales process. Sellers may negotiate price, credit terms, delivery times, trade- in values and other aspect of the commercial transactions all focused towards effective and efficient sales management which enhances increased sales and organizational performance.

Despite the benefits of effective negotiation, some organizations engage salespeople without recourse to their professional capabilities leaving customers with after purchase dissonance. Such companies complain of cost of training sales persons being high, others complain of time consuming, while others say that they are graduates who have no need for further career development having no regard for the long term effect of training these sales forces. Hence, the need for this study.

Objectives of the Study

The general objective of this study was to evaluate the effect of negotiation on sales performance.

This paper specifically;

1. Reviewed the function and meaning of negotiation as it affects sales performance.
2. Examined some guidelines and qualities required to be a good negotiator and sales person.

3. Made some recommendations based on the findings from the study.

Literature Review

Concept of Negotiation

Negotiation is to confer with a view to arriving at mutually acceptable terms for a contract or agreement (Oxford, (2009). The favored technique for resolving conflict is negotiation. Thus, negotiation can be examined as a management mechanism that can allow both parties to benefit from the experience and move toward a stronger relationship (Atkin and Rinehart 2006). Research that explores the impact of negotiator characteristics on negotiations will, we believe, facilitate the creation of these strong relations through the pragmatic understanding of the impact of these individual level characteristics.

Wall (1985) cited in Jack & Samuel, (2003, p. 299) defines negotiation as “the process through which two or more parties seek an acceptable rate of exchange for items they own or control”. Negotiation in another vain, is defined as a field of knowledge and endeavor that focuses on gaining the favor of people from whom we want things” (Cohen, 1980, cited in Jack & Samuel 2003, p.298).

Out of all the communication skills, negotiation skill is employed mostly by sales managers but the one that is the least discussed. Negotiation skill seems to be the most important skill needed by sales force as the tool to convince a prospective buyer to buy in the idea, product or service. In sales management, negotiation can be used to resolve conflict that might arise as a result of things not made clear to any transaction stakeholder or by the sales person himself. Negotiation is important because, proper and accurate negotiation takes one profitably through the transaction process, otherwise it may negatively impact on the business deal.

In some selling situations, the sales person or sales team have a degree of discretion with regard to the terms of the sale. Negotiation may therefore enter into the sales process. Sellers may negotiate price, credit terms, delivery times, trade-in values and other aspects of the commercial transaction. It is important that negotiation is preceded with preparations such as:

1. Having adequate product knowledge and benefits
2. Having adequate knowledge of competitors' products and their benefits
3. Sales presentation planning
4. Setting sales objectives
5. Sales cycle
6. Understanding buyer behavior
7. Assessment of the balance of power; the number of options available to each party, the quantity and quality of information held by each party, need

recognition and satisfaction and the pressures on the parties.

The sales person having been done with the preparations (Jobber & Lancaster, 2009) should then be guided on the selling process as follows;

Start high but be Realistic

It is important to start up sales canvassing with high morale. Firstly, the buyer might agree to it and secondly, it provides room for negotiation. A buyer may come to expect concessions from a seller in return for purchasing. This situation is prevalent in the car market. It is unusual for a car salesperson not to reduce the advertised price of a car for a cash purchase. When considering how high to go, the limiting factor must be to keep within the buyers' realistic expectations; otherwise they may not be willing to talk to the seller in the first place.

Attempted to Trade Concession for Concession

It may be necessary sometimes to give a concession simply to secure the sale. A buyer might say that they are willing to buy or he is willing to buy if the seller drops the price by N100. The seller may create room for negotiation which may be accepted by the buyer. When the seller has a degree of power through meeting buyer requirements better than competitor, the seller may be able to trade concessions from the buyer. This is made possible with the 'if... Then' technique.

1. If the goods are to be collected by your own arrangement, then we shall be willing to make a 10% knock off from the purchase price.
2. If you are ready to make payment on or before 10 days, I am willing to offer 3% discount.

This term is ('if...Then' technique) a valuable tool at the disposal of the negotiator since it promotes movement towards agreement while ensuring that proposals to give the buyer something are matched by proposals for a concession in return. Possible concessions are evaluated at the preparation stage in the light of costs and values not only to the seller but to the buyer also. The cost of delivery to the seller in the case above might be much higher than the cost of collection by the buyer. Net effect of this proposal is that the sales person is offering a benefit to the buyer at very little cost to the seller.

Implement Behavioral Skills

Ask lots of questions: questions seek information (knowledge is power) and identify the buyer's feelings. Control is enhanced as the questions are directed to the topic.

Use Labeling Behavior: Example, “can I ask you a question?” “I should like to make two further points”, and “may I summarize?”

Do not Label Disagreement: such statements as 'I totally disagree with that point or 'I cannot accept what you have just said.

Maintain Clarity by Testing Understanding and Summarizing: seeking if previous contribution has been understood and let me see if I have got this right. You are saying that if we could deliver next week, match the competition on price and provide a day's worth of free training, you would place an order with us.

Give Feelings: Allow your buyers express their feelings which make them appear humane, create an atmosphere of trust.

Avoid Counter- Proposing: This is usually an instant turnoff. If the seller is not ready to give due consideration to the buyer's proposal, why should the buyer listen to the seller's?

Avoid the use of Irritators: these are behaviors which are likely to annoy the other party through self praise and or condescension. Example 'Listen, Young man, I think you are going to find this a very attractive and generous offer', are likely to be more irritating than persuasive. The response will be 'I am best placed to judge your offer, and don't patronize me.

