EDINBURGH
BUSINESS SCHOOL
HERIOT-WATT UNIVERSITY

Strategic Negotiation for the Oil and Gas Industry

Professor Gavin Kennedy BA, MSc, PhD, DLitt

Florence Kennedy Rolland BCom

NO-A1-engb 1/2016 (1053)

This course text is part of the learning content for this Edinburgh Business School course.

In addition to this printed course text, you should also have access to the course website in this subject, which will provide you with more learning content, the Profiler software and past examination questions and answers.

The content of this course text is updated from time to time, and all changes are reflected in the version of the text that appears on the accompanying website at http://coursewebsites.ebsglobal.net/.

Most updates are minor, and examination questions will avoid any new or significantly altered material for two years following publication of the relevant material on the website.

You can check the version of the course text via the version release number to be found on the front page of the text, and compare this to the version number of the latest PDF version of the text on the website.

If you are studying this course as part of a tutored programme, you should contact your Centre for further information on any changes.

Full terms and conditions that apply to students on any of the Edinburgh Business School courses are available on the website www.ebsglobal.net, and should have been notified to you either by Edinburgh Business School or by the centre or regional partner through whom you purchased your course. If this is not the case, please contact Edinburgh Business School at the address below:

Edinburgh Business School
Heriot-Watt University
Edinburgh
EH14 4AS
United Kingdom

Tel + 44 (0) 131 451 3090
Fax + 44 (0) 131 451 3002
Email enquiries@ebs.hw.ac.uk
Website www.ebsglobal.net

The courses are updated on a regular basis to take account of errors, omissions and recent developments. If you'd like to suggest a change to this course, please contact us: comments@ebs.hw.ac.uk.

Strategic Negotiation for the Oil and Gas Industry

Strategic Negotiation for the Oil and Gas Industry was written by Professor Gavin Kennedy BA MSc PhD DLitt, at Edinburgh Business School, Heriot-Watt University, Edinburgh, Scotland, since 1984. He ran one of the UK's first courses on negotiation at Brunel University, London, in May 1972, and has worked for many blue chip organisations in the public and private sectors in the UK and many other countries (France, Germany, Poland, The Netherlands, Norway, Sweden, Spain, Portugal, Switzerland, Italy, Romania, Israel, Palestine, China, Hong Kong, Malaysia, Singapore, Australia, Papua New Guinea, USA, Canada and South Africa) as a negotiation trainer and consultant. His experiences as a negotiator, from operational level for senior managers to strategising, managing and preparing for major, complex and high-value contracts at board level for CEOs and directors, have been distilled in numerous books.

Professor Kennedy's latest book, *Adam Smith's Lost Legacy* (Palgrave Macmillan, 2005) introduces the early contributions of the famous 18th-century Scottish Enlightenment philosopher to the analysis of negotiation. Smith was the first to state the role of the conditional proposition ('If–Then') in negotiation: see www.lostlegacy.co.uk.

Many of his books, such as *Everything is Negotiable*, Random House, 1983 (3rd edition, 1997), *The Economist Pocket Negotiator*, 1988 (5th edition published as *The Economist Essential Negotiation*, 2004), Profile Books and the Economist; *Negotiation*, 1992 (2nd edition 1998); *Kennedy's Simulations for Negotiation Training*, 1993 (2nd edition, 1996) Gower; Kennedy on Negotiation, 1997, Gower; and *The New Negotiation Edge: a behavioural approach for results and relationships*, 1998, Nicholas Brealey, have been translated into numerous languages, including: Swedish, Dutch, Spanish, Portuguese, Polish, Bulgarian, Romanian, Armenian, Russian, Hebrew, Chinese, Japanese, Arabic, Indonesian, Greek and Italian.

Professor Kennedy retired from full-time academic work in 2005 but continues to facilitate the *Negotiation*, *Influence* and *Strategic Negotiation* courses at EBS, as well as undertaking negotiation consultancy for major corporates. Among the organisations he has worked with are: IBM; Motorola; Digital; Honeywell; Shell; British Petroleum; Total; CWS; Royal Bank of Scotland; Barclays Bank; NHS; Scottish Enterprise; Allied Irish Bank; Scottish Water; British Rail; Atlantic Container Line; Xerox; SPAR; Standard Telephones and Cables; Cable & Wireless; BBC; United Distillers; National Power and Scottish Power.

Strategic Negotiation for the Oil and Gas Industry

Strategic Negotiation was adapted by Florence Kennedy Rolland, BCom, for the oil and gas sector. Florence is Professor Kennedy's daughter and has, since his retirement, taken over his training and consultancy business, Negotiate Ltd, as well as the examiner role for the Negotiation module at EBS. Under his supervision, she has become the company Managing Director and has become an expert in her own right and travels the world training companies in the Kennedy method. Among the organisations she has worked with are: CSC; WIPRO; Naspers; Npower; Scottish Power; National Services Scotland; BTG Plc; Miliken; University of Iceland and Gaz de France.

She co-wrote the 3rd edition of *Kennedy's Simulations for Negotiation Training* (Gower, 2007).

First Published in Great Britain in 2006.

For Felix and René

Contents

Acknowledgements

I acknowledge my intellectual debts to my late partner and friend, John Benson. He contributed to our work on the *Strategic Negotiation* consultancy project from the start. He was Chairman of Negotiate Ltd, our consultancy, and we worked together from 1971 to 1975 to devise and deliver one of the early UK negotiation skills courses ('Workshop Bargaining') for the Management Programme at Brunel University, and at Scottish & Newcastle Brewery from 1974 to 1980. From this, John and I delivered consultancy and training courses in many companies in the UK, the rest of the European Union and Australia, and trained many others to do so too.

John's career in personnel took him to the main Boards of three major PLCs, Scottish & Newcastle, Nabisco and Reed Packaging. In 1980 we co-authored *Managing Negotiations*, published by Random House, which went through four editions and placed our Eight Steps/Four Phases model of the negotiation process into the public domain (reinforced when the Rank Organisation made a highly successful training video from it, *The Art of Negotiation*). Our last co-authored book, *Local Pay Bargaining*, published by the Management Development Group in Scotland in 1994, and from which I draw materials in Module 8, is an example of the Strategic Negotiation process model applied to a set of negotiation problems in 52 UK publicly funded hospitals (and elsewhere since, in the public and private sectors). It is illustrative, also, of the high professional standards of competence John brought to his negotiations. John died suddenly in February 2000.

Strategic Negotiation was written in 2003–4, but its origins as a book, rather than from my work in complex negotiations, were prompted in February 2001 in a letter of friendly advice from an EBS MBA graduate, Louise Hart, at that time a Group Projects Manager at Railtrack, UK. She noted that the *Negotiation* course was limited to skills and to fairly non-complex negotiations, and wondered why the 'course had nothing to say about the particular problems posed by very large and complex transactions, which are becoming increasingly commonplace'. She went on to provide an impressive list of topics that should be covered in such a module.

