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INTERNATIONAL NEGOTIATION ACADEMY
Negotiation: The Genesis of Management



Negotiation Skills Training

- Managers at senior, middle and junior levels
- Labour Union Negotiators
- Conflict dispute resolution mediators
- Sales Negotiators
- Buyers
- Hostage & Crowd Control Negotiators
- Facilitators

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The Power of “NO”

It is often stated, that if you do not have the power to **‘walk away’** from a looming deal, partnership, contract, relationship or an agreement; you do not have any other choice but to say: “Yes”! (See Fisher and Ury’s book: Getting to ‘Yes’) The power to get out of potential manipulative situations is often referred to the power ‘NO’.

We also, of course, have to learn to say ‘no’ in such a way that we do not offend or leave **victims** in our wake. You often do not want to say ‘no’ due to the possible **hurt or anger** you may cause; yet **you** are the one who often have to regret such ‘yes’ responses later.

In reflecting upon 2005 and pondering on your New Year’s resolutions, it could perhaps be a good idea to answer the following questions honestly to evaluate your **power of ‘NO’!**

This could help you to seriously improve your personal, financial and work-related decisions in 2006.

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The POWER OF NO questionnaire

Answer the following 10 questions honestly and award yourself 5 points for a ‘never’ response, 3 points for ‘once or twice’ and 0 for ‘quite a few times’. Evaluate your results at the end of the exercise.

1. Were there times when people wanted to walk away from you in 2005 and you kept them ‘hostage’ (through begging, **emotional blackmail** or other psychological means)? E.g. ‘If you leave, I’ll tell your wife/boss what you did!’

5 / 3 / 0

2. How many times did you say **‘no’ to yourself** in 2005 (E.g. impulsive need to express

your urges, anger, doubts, suspicions and **regretted it later**)?

5 / 3 / 0

3. Did you, during 2005, had thoughts of **revenge** (getting him/her back) or schemed to 'get even'?

5 / 3 / 0

4. How many times did you buy something big (cars, houses, TV's, insurance, etc), not because you needed it, but because you 'just wanted it' or the nice sales person **talked you in to it** (only to regret it later and now you have to pay off a burden that you could have been without)?

5 / 3 / 0

5. How many times did you say 'yes' to your boss (although you disagreed but **did not have the guts** to express your feelings) during 2005?

5 / 3 / 0

6. How many times did you want to do something (buy a jet ski, motor bike, beach stand, because your neighbour or **friend all had it**)?

5 / 3 / 0

7. How many times did you think that there will be another chance later for a development **opportunity** (training, overseas project, important meeting, function)?

5 / 3 / 0

8. How many times did you say 'yes' to **good advice** from experts regarding your bad habits, health, and lifestyle because of some inner funny logic but did not do anything?

5 / 3 / 0

9. How often did you say 'yes' to your child, a money collector or a **beggar's request** knowing that you should have been stricter for his/her own good?

5 / 3 / 0

10. How many times did you accept an invite to a function or to an activity or said 'yes' to unhealthy food 'because it would have been **impolite not to**' during 2005?

5 / 3 / 0

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19 - 22 JUNE (MIDRAND)

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Results

0 - 20: Practice the word 'NO' in front of the mirror! Check your bank statement! It could have been much healthier if you did the 'NO' thing more often!

20 - 35: You are doing pretty well, but do not get complacent. You could have had more, had more fun as well as a PhD if you did not slip up on a few of those crucial 'NO's'

35 -50: Perhaps you are lying or have a short memory. I am guessing that you do not have that many friends. If not, you are extremely happy (regardless) and a 'made person' and do not need to read this newsletter any more!

How NOT to Negotiate a Merger (or Marriage, for that matter)

Adapted from: D. Rampai: 2005 "How to make Mergers Successful, PHD, Thesis"

Reasons for not getting merged (or buying them out!)

Tell your staff (if you are the CEO that you "had a **vision**". In real English it means that you had a **dream** and a huge **ego**), but do not really have the slightest clue why you want to acquire another company. Worst is, that you will chose the consultants who tells you what you want to hear, while the 'yes'-managers who surround you, will further stroke your ego (for their own promotional reasons) to continually tell you that **you are the greatest** ('cometh the time, cometh the man'). You will then even be stronger in your dedication to 'take them over, regardless the consequences!

Of course there are better reasons for getting married, merged, bought, divided, but 'having a dream' is seldom one of them.

