Making the Connection: People and International Negotiation

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Today’s talk ...

• What is the topic?
  Negotiating and executing international agreements: importance of people issues
  • how can I grow and expand my business?
  • how can I manage risk and enhance success?

• Who is it for?
  The entire value chain: E&C firms, suppliers, manufacturers, service providers
  ... equally for commercial and technical roles

• What is the takeaway?
  Value is created in the integration of negotiation, culture, and language
Today’s speaker ...

David B. Morse, Lead for dbm Consulting & Associates

• 25 years in petrochemicals; depth in polypropylene and ethylene oxide most from perspective of licensing and catalyst businesses ... i.e., global technology products

• Director of Sales & Marketing, Revamps & Equipment
  Director of Manufacturing  General Manager EMEA
  Licensing Manager (technical & supply chain roles)

• Dow ← Union Carbide ← Shell ... and Scientific Design

• Ph.D. in Chemistry ... M.B.A. in International Business
Negotiation basics ...

The process, content, parties, and roles: chess, not checkers!

• Process
  • preparation, negotiation, execution (repeat negotiation; *Shell 1999 @ Wharton*)
  • separate people from the problem (interests not positions; *Fisher & Ury 1991 @ Harvard Law*)

• Content
  commercial, technical, legal, financial

• Parties: Company A and Company B (and Company C ?!)

• Roles: the negotiator, the team, the company ... and you!
Assumptions behind today’s talk ...

Four Big Ones!

• project and business relationship are for the long-term and/or of high-value
• both parties want success in the partnership or project (*before & after contract*)
• people within each company are aligned via internal processes (*very complex!*)
• technical & legal issues are being handled in the negotiation or execution

Mostly an issue of oral communications, and of interpersonal issues consequences can be large, financially and/or strategically (*risk management*)

So, not transactional negotiation (not ‘standard’)
but of course, how often are negotiations standard?!
The Issue: Managing ‘Translation’ Errors

Business is codified with agreements (*just like in international affairs*) matching intent, conversation, and written words is difficult; errors are costly

Written contracts have not been the norm (*in many parts of the world*) when disagreement in written contracts, it is (mostly) up to the relationship

4-Step axiom in communication: I think → I say → you hear → you understand

- ideas & objectives get translated many times before an agreement is signed
- any agreement goes through this process twice, orally and then written
What and How You Say It, All Matter

• Discussion includes the literal words and other subtle, hidden elements relationship, purpose, and indirect messages (Robin Tolmach Lakoff, HBR)

• Even in the English language, “strategic ambiguity” is a well-worn idea!
  • “If I seem unduly clear to you, you must have misunderstood what I said.”  
    1990’s Federal Reserve Chairman Alan Greenspan, to a congressman
  • “England expects that every man will do his duty.”  
    1805 British Admiral Nelson at the Battle of Trafalgar, to the fleet

• Opportunities abound in this part of negotiation!
What and How You Say *and Think* It, All Matter

• Different languages help create different perceptions and messages
  • a person’s thought process and view of the world via language  (*FT, Economist*)

  *German*, structured (or clausal) *verbs* ...  *English*, action (or prepositional)
  *Spanish*, descriptive (or action-oriented)  *French*, content (or indirect)

• issue is not linguistic translations errors: Russian “brilliant”, etc.

• Linguistic-relativity is highly debated and difficult to (dis)prove
  ? does culture shape language, or language shape culture  (*Sapir-Whorf theory*)
  ? do words come from thought, or thought from words
Does It Really Matter?

• International affairs, an easy place to start
  where (generally!) something needs to get done across culture and language
  • Brexit, Grexit ... includes differential power relationships

  where (sometimes!) the problems resolve even under great uncertainty
  • Panama Canal Treaty, Falklands War, Cuban Missile Crisis

  where (often!) solving the issue would be beneficial to everyone
  • North Korea, ...

• Some opportunities ... but mostly ‘problems’ closer to home, NAFTA renegotiation?
Yes, but does It Really Matter for Business?

• Culture and language don’t define business, but they execute business
  75% of world’s GDP created and highest growth rates exist outside the USA

• International partnerships are proposed, made, and dissolved every day
  Bayer-Monsanto      Arlanxeo      Motiva
  Praxair-Linde       Suntory-Beam  Daimler-Benz Chrysler

• International business strategies also vary by country and culture
  digital strategy: Siemens vs. GE      leadership: Softbank vs. Nissan-Renault

• Mostly opportunities … and some ‘problems’ after-the-fact
Yes, but does It Really Matter for Me?

Financial experiences for your consideration ... in addition to technical ...

$ Rice E&C Forum: US-China partnership, 2 yr delay due to ‘personality’
$ Houston start-up: acquisition by EU company, stalled due to ‘culture’
$ Technology sale in Middle East: minority position of key stakeholder
$ Process equipment screening: 4 water-treatment firms & their goals
$ Catalyst development: technical-commercial ability, expectations
$ Market development: 2 EU firms, success and failure by culture
So far ...

• Business operates through agreements
  ... People make and execute agreements
  ... Business is done internationally
  ... People are different (in many ways!)

• What to do about it?
  • keep your business head, but
    move from a Transactional Value to a Relationship Value
  • the most critical aspect in successful, long-term, high value partnerships
Solution Space #1 ...

• Basic Negotiation skills can be learned, practiced, and refined
  • everyone negotiates, and all the time
  • experience is the best teacher if you pay attention to the process

• Most Important standard negotiation skill: PREPARATION
  • development of positions, alternatives, walk-aways, scenarios
  • insight into another’s point of view, needs, objectives
  • understanding a person and their issues, but not capitulation
  • developing ways to meet both parties needs for the best outcome

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Solution Space #2 ...

- Devote time to the subtle influence of people, culture, and language
  - this is the hardest but most effective tool available to anyone and everyone
  - look for patterns, behaviors, behind the scenes
    unspoken and especially unexplained ... *language proficiency not needed!*
  - for big / valuable projects, reward someone to focus on this (at least part time)

- Observation and insight can be learned but requires PRACTICE
  - connections between behaviors and objectives form abstractly, not formulaic
    ... so any time works that is not under pressure, think-time
  - not a “10,000 hour” issue, but similar
    *(Malcolm Gladwell, *The 10,000 Hour Rule*)
Good STORIES: Mental tricks to help program your head!

• Find a favorite food or drink by region, country, or people
  imbed the place and the people by association

• Look for and recall cultural differences in familiar things
  everyday life, moving about a city, ways of handling issues

• Observe and listen for lessons in situations or contexts
  when something has an impact or effect, ask yourself why?
Today we covered ...

• Complex and unspoken issues of people, culture, and language underpin business ... and the agreements used to operate business

• Agreements of all sorts are influenced by these factors ... but especially those based upon high-value, long-term relationships

• Business success and efficiency increases by moving from an approach of Transactional to Relationship Value
  • use negotiation best practices
  • consider business relationship, length, value, and risk
  • allow time and opportunity to develop skills in yourself and your team
Thank You for Your Time!

Bringing objectivity and insight to negotiation of your international partnerships

• deep perspective for high-value, long-term relationships:
  sales, supply, product and market development, licensing, manufacturing
• broad skill in uncovering ill-defined, unspoken issues:
  culture, language, and perspective

Successful negotiations may be the most important events driving your future business success!

Negotiating Partnerships ... Owner’s Representative