I agreed to add a module to the *Negotiation* course along the lines she had suggested in 2001–2 'following the launch of our eMBA programme', and I rashly implied this would be done quickly, a not uncommon mistake with beginners, who depend on a major IT project to be completed on time. However, and as ever with IT programmes, everything took longer than envisaged and cost more than budgeted (itself an illustration of the common problem of complex projects). In 2003 I drafted an additional module along the lines suggested by Louise Hart.

The original intention of adding a single module to the *Negotiation* course was revised because what was intended to become Module 12 of the MBA course grew rapidly beyond its boundaries when I added materials on other aspects of strategy and complex negotiations. EBS agreed to a delay (though neither my colleagues nor I expected such a long one!) in the inclusion of the new module in our programme, while I wrote *Strategic Negotiation*. I am grateful, however, to Louise Hart for her impressive foresight in suggesting one of the themes for this course.

Professor Lumsden, Director of EBS, gave me space to work on it between EBS assignments, and my family were as accommodating as ever when my writing intruded into their notions of the appropriate 'work–life balance'. Charles Ritchie, editor of *Negotiation*, and in retirement, also continued to sort the wheat from the chaff, as he has done for myself and many other authors in the EBS series of courses. Any literary merits the text contains are credited to my editor.

Professor Alex Scott, ever interested in anything 'strategic', also cast his professional eye over my approach, applied his notorious fastidiousness for rigour and clarity, and chased me over wandering deadlines, but always with good humour, yet firmly, qualities for which he is tolerably well known. The text you are about to read was rearranged into a more coherent order following his advice.

Connie Anderson undertook the daunting secretarial work of preparing the manuscript for publication together with its associated website materials.

A special thanks also goes to Peter Cockroft, who has helped source some invaluable information for the adapted *Strategic Negotiation for the Oil and Gas Industry*. His expertise as an oil and gas man is second to none and his insights have helped shape the new book.

Preface

Strategic Negotiation for the Oil and Gas Industry is a specialist module for the MBA Specialism in Oil and Gas Management. Its focus is on the generation and implementation of negotiation strategy.

For those who haven't studied Negotiation before, a brief overview is provided in Module 9. It introduces the Four Phases of negotiation, Prepare, Debate, Propose and Bargain, and the three styles of behaviour, Red, Blue and Purple (the conditional proposition).

However, no matter how skilled at negotiation you might become, if you are pursuing inappropriate strategies, your negotiation skills will not 'pull rabbits out of a hat' (like 'magicians' who amaze children); conversely if you have brilliant and appropriate strategies, but do not have the requisite negotiation skills to implement them, you will not succeed unless you have the good luck to choose negotiating partners with even fewer skills than those you have. Relying on luck is not a strategy; it is its antithesis. For completeness, if you have poor strategies and poor negotiating skills, you shall 'reap what you sow'.

Interest in negotiation strategy follows naturally from interest in the process of negotiation. Teaching negotiation skills to managers soon raises questions about what and why they are pursuing this or that objective for which they wish to deploy their improved negotiation skills. If not clearly separated, arguments about appropriate skills easily become mixed with implicit differences in strategy.

Professor Alex Scott notes in his EBS core text, *Strategic Planning*, that teaching strategic planning effectively is 'extremely difficult'. Strategy is not a series of axioms to be rote learned; it is about the application of thoughtful analysis to real-world problems. *Strategic Negotiation for the Oil and Gas Industry* follows this advice into the implementation phase of strategy, and is organised around case examples to demonstrate the application of the concepts from its process model to the real world. The cases are drawn from consultancy work in various industries and business situations, without pretence to comprehensive coverage, and they also draw upon the work of colleagues who have demonstrated competence in this field. To cover all, or even most, potential applications of negotiation strategy would produce a multi-volume text, which is neither appropriate nor necessary for your purposes.

The case subjects in this text, and others included in the online site materials, illustrate the application of the core concepts. They provide a framework for your understanding of the strategic negotiation process and for your application of the process to general situations.

It is important in *Strategic Negotiation for the Oil and Gas Industry* to remember that you are approaching fairly generic business situations from the functional point of view of a negotiator and not that of other professions such as lawyer, or accountant, or finance specialist, or marketer, or production engineer, or human resource management specialist, or any other of the many functions with which you may be concerned in your organisation. It is true that you will touch on many of these functions in this course but you will not, so to speak, be 'touched' by any one of them alone.

The negotiation strategist approaches business problems from a different angle to those working in other functions. It is often a question not of what my objectives are, but of which of my objectives are possible in this situation and by how much they will be achieved.

As Chester Karrass put it, though for a somewhat different purpose, 'you get what you negotiate, not what you deserve', or, as I heard a hard-boiled streetwise person, experienced in the ways of the world, put it: 'Sometimes you get what you want, sometimes you get what you need, and other times you get what you get.'

Negotiation is about trying to do better than just 'getting what you get'. Negotiation strategy is about creating the conditions that enable you 'to get (closer) to what you want'. Anybody who tells you that negotiation is 'easy' obviously is the kind of person who makes do with 'what they get', which is not quite the same.

You should enjoy reading *Strategic Negotiation for the Oil and Gas Industry* and the online website materials that accompany it. As a leading salesperson once put it: 'Successful selling is the best way to have fun with your clothes on.' I believe negotiation strategy and process runs successful selling a very close second.

General Introduction

Strategic Negotiation for the Oil and Gas Industry is about the middle- to long-term strategic context in which the tactical skill sets of negotiation are best applied. Strategy is about what you want to happen; tactics are about making it happen.

Strategic Negotiation for the Oil and Gas Industry corresponds to Exhibit 1.1, which provides an overview of the process model. Elements 1 through 6 are knowledge based and primarily cover content with which every strategic negotiator has to be familiar. Elements 7 through 9 introduce a set of tools that are used in strategic negotiation processes, particularly in the preparation phase, and in Analysis and Diagnosis. Element 10 is about the application of the process model to business problems, mainly through the implementation of the organisation's business plan through to the negotiation of the negotiation agenda. Appendices 1 and 2 include two Practice Final Exams and solutions and answers to the in-text Review Questions (which are supplemented in the online Self-Test page for *Strategic Negotiation for the Oil and Gas Industry*).

For each module in *Strategic Negotiation for the Oil and Gas Industry* there is a set of concepts, chosen for their relevance for the strategic context, and these are applied to cases drawn from a range of business activities to illustrate the strategic approach. *Strategic Negotiation for the Oil and Gas Industry* assumes familiarity with business practice at a level expected in mature people studying at postgraduate level in a Business School. Most of you will already have completed business courses of sufficient complexity to be able to bring your experience to bear on the types of problem addressed here.

Strategic Negotiation for the Oil and Gas Indsutry is a practical and applied, not a theoretical, course. It is for practising managers operating, or wishing to operate, at a senior level, where negotiations by their nature are high value, complex, multi-level and often multi-party. Obviously, it would be unrealistic to be encyclopaedic and cover every possible circumstance where the methods associated with strategic negotiation would be useful, but there are enough elements of a generic model, rooted in your experience, to make it adaptable to a wide range of circumstances likely to be of particular interest to you.

Strategic Negotiation for the Oil and Gas Industry is about learning from mistakes without having to make them first. The method it is built around grew out of negotiation consultancy for businesses and public sector organisations. Many managers contributed to the course from many business and public organisations. Many individuals and teams of negotiators have applied the elements of the course in their business practice. When the learning curve is steep and the issues are of great importance, it is sometimes necessary for a rapid adaptation to changing circumstances. From these experiences the robustness of the process model has been confirmed where it matters, in the world of real organisations run by real people.

Whereas other Negotiation courses focus purely on tactical concerns of negotiation, *Strategic Negotiation for the Oil and Gas Industry* moves on to the strategic contexts, where optimum, even excellent, bargaining skills are insufficient to secure success. The scale and context of complex negotiations require strategic awareness because the interests of the parties are more complex, the options more numerous and the outcomes more critical than at the tactical level. Strategic interests drive proposals and bargains and, beyond a low level of complexity, there are many more significant 'off table' events than in simple two-person bargaining requiring management and coordination with the events happening 'across the table'.

Broadly, in *Strategic Negotiation for the Oil and Gas Industry* the module's themes are introduced and discussed and the strategic model and its applications presented. Illustrative business cases are also integrated and discussed.

Strategic Negotiation for the Oil and Gas Industry is about higher-level judgement, and we shall discuss the interests, issues and positions, and the attendant problems of the case and options, as we would if we were in the same room. Necessarily, I shall interpolate what I think you would ask me if we were in live contact. My style is informal, primarily to avoid the accusation of pedantry, but also to entertain as well as instruct.

Strategic Negotiation for the Oil and Gas Industry succeeds if it creates useful learning opportunities and assists you to achieve the University's attestation of your fitness in the subject. At EBS we test your fitness only by final examinations. I start from the consideration that you want to pass these examinations, for which success you are not required merely to memorise what you read; EBS examinations require much more than mere regurgitation of your memory. You are assumed to present yourself for examination with knowledge of *Strategic Negotiation for the Oil and Gas Industry*, and from this base you must demonstrate your ability to apply your knowledge to questions related to business negotiation problems if you are to deserve to pass your examinations.

To this end, two practice final examinations with answers are included in Appendix 1. The associated website for the course contains cases and scenarios, exercises and essays for you to practise upon and prepare yourself for your Final Examination. You decide when you are ready for examination using the website's Profiler™ as your guide.

Throughout *Strategic Negotiation for the Oil and Gas Industry* you will find self-assessment questions to test your understanding of the concepts and their application, and also the items labelled 'Activities' to prompt you to practise mentally evaluating from your experience different elements of strategy in your circumstances. You may explore different lines of approach using the suggestions as to how you might tackle the activities.

There are also self-assessed course work exercises for you to work through, and please make sure that you do so, because these, and the cases, essays and activities, constitute excellent practice for you in preparing for your examinations by applying the course material to your 'live' strategic negotiations. Short review questions are for practice in the application of the concepts of *Strategic Negotiation for the Oil and*

Gas Industry to business problems, and to review and test your understanding. You should attempt these to any degree of depth with which you are comfortable.

Remember, distance learning is about your *learning*, not about my teaching. We learn best by correcting our mistakes and clarifying our confusions. That is how we learned to walk, talk and play games (what a bore it would be if every time you played golf you spent the entire round getting 18 'holes in one'!). Of course, some mistakes could be fatal – you crashed the plane in a flying lesson – but distance learning at EBS is a safe environment, where mistakes are acceptable and where nothing fatal happens to you or anybody else from your mistakes and confusion. The real problem comes if you keep making the same mistakes dealing with the same problem! A client firm I spent time at had a poster on a wall stating: 'Stupidity is when you keep doing the same thing and expect a different result!'

My task, as author, is to help you learn from your (and my) mistakes and to show you how to correct them before, in the final examinations, you apply what you learn and, crucially, before you make serious mistakes in the real world.

In Module 9, there is a brief summary of some important negotiation concepts. It is useful for you to tackle its 'Basic Skills Test' since there could be specific questions on these concepts in the final examinations for *Strategic Negotiation for the Oil and Gas Industry*. All modules (1 to 9) are examinable!

Please note, that although the text is primarily focused on the oil and gas industry, there are still a few examples that remain from a more generic background. You are expected to be able to see the application to your own industry, and view these few examples for the valuable depth of understanding they bring to the tools in the text.

PART 1

The Process Model

Module 1 The Strategic Negotiation Process Model

Module 1

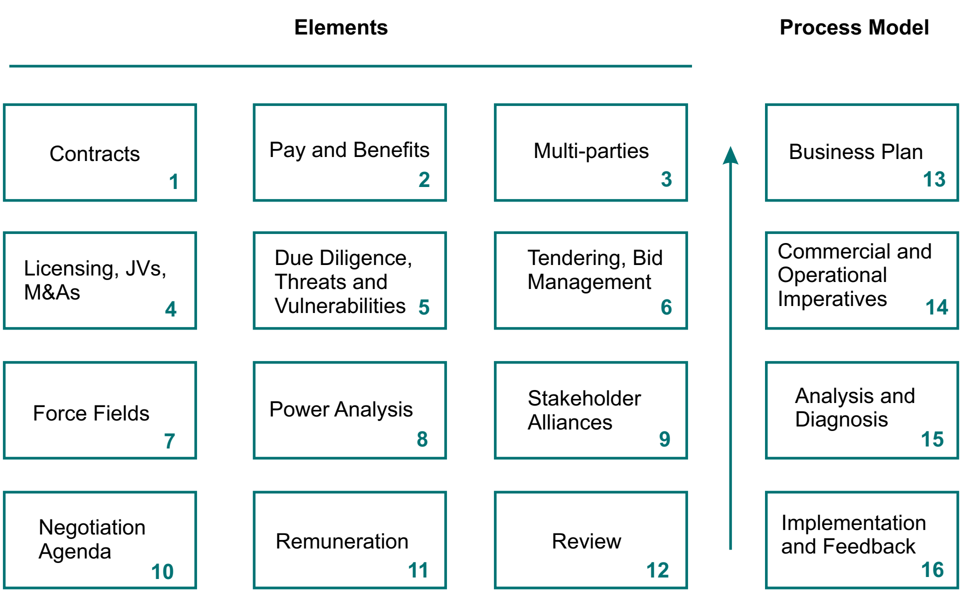
The Strategic Negotiation Process Model

Contents

1.1 Introduction

The Strategic Negotiation process model maps the stages through which strategic negotiation activity should be conducted. Exhibit 1.1 shows the 12 elements of the process model.

Exhibit 1.1 Process model



Activity 1.1

Make a list of the items about which you or your organisation negotiates with both internal and external parties.

Comment on Activity 1.1

You may list any formal negotiations (remuneration and staff conditions, budgets, project management schedules, contracts, licences, service level agreements, property purchases and disposals, etc.) as well as the informal negotiations you undertake from time to time, such as between departmental responsibilities, staff-related issues, interdepartmental relations, coordination meetings and reviews, rearrangements of location, activities and appraisal reviews, etc.

A fairly common conclusion is the surprising extent to which most managers are engaged in negotiation in their work roles.

The process model in Exhibit 1.1 is concerned primarily with the internal affairs of the organisation. Process models are expandable to include external affairs of the organisation for the obvious reason that a large part of an organisation's negotiation agenda includes contracts negotiated with various external parties, e.g. suppliers, customers, government agencies and regulators, licensees and licensors, alliance partners, joint venture partners, and parties involved in mergers and acquisitions. These are entered as items in the preparation phase or on the negotiation agenda as appropriate.

I shall discuss each entry in Exhibit 1.1 because it provides a model within which the concepts and ideas of negotiation strategy can be understood better. Once you are able to work through the process model, you should find it fairly straightforward to apply it to almost any strategic negotiation task with which you are concerned, either as a project leader and initiator, or as a negotiator/implementer of the negotiation agenda (Box 10).

1.2 Foundations of the Business Plan (Boxes 1–6)

The six elements in rows 1 and 2 deal with the foundations from which managers who share roles associated with strategic negotiation draw upon as and when needed. The subjects covered in the framework are the foundation upon which much of the strategic negotiation process rests. Without some basic knowledge of these subjects, not necessarily to the competence level found among professionals who advise senior management (lawyers, accountants, financial analysts and HR personnel), negotiators would be severely handicapped and unable on many occasions to evaluate the advice they receive.

The alternative – hand everything over to the professionals – is not always wise, because while authority can be delegated, responsibility for what happens afterwards cannot. Therefore, it is better to retain close involvement in your operational responsibilities.

Among the framework foundations, you should have some familiarity with the elements of contract law (Box 1). The legal details vary for different jurisdictions but the fundamental elements are more or less the same: written contracts summarise the basic distrust each party has of the other. No contract at all (a handshake only) means higher vulnerability if the relationship breaks down; highly complex contracts signal high degrees of distrust. The precautionary contingency planning this provokes may cause resentment and damage the relationship before it starts.

Boxes 2 (pay and benefits) and 3 (multi-parties) summarise two important influences on the organisation's people areas that input into considerations of business plans, namely that of the organisation's pay and benefits regime (organisations consist of people who do the organising and are organised) and the all-important people-management problems faced by prolonged multi-party meetings to put together the business plan and the negotiations to implement it within the planning horizon.

Though Box 2 is heavily focused on the pay and benefits regimes of North American and UK organisations, the framework has enough generic features to be translatable into the remuneration regimes of countries elsewhere.

The next three boxes, 4, 5 and 6, identify the main instruments for business growth: licensing, joint ventures (JVs) and mergers and acquisitions (M&As) (Box 4); the complicated processes associated with tendering and bid management (Box 6); and due diligence (Box 5). Box 6 uses simple tools for decision making in bidding processes, one of the most common methods for selecting suppliers for both commodity-like purchases and for bespoke multi-million pound contracts in infrastructure projects across the oil and gas sector.

These are closely related to identifying the commercial and operational imperatives applicable to particular types of organisation and their business plans and, depending on the organisation and its business sector, they are most likely to have within them the instruments for realising the organisation's business plans.

1.3 Analysis and Diagnosis (Boxes 7–9)

This row develops useful tools for strategic negotiation, particularly for analysis and diagnosis. These tools supply substance to the available data used for strategising.

Box 7 discusses simple tools (or 'doodles') known, generically, as force fields, which are used to map the various parties or personnel (the 'players') engaged for and against a proposition, the arguments used by the players in their attempts to influence the outcomes, and the special role played by 'events' (exogenous shocks) that may tip the balance for or against either side.

The force field diagram originated in Kurt Lewin's *Field Theory in Social Science* (1951, New York: Harper), and it has gone through many developments and adaptations over the years. Originally it was an organisational change model. The force field diagram rests on the simple idea that at any one moment there are 'forces' operating on a situation, some of which 'drive' for positive changes in the status quo and some of which 'restrain' the driving forces to maintain the status quo. To the extent that these forces cancel each other, the status quo prevails.

Activity 1.2

Think of a current discussion about a problem in your work role where there are competing solutions. To what extent can you identify the people who are in favour of and those who are against the competing solutions to the problem under discussion?

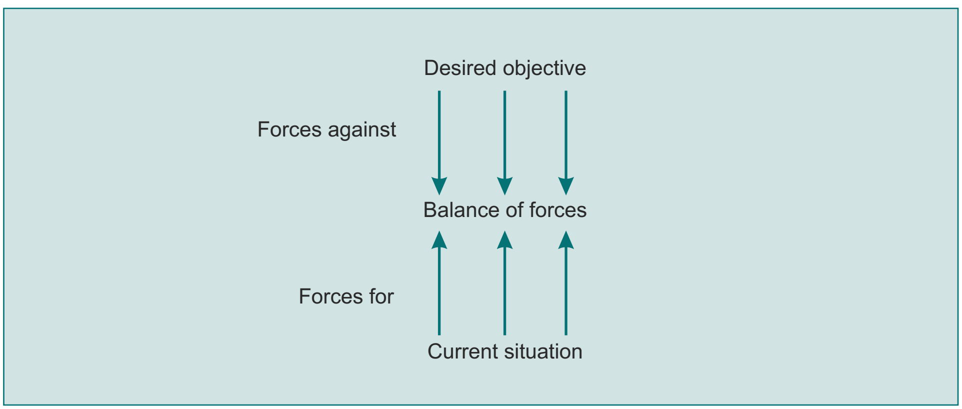
Comment on Activity 1.2

If there is disagreement over a solution to a problem it should be a fairly simple task to divide those for and against the proposed solution into two groups. Think of the people who oppose the change in the status quo as being resisters to the change, who wish to restrain the efforts of those favouring the change. There are also people favouring the change. This latter group is driving for the change.

To change a situation, drivers must overcome restrainers. In principle, you could visualise the two groups as being labelled (restrainers and drivers) and counterpoised to each other in a diagram, much as two teams of competing sports personnel can be drawn on a diagram representing their locations on the field of play (the 'pitch').

Those who wish to change a situation work to strengthen the forces for the change (drivers) and weaken the forces against (restrainers) the change; those who do not wish to change the situation will work to achieve the reverse (weaken the forces for change and strengthen the forces against change). Exhibit 1.2 shows a generic force field diagram.

Exhibit 1.2 A force field



Those forces that are highly important will attract the most attention (assuming they can be strengthened or weakened), although a typical error is to attend mainly to those forces that can be easily influenced, irrespective of the significance of their impact on the balance of forces. For example, we tend to spend more time influencing people who are already on our side – preaching to the converted – than we do the more difficult targets entrenched against us.

Box 7 develops this relatively simple notion into the 'expanded force field' to handle the far more complex cases found in multi-party, multi-level and multi-issue negotiations, and also introduces into consideration people, issues and events occurring in the outside world where these can influence the outcomes decided during the negotiations.

Box 8 discusses the often elusive question of how power might influence a negotiation using Atkinson's/Levinson's 'power balance' tool.

Box 9 provides a tool for handling complex multi-party negotiations where other powerful influences and alliances are present. Long regarded as almost unmanageable in negotiation, McKinsey consultants developed a simple graphical tool to bring into view a more manageable instrument with great promise in this field.

1.4 Overview of the Seamless Strategies and Process (Boxes 13–16)

Problems in adopting advice on strategy begin when the players adopt what is essentially an inappropriate strategic perspective – the strategy they propose is at variance with the goals it is supposed to tackle. This links to the material covered in the business plan (Box 13).

Box 14 derives the important commercial imperatives from the business plan (Box 13) and accords them a pivotal role if the business plan is to be achieved. From the commercial imperatives, the operational imperatives are derived; these are the necessary outcomes to be achieved in finance, people or technologies – the three most prominent resources of the organisation – if the commercial imperatives are to be achieved.

The operational imperative of Human Resources provides a detailed example of the generic method to determine the data for, and the content of, the negotiation agenda (Box 10).

There is a brief examination of the many complex problems that arise from the management of complex negotiations over long durations, involving multi-parties and interests, subject to highly, and not always overt, 'political' pressure, in an environment heavy with legal and regulatory interference.

In Box 15 the process model follows what Professor Scott states is 'the general pattern of deciding what to do, finding out different ways of doing it, selecting one of them, and finally tracking the outcomes while keeping options open as far as possible at all stages' (Scott, A. 2002. *Strategic Planning*, p. 2/6).

In what follows, there is a very brief summary of elements of the seamless process from business plan to implementation. It covers:

(a) The business plan;
(b) Commercial and operational imperatives;
(c) Analysis and diagnosis;
(d) Negotiation agenda.

1.4.1 The Business Plan

The organisation's business plan (Box 13) comes from 'deciding what to do'. The Strategic Negotiation process model adds consideration of 'interests and objectives' because consideration of an organisation's interests is important for negotiation.

Interests are about the motivations of the negotiators in their preferences for various outcomes. They summarise our 'fears, hopes and concerns'; they are 'why' we negotiate for our objectives. Recalling one's interests, stepping back on occasion to reconsider your interests – and theirs – and searching for alternative ways in which your interests can be delivered from among the issues, is or could be a powerful antidote to positional posturing.

Interests are your prime objectives. In achieving the business plan you address your interests. So while you may not have made a contribution to the writing of the business plan, you should still be aware of how its objectives reveal the organisation's interests – assuming that they do; if they do not, make further enquiries! Hence the need for regular 'reviews', using the resultant findings as data. In short, you should read and understand the business plan. As feedback is generated from the process, this also invites you to review the business plan (Box 16 and the vertical line to the right-hand side of Exhibit 1.1).

A general premise of the process model is that the organisation's business plan normally is taken as a 'given' by those charged with implementing it. However, business plans, normally, are subject to review following feedback on operational performance, or because circumstances have changed within the organisation's capabilities, or have changed outside it (competitively, technologically or environmentally).

How strategic objectives might be determined is dealt with in the EBS *Strategic Planning* course and is not repeated here. We can note, however, that overly precise numbers are not congenial in negotiating situations. Both sides of negotiators have a veto on the outcome, if only by exercising their right not to agree, and negotiators should always think in terms of ranges rather than single positions.

Case 1.1: Misleading instructions

John Benson and I attended a board meeting of a large family-owned business in oil refining. The meeting was interrupted by news that one of the plants was about to go on strike. In this company's 50-year history it had never experienced a strike, and therefore the Managing Director (the last of the family members at the top of the company) was perplexed that matters had gone so far that a strike had been called. He asked the Personnel Director, who was present, for an explanation.

The gist of his explanation was that he had been instructed by the board to implement the company's voluntary redundancy scheme in the Plymouth plant and was given the precise number required to take voluntary severance (i.e. 10 per cent or 115 employees). In the event, only 97 volunteered, so he announced compulsory redundancies for the remaining 18 employees. It was the announcement of the compulsory 18 redundancies that had provoked threats of a strike.

Clearly angry, the Managing Director commented that the 97 volunteers were sufficient and they should have been processed immediately; also he should have been informed of the small shortfall before any public mention was made of compulsory redundancies.

Our view was that the board, when it set a target of employees to be invited to volunteer for severance, should have made clear that it had in mind a range of possible redundancies (95–115 jobs, say) and not a specific number as precise as 115, because a precise number is seldom realised in these situations.

Also, if a review step had been introduced before action was taken in the event of not reaching a number in the range, it would have assisted policy implementation. Ranges and review steps should be the norm, not the exception, in a company's planning process.

Activity 1.3

What contribution did you make to your organisation's business plan?

Have you had access to it (normally these documents are treated as 'Commercial In Confidence')?

Have any of its contents percolated down to your pay grade?

If you were involved in your organisation's business plan, what arrangements were made to involve the staff in understanding their roles in achieving the plan's objectives?

Comment on Activity 1.3

Working at the strategic level in an organisation requires that you are guided in some way by the organisation's business plan, or its equivalent, even if it is only a statement about where the organisation's leadership wish the organisation to be within the next five years. If you were involved in contributing to the business plan, then you should be well placed to make a practical contribution to the implementation of the strategy, using some of the techniques and tools of Strategic Negotiation.

For individual managers in most organisations, taking the CEO's or the board's business plan as given, corresponds to the reality of everyday experience, and we accept, without assessing its validity, that the contents of business plans are the parameters within which we must work. There can be major errors in the derivation of policies supposedly designed to implement a business strategy, and negotiators should be aware of their need to review proposed policies where dissonance between the strategic objectives and the policies proposed to achieve them is suspected.

In practice, business plans should be subjected to regular adjustments, because time confirms, or otherwise, whether earlier plans continue to be applicable. For example, the 'dot-com' boom burst within a three-year period in the mid-1990s, dramatically illustrating the need for sober reassessment of plans once feedback makes it evident that events have changed the original imperatives driving the business.

In this respect, the 'objectives' in the business plan, i.e. where the senior managers want their organisation to be in a five-year horizon, is in no way the same as the fashion (indeed, it was once a passion) for 'mission statements', especially of the 'motherhood and apple pie' variety, i.e. full of platitudes so obvious that no one disagrees with them. This is not to say that deriving a mission statement is unproductive. The process model refers to operational business plans – those that have clearly defined, or definable, objectives, measured or measurable within the time horizon specified for their achievement.