Do not Dilute your Arguments: Make your point and don't add more because the more you dilute your argument, the more the seller will pick you on the weaker points.

Avoid Personalizing the Discussion: negotiator should never say 'You are being ridiculous' instead say 'That price is too low'.

Buyers Negotiating Techniques:

Kennedy & Macmillan described a number of techniques designed to weaken the position of the unsuspecting sales negotiator.

First, shotgun approach involves the buyer saying, 'Unless you agree immediately to a price reduction of 20%, we'll have to look elsewhere for a supplier.'

Secondly, the ploy buyers use at times is the 'sell cheap, the future looks bright' technique: we cannot pretend that our offer meets you on price, but the real payoff for you will come in terms of future sales'. This may be a genuine statement-in fact

the seller's own objective may have been to gain a foothold in the buyer's business. At other times, it's a gambit to extract the maximum price concession from the seller. If the seller's position is reasonably strong they should ask for specific details and firm commitments.

The final technique is the 'Noah's Ark': old technique. The buyer says, tapping a file with one finger, you'll have to do much better in terms of price. I have quotations from your competitors that are much lower.' The sales person's response depends on their level of confidence. The salesperson can call the buyer's bluff and ask to see the quotations; or take the initiative by stating that they assume the buyer is wishing for them to justify the price; or if flushed with the confidence of past success, can say 'Then I advise you to accept one of them.'

The Skills and Personal Qualities of a Good Negotiator

Successful negotiators have three key skills-communication, listening, and judgment. Three personal qualities-honesty, flexibility and credibility.

Honesty

Honesty is the single most important personal quality of a successful sales manager. Almost every other mistake a person makes can be overcome and forgiven but not dishonesty. Once a person lies, no one fully trusts him again, and his influence and effectiveness are ruined. Nevertheless, many professional sales people will risk damaging their credibility and violate their integrity rather than admit that they deceived buyers. Hence negotiation entails both parties agreeing to a term. Over promising and under delivering should be avoided as much as possible so that the buyer will not be left with after purchase dissonance feelings, rather the buyer is expected to be filled with after repeat purchase dissonance.

Flexibility

A good negotiator is expected to be flexible, there should be considerations for changes in the economic, political/legal, competition and cost of goods/services. Flexibility in form of transactional terms such as discount, payment terms, guarantees and warranties are all about.

Credibility

The negotiator is known to be a person of integrity, knowledgeable, capable and dependable. A

Reputation for credibility is earned; it cannot be established overnight, and it will not be believed until it is demonstrated. Credibility is something to develop being patience and persistent.

Communication Skills

The negotiator is the spokesperson for his company. He must be eloquent and fluency with good command of the language. Study has confirmed that negotiators who are proficient at communication are more successful.

Listening Skills

Listening works hand in hand with negotiation. Being a good listener is key to being a good communicator.

Many people seem to define communication as the art of speaking effectively but forget that communication requires dialogue. They forget the other half of the communication equation; listening. As a sales person is negotiating, he must listen to the prospective buyer's view regarding the transaction.

Good Judgment

Good judgment is based on knowledge of the subject, the ability to project what the consequences of the judgment will be, the ability for problem solving and generating alternative solutions, and the capacity for making decisions.

Negotiation Guidelines

Taylor (1998) listed a number of guidelines that could be followed to become a successful negotiator. These items are important and should be systematically adopted by the sales force;

Prepare: know everything possible about your product/service. Profile your prospective partner whom you are to negotiate with.

- 1) **Be Sensitive to Different Perceptions:** separate people from the problem. Understand that each person's view of the transaction matters and may be different.
- 2) **Use Creativity and Imagination:** create options. Be flexible.
- 3) **Help Others to Agree with Your Proposal:** use appropriate convincing words. Consider company's goals and objectives.
- 4) **Value any Deadlines You Agree to:** Never violate the agreements made with customers individually or collectively.
- 5) **Take Notes and Follow up with a Record Outlining the Agreements:** outline meeting points before and after the negotiations of what agreements each party made.
- 6) **Prepare for no Agreement but Leave with an Intact Relationship:** be prepared incase no agreement is possible. Leave every negotiation with the relationship intact. If no sales today, there may be tomorrow.

Methodology

This study adopted the secondary source of data. The data were elicited from text books, journals and internet. The independent variable (Negotiation) and dependent variable (Sales performance) were all reviewed via the secondary sources. Conclusion and recommendations were made based on the findings.

Conclusion and Recommendations

The concept of negotiation has been defined in various ways in the study but most notable are the ones given as; Wall (1985) cited in Jack & Samuel, (2003, p. 299) defines negotiation as “the process through which two or more parties seek an acceptable rate of exchange for items they own or control”. Negotiation in another vein is defined as a field of knowledge and endeavor that focuses on gaining the favor of people from whom we want things” (Cohen, 1980, cited in Jack & Samuel 2003, p.298).

In sales management, negotiation can be used to resolve conflict that might arise as a result of things not made clear to any transaction stakeholder or by the sales person himself. The selling process of Jobber and Lancaster (2009) are necessary tools to guide sales persons in preparations to win the market. We concluded also that there exist a significant relationship between negotiation and sales performance.

Negotiation by the sales force should be upheld guarded so as to enhance sales performance. There is need for both the seller and the buyer to come together in agreement to achieve any business transaction in a manner that benefits each party. Organisations are encouraged to train their personnel with negotiation guidelines and processes so as to prepare them with the task ahead with clients. Staff motivation in form of performance achievement reward is recommended to encourage others to work hard.

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