A Merger is supposed to, inter alia, be a way to **grow bigger** and companies all over the world have pursued and are still pursuing this objective. However, if you think that, by becoming bigger, the shareholders will have more profit in their pockets, you may be up for a **rude awakening**.

Bigger seldom means more in the pocket (by adding rooms to your hotel you may find that your cost grows, but not your cash!

Let's add a few NOT (but shockingly typical sentences that you often hear during or after mergers):

- ✍ 'We'll have to become **one culture** in six months!'
- ✍ 'We have a great **relationship** which will carry this merger through all the rough seas ahead!' (Do not think that if the

foreplay is great, the marriage will be as great!)

- ✍ 'O well, the **consultants** will look after the details, they've done it many times before.' (Have you thought of what they are going to charge you; and by the way; they do not really know your company that well)
- ✍ 'No one needs to be afraid that he or she is going to **lose his/her job**.' (Oops, some will lose their jobs, especially the other CEO and his secretary!)
- ✍ 'We take over 51% of the **shares**; in that way we can control everything!' (**Oops**, have your lawyer told you that you could only have bought the assets or the name, but now you're **stuck with the debt** as well!
- ✍ 'Leave it to the auditors and the lawyers.' (Sorry again, but this is also not the time for the CEO to have his feet crossed on the desk while he snaps

orders. The buck stops with you mr/mrs/miss CEO!) Get to the table, talk, convince, discuss, and put all your brains on the table. **Negotiate for you life** and many around you Napoleon!

Why do companies pursue M&A?

There are a variety of reasons why companies pursue a 'merger' (some say there are no mergers; only acquisitions) e.g. expansion (oops, you could be **shrinking**); Securing resources (oops, you may have no way of getting it out of China), Brand establishment (there are some brands we rather not be reminded of – let me not get into trouble by mentioning names!)

Let's get somewhat serious here:

The M&A process has phases and you better take some of them rather serious namely:

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10 – 12 JULY (MIDRAND)
15 - 17 NOVEMBER (MIDRAND)

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- ✍ Pre-deal: this involves the search for **suitable partners**.
- ✍ Due diligence: involves the **review of the risk** and the soundness of the deal.
- ✍ Integration planning: consists of **preparation** of the detailed plan for the new entity.
- ✍ **Implementation**: in which the new entity is established.
- ✍ **Evaluation**: to ensure the success of the new entity by evaluating the achievement of the merger objectives.

M&A signs of **failure** are often already apparent during discussions and negotiations in these phases. By giving proper attention to these phases, one can start to seek answers to the following overriding questions:

“Will the people in the target organisation, their products and their culture **merge well** with those of the acquiring company to an extent that they will fit as soon as possible?”

The test of a ‘good’ merger often comes only **two years** later!

The place of negotiations in the merger

It is **imperative** that M&A practitioners negotiate openly and honestly to facilitate a smooth execution of the process. Negotiations should be characterized by **honesty and openness**.

This can be achieved by openly and honestly stating merger or acquisition conditions right from the initial discussions in the pre-deal and the due diligence phases. For example negotiating parties must bare-out the possibilities of **employee lay offs**, brand names, offices, the new CEO etc.

Of course it is better if negotiations is done in such a way that, should talks break down, or the merger takes a long time, it does not necessarily means the end of things.

Sometimes it could be a good idea to get a few basic intentions on paper. **A Letter of Intent could** perhaps help the actors getting more serious and committed.

Negotiation of the terms of a merger can be a complex process and can further raise a lot of anxieties. Therefore, a **negotiating team** consisting of a neutral person as a facilitator could perhaps be constituted. This team could consist of an equal number of members from both organisations who are specialists in matters to be discussed. The **facilitator** must preferably be a person of authority who can guide negotiations for the benefit of all parties.

The emergence of post-merger industry

The failure of so many M&A internationally has led to the emergence of a huge post-merger industry to get failing mergers back on track. Unfortunately, these consultants are called in only after serious difficulties in the M&A have become apparent. The consultants normally act as **marriage counsellors** dealing with relationships that have become bitter and acrimonious.

However, their work would have been made easier if they were called in **before the fighting**, to minimise disagreements and maximise understanding. It is only hoped that South African companies that embark on possible merger-pile operations rope in consultants early on in the process to prevent these strategic relationships from going sour, given the enormous costs of failed mergers.

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