A three- to five-year planning range is sufficient for most purposes of negotiation planning and implementation. However, many contracts last much longer than five years, their operation 10 or 20 years ahead will experience many changing influences and circumstances between now and then, and therefore plans are best treated as flexible data.

The organisation's contracts still operating in years 6 to 20+ (e.g. leases of property, patents and copyrights, terms and conditions of business, long-term supply contracts and sales contracts, and, in the UK, the Private Finance Initiatives) may be treated for all intents and purposes as requiring new negotiations rather than as items on an old negotiation agenda assembled in different circumstances 10 or 20 years previously.

1.4.2 Commercial Imperatives (Box 14)

From the business plan you derive your commercial imperatives (imperatives you must achieve if you are to implement the business plan) and subject them to analysis and diagnosis (Box 15). From the commercial imperatives you derive the operational imperatives and subject these to analysis and diagnosis (Box 15).

It is from the diagnosis of the operational imperatives – what the organisation must do to restructure and resource its operations to achieve the commercial imperatives – that you will develop the strategy to achieve the business plan from which the management's negotiation agenda (Box 10) is identified. This is the agenda from which the management will direct its negotiations to achieve its business plan.

Everything on the negotiation agenda is there because of its seamless link with the business plan, and it is presented as such both to the senior management (who created the business plan) and to the operational negotiators (who conduct the negotiations) to transform the negotiation agenda into the operational activities of the organisation.

Imperatives are about what must happen if the plan's objectives are to be achieved. They are the first link in a seamless chain running from the business plan through to the implementation of the negotiated agenda. If the commercial objectives are not met then the business plan will not be achieved, at least in the form anticipated by its authors. To prepare for analysis and diagnosis (Box 15), it is necessary first to derive the imperatives.

Typical commercial imperatives might be:

- reduce bad debt provisions;
- reduce the labour cost base;
- extend distribution nationally/internationally;
- improve profitability to cover debt interest;
- reduce dependence on foreign agencies.

A rule of thumb, when presented with what appears to be large numbers of possible commercial imperatives, is to prioritise those that have the most impact in achieving the objectives of the business plan.

Case 1.2: Contexts for cutting costs

For example, it may be that a commercial imperative of lowering the labour costs base in a business in which labour costs are 80 per cent of total costs (such as in a people-intensive hospital or education service) may be considered of higher priority than where they are only 8 per cent of total costs (such as in an oil refinery). In the latter case, priorities may be directed at capital costs and consumables used as throughputs in the refining of oil. This relationship between factor costs and their importance is not always proportionate, by the way, particularly where substitution between factors is possible (new technology or new ways of organising labour) and where the next phase of the business plan aims to take advantage of such developments.

There are circumstances where labour costs in an oil refinery would be the priority commercial imperative, such as when data from other comparable refineries show that your operation has significantly higher labour costs than in refineries producing the same or greater output. A few years ago, British oil companies assisting the new Kazakhstan Oil Ministry noted that refineries in Russia employed up to 15 000 people compared with similar (as measured by output, but definitely not in the technology used) refineries in Western Europe, which employed 1500 people.

It could be the case also that a chosen commercial imperative, such as an increase in the proportion of patients admitted for day surgery and a reduction in multi-day in-patient care, should be considered of higher priority than lowering the labour cost base in surgery, because the employee resource implications of switching to a higher proportion of day surgery admissions are calculated to be significantly more important than the labour cost implications, given the impact of the change on other non-surgery costs, including labour pre- and post-treatment procedures.

Activity 1.4

Looking at the organisation that employs you, how would you distinguish its fundamentals from other organisations (labour–capital balance; business-to-business or business-to-customer; active in the primary, heavy/light industry, service, government agency, or voluntary sector)?

From these fundamentals, what might constitute necessary imperatives to improve the survivability of your organisation?

In what order would you prioritise the various fundamentals associated with your organisation?

Comment on Activity 1.4

If your organisation is in the voluntary sector and you rely on part-time unpaid volunteers to carry out its functions, with a small core of paid employees, you may have a different requirement in terms of training and discipline than if you employ all staff on a full-time paid basis, working under the direction of a volunteer policy-making charity. Government organisations are part of the country's public services and subject to political management (keeping the politicians at bay and the public 'on board' could be the priority, and the reverse, of course).

Knowledge of an organisation's commercial imperatives is usually widespread among experienced employees once they are asked to identify them. In most cases that I have worked upon, I have found it takes less than a half-day session for employees to derive a long list of commercial imperatives for their organisations, even when working with fairly junior staff. Of course, arriving at a list does not prioritise them appropriately, but it does show that there are untapped reservoirs of knowledge in organisations, even where it is not usual for them to be asked to use such knowledge for these purposes.

1.4.3 Operational Imperatives (Box 14)

Which resources will deliver the commercial imperatives? The process model concentrates on three functional imperatives of an organisation:

- People – those who do the work and receive remuneration.
- Finance – how and on what terms it is resourced.
- Technology – what it does for the organisation and what it costs.

It is adaptable for other functions and sub-functions.

The resources at the disposal of an organisation consist of three main types:

- Organisations work through people and can hardly function without at least one person in them, and despite companies having the separate legal status of being a 'legal person' in their own right, some real person's name must appear on the legal paperwork that ultimately defines the beneficial owner(s).
- Organisations do not function for long in a market without access to, and use of, some minimum level of finance, even if run by unpaid volunteers.

- Organisations use some kind of technique, embodied in technology protected by, or using, somebody's intellectual property rights or 'know-how' from the public domain.

The basic operational resource questions for strategic negotiation are:

- People: what people mix must we assemble and retain?
- Finance: what capital mix should we assemble and pay for?
- Technology: what technology mix should we use, and is it affordable?

The same person or same small group of managers in small organisations (the most common organisational form of market capitalism) negotiate for its resources. In larger organisations different specialised functional managers negotiate for each resource heading. Essentially, whether a single individual or a specialised functionary, they have answered and continue to answer these questions in their managerial roles. The existing organisation is the summation of the answers made to these questions made in the past.

Case 1.3: Fully informed means better focused

In negotiation it is easy for the trees to obscure the wood. For example, during an intense and expensive skill-enhancement programme for diagnostic engineers, it was noted that as their comparative pay rates fell behind other firms this hampered their retention, which in turn slowed the transition to the rescheduling of work processes and the introduction of new plant. The Personnel Director decided to address the pay issue by raising pay rates for those employees who had completed enhanced diagnostic skills training.

Oblivious of its strategic purpose, local (junior) personnel negotiators treated the exercise as a typical zero-sum pay bargain and succeeded by their normal standards by holding the increases of pay to about half the level needed to bring them into line with comparable rates in the district. With the disincentive to remain employed by the company that had trained them still in place, retention continued to be a problem, and it required swift remedial (and more expensive) action to correct.

The misreading of the strategic requirement (raise the remuneration of diagnostic engineers to enhance retention) could have been avoided if the Personnel Director had shared knowledge of the business plan's intentions with its negotiators.

