

Negotiation Styles of Construction Professionals in Hong Kong

Thomas Ho

10 June 2013

What is Negotiation?

- * There are various definitions of negotiation, by summarizing the similarities among the various definitions, negotiation can be defined as:
- * “The process of joint decision making through back and forth communication to resolve opposing interests and reach agreement.”



Relevance of Negotiation

- * Getting to Yes by Fisher et al
- * Negotiation happens in our life every day
- * People reach most decisions through negotiation
- