

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 ...

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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 *hope ...
is ...
dude ...* (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 ...

skill

- 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



Solution Space #2 ...

time

- 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)



Solution Space #3 ...

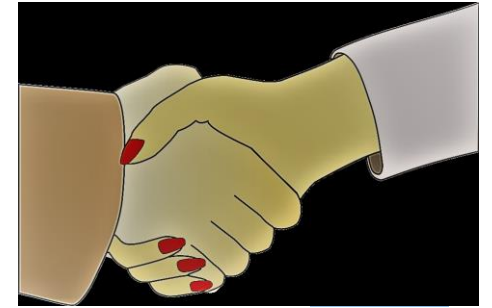
stories

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