Typical people imperatives include:

- lowering the labour cost base;
- decruitment;
- recruitment;
- training;
- remuneration packages;
- outsourcing operations.

For finance you might choose from:

- in-house sources including revenue or asset disposals;

- initial public offering (IPO);
- new share issue;
- joint ventures (JV), including outsourcing;
- merger or acquisition (M&A);
- licensing;
- franchising;
- borrowing.

For technology you have a wide range of choices because under technology all manner of material and non-material inputs and organisational forms deliver commercial outputs.

Technology can cover sophisticated IT through to hand axes, and basic teamwork and organisation through to high-level managerial performance of large enterprises. Taking the broader idea of 'technology' we can generate considerable imperatives from which headings for the negotiation agenda are derived. Among these we have:

- intellectual property rights (IPRs);
- research and development (R&D);
- licences and royalties;
- JVs and M&As to gain access to needed technologies;
- all aspects of people management and organisational change;
- know-how;
- innovation.

To change the technological processes of the organisation, the negotiator is not negotiating for change in the use of inanimate material objects and systems; he or she negotiates with people to adapt to changes in the way they work and cooperate, as well as with people in other organisations who supply the outputs of people and materials embedded in the technologies required for the resource mix.

The involvement of a wider range of personnel in the development of the organisation's negotiation agenda, using the process model approach, than is normal in traditional forms of preparation for major negotiations, has a significant effect on the implementation phase of whatever is agreed. By enabling managers to see how their roles, and the changes within them, contribute to the success of the organisation as the business plan unfolds, they see how a wider spectrum of strategic thinking comes to be appreciated throughout the organisation than is normal.

1.4.4 Analysis and Diagnosis (Box 15)

The analysis and diagnosis of the necessary operational imperatives that must be assembled to allow the commercial imperatives to deliver the business plan may be undertaken by business planners or delegated to staff and functional line managers. There are advantages in delegating the detailed staff work downwards to senior management and their staff. The more people who contribute to the planning and the implementation of the business plan, the more people are likely to align their activities in the organisation consciously to securing its successful outcome within the scheduled planning period. The fewer people and the more senior who are privy to the business plan, the more the plan's realisation is vulnerable to the distractions of daily management and the more slowly the necessary imperatives are mobilised to achieve the plan's objectives.

At the strategic level a working knowledge of contracting, pricing, organisation growth, human resource management and influence techniques is an advantage to those charged with strategic-level negotiation. Some of this material can be learned on the job and will necessarily accompany any exposure to preparation for analysis and diagnosis for strategic-level negotiation. Much of it can be learned from prior exposure to courses and books in management education (e.g. this course). But learned it must be, because little real progress can be made without such knowledge in the team.

1.4.5 The Negotiation Agenda (Box 10)

Management should take regular surveys of the future of the enterprise. Important as wage costs are, they are not decisive, because other costs, including the level of productivity, also determine the future of a business. The point about having a business plan is not merely to compose a list of activities for the immediate future; it is about envisaging where management thinks the business ought to be, and what it should then be doing within the next five years to achieve its objectives. Failing to tackle a need to restructure the composition of a business, should it be necessary because of the changing markets, changing technologies and changing sources of finance, could have a devastating effect on a business.

The preparatory data for determining the appropriate policies are derived from analysis and diagnosis (Box 15) and implemented in the negotiation agenda (Box 10).

Activity 1.5

Survey your own organisation and consider whether there is anything you would like to change as a manager for the benefit of the organisation, but because you anticipate resistance from individuals or the departments affected, or for some other reason, you feel helpless to try.

Comment on Activity 1.5

Management seldom has unilateral discretion to change current working arrangements without at least consultation with the employees affected and, where the changes are fundamental, without some version of a negotiation of what is intended (i.e. the consent of those affected by the changes). In unionised environments negotiation is mandatory, but it is not uncommon for managements to feel constrained from attempting to open negotiations on certain issues because the anticipated resistance could be more trouble than the outcome is worth.

You have been asked, in effect, to identify any such changes that you believe would improve operational efficiency. Do not select changes by first assessing your chances of obtaining them. Of course there are issues of resistance, but until you have compiled the negotiation agenda it is not possible to judge what you will trade for their cooperation.

The negotiation agenda is a well-thought-out proactive strategy for conducting relationships with employees, suppliers and customers.

The negotiation agenda is always longer than the number of issues raised for a specific negotiation. Should it be necessary or helpful, unused items from the negotiation agenda may be entered into the negotiations in pursuit of an agreement.

It is an assertion of the Strategic Negotiation process model approach that the derivation of the negotiation agenda in an organisation adds greatly to the smoother implementation of the necessary changes and to the flexibility with which adjustments can be made should events show them to be necessary.

Policy choices are made in the pre-negotiation phase, costed carefully, and integrated into the negotiation agenda. Should the agenda items be agreed, and allowing for adjustments that may be necessary in the light of negotiated changes in the original proposals, their implementation should follow the plan discussed during preparation for the negotiations.

Negotiating changes in working practices is bedevilled by poor preparation by those (usually management) making proposals for changes. If the details prove overwhelming, timelines slip, and the 'exceptions' so corrupt the proposed changes that people lose interest in continuing with the meetings and the changes never materialise.

1.4.6 Implementation of the Negotiated Agenda and Feedback (Box 16)

A need for changes in an organisation's policies may be prompted by:

- changing environments in which the organisation operates (examples: market competition, government regulations, changes in governments, taxation policies, trade regimes, environmental issues, exchange rates, labour and other laws, job security);
- changes in an organisation's strategic focus (examples: national or international markets, diversification, consolidation, vertical or horizontal integration or disintegration, growth through mergers or acquisition, profitability through spin-out and disposals, cost cutting and retrenchment);
- changes in the organisation's technology (examples: IT, online publishing, online banking, insurance, borrowing, screening, profiling; bar coding, POS; JIT, TQM, wireless connectivity, satellite, cable, digital entertainment; mobile phones, video, text messaging, Internet, synthetic materials).

These changes (too many to enumerate) place constant pressure on the organisation and the way it functions. Some of the changes may have distinct competitive advantages, which could affect the future of the enterprise. If, for whatever reason, you do not implement the necessary changes and one of your competitors does, then any competitive advantage you have over your rival could erode, or the gap could remain but narrow between you. To complicate your decision making, not all changes that promise competitive advantage fulfil their promises – an anticipated 'first mover advantage' could become 'first mover folly'.

The changing policies agreed by the organisation with those affected by them for the management of the enterprise are assessed by how they affect the mix of people, finance and technology that constitutes what the business is about, how it operates, its success or otherwise and the contribution each makes to the organisation's varied purposes.

In any negotiation, not all proposed changes are agreed in their original form. Proposals have to survive the scrutiny of others. Some bring their experience to bear in the form of advice; for others, their interests lead them to propose amendments, or, indeed, to signify outright rejection of what is suggested. And this is not the case only where trade unions exist to 'protect', as they see it, their members' interests, including at the expense of other employees. There may be explicit negotiations and implicit influence 'games' under way among any group of employees. All kinds of people, besides 'militant' trade unionists, can offer 'awkward' opposition to whatever we propose.

Finding reasons to say 'no' to change is among the easiest of reactions to all proposals to change anything, trivial or serious, in any organisation. The management of change is an area of management practice that is still under-researched. One thing we do know for certain is that in any change programme, as in the management of existing and well-established programmes, there are distinct roles for the use of negotiation and influence techniques in implementing the changes.

1.4.7 Review and Feedback (Boxes 12 and 16)

Securing board-level approval (and commitment) for the negotiation agenda is facilitated by its demonstrated seamless connection to the organisation's business plan. This is an important benefit of undertaking the preparatory work to procure the negotiation agenda. Managing change in an organisation to assemble the appropriate resource mix has cost implications, which normally are under the discretion of the organisation's board, or devolved to senior management, such as the HR, appropriations and budget committees, purchasing and sales, treasury, marketing, R&D, estates and facilities functions. Fully costed options from the negotiation agenda have a greater chance of securing higher-level approvals where they directly support or deliver the objectives of the higher level's own objectives in the organisation's business plan.

Alongside the implementation phase of the process model we have the feedback heading, linking Box 16 with Box 12. This is an important and integral part of the model. If there are discrepancies in any of the negotiable issues beyond that planned by the negotiation team, an explanation should be offered (it should certainly be required by higher-level management), the likely consequences for the realisation of the business plan assessed and what suggestions the negotiation team has to recover, rectify or remedy the discrepancy situation, and over what time period.

Some of the items in the feedback report will have obvious quantitative discrepancies compared with the original negotiation plan submitted to the board or CEO for sign-off prior to the negotiations. This will be clearer in negotiations over finance than in human resources and technology. How far the tolerance of the top-tier managers extends for bottom-of-the-range achievements on quantitative issues, allegedly compensated by 'softer', less tangible, gains in terms of future relationships, goodwill and cooperation, is an open question, and depends on the general environment in which the organisation finds itself. This goes back to the manner in which the negotiation agenda is drawn up and the attention it pays to these softer achievements.

Feedback is directed at all of those involved in the strategic negotiation process, as well as being an input into the review process. Experience suggests that it is better to be able to show positive improvements, no matter how small or intangible, across all targets, than a mixed set of major improvements in some dimensions mixed with significant negatives in others, particularly if the former are confined exclusively to the softer targets and the latter exclusively to the harder numbers.

Post-negotiation reviews should also provide feedback on the Strategic Negotiation process as a whole, what worked well, what not so well, and what lessons may be learned for future negotiations of the negotiation agenda.

Case 1.4: Ripe for change

The case illustrates the need to prepare properly in complex negotiations. It demonstrates the consequences of treating a large cost element in an organisation's activities as a residual.

A large organisation involved in refinery and production services for many years approached the annual pay negotiations by the residual budget method – labour costs were treated as an aggregate expenditure, to which a range was added to cover likely increases in pay for the coming year, and this was the extent of the preparation for the annual round of wage negotiations! The organisation's remuneration 'strategy' was based on the arithmetic of a percentage increase in labour costs unrelated to the business needs of the organisation (including the suitability of the current employment structure for identified future developments within the organisation). It was woefully inadequate.

A similar treatment was given to other budget headings, such as capital, buildings, maintenance and repairs, and marketing. What was left over after each item was allocated its increase – the residual – was squeezed to fit the remaining headings. Because labour negotiations tend to continue past the start of the budget year, it was common for the budget for pay increases to be derived from a residual amount after every other heading had been determined.

The main weakness of such a process was obvious. With 2000 employees, the organisation had a high proportion of its total costs tied up as labour costs. Because blanket percentages were usually applied covering most, if not all, of the functional groups and grades, these percentages tended to be small.

While small increases in pay are not wrong in themselves, they do not allow for much differentiation among employee groups or subgroups, and this inhibits using pay as an instrument to adjust the size or the rewards of those groups that contribute to the growth of, and changes within, the organisation. Also, in periods of budgetary restraint – a not uncommon feature when oil prices are squeezed – low and unchanging pay levels contribute to loss of morale and inhibit employees from exercising their initiative. Good employees tend to leave for better-paid jobs elsewhere, and poorer employees tend not to move because their options are limited. Thus the average quality of employees, with exceptions of course, tends to decline without 'new blood' infusions.

In addition to the budgetary-driven pay policy, the organisation practised an annual automatic increment policy – most people were placed within narrow pay bands or grades and received annual increments in pay, independent of negotiated annual increases within the pay ranges of the grades and independent of individual or group performance. Combining the two policies of negotiated increases in pay and automatic annual increments merely for being employed in a grade, the organisation had a poor pay system because it made employment and its rewards independent of personal effort or initiative.

The organisation decided it needed a pay strategy related closely to its organisational objectives. The major obstacles to change included the inflexibility of employees across all grades. Many employees had reached the top of their pay grade and were thus ineligible for annual increments. For them, annual negotiated increases were important because they were the only routes to higher pay. As the negotiated increases were relatively small, they were dissatisfied and unwilling to cooperate in necessary change programmes that the organisation required to implement if it was to justify its budgets from the budget holder and achieve its agreed objectives.

For those employees benefiting from annual increments as they passed through the pay grade, their pressure for higher annual increases was modified but their pressure to prevent changes was enhanced (until they reached the ceiling for their grade). Changes meant redesignating their functional grades, which could end their upward movement through the grade. The result was general inflexibility in the employee grades. The situation was ripe for the application of a Strategic Negotiation process model to the organisation's remuneration and reward policies.

Such a model would start with the organisation's business plan – what it intended to achieve within a five-year horizon. In the refinery targeting areas that needed improvement (an expensive plant-wide service & maintenance department could be reformed into smaller, more controlled and specialised groups to tackle specific problems). This led to thinking about how these types of transformation of resources (there were many more than only the one identified here) could be managed, in part by using the pay and reward negotiations to support the changes.

What began as a simple pay and reward strategy soon involved management in a total review of all aspects of the educational institution, and, from the mass of data collected, it became a useful educational exercise for the institution's employees at all levels. It certainly motivated senior management in the immense tasks facing the organisation if it was to adapt to a changing educational environment that hitherto had been ignored in previous isolated pay negotiations.

Review Questions

Attempt a short written answer for each review question and then compare your answers with the suggested answers. This gives you practice in simple essay writing, which you may find useful in your examination essays. As you get more knowledgeable and practised in essay writing, you can gradually bring your essays up to examination standard.

1.1 Why do policy-makers lose strategic focus in their negotiations?

1.2 Why is it important to have a feedback loop in your organisation's business plan?

1.3 Explain the benefits to management of having a negotiation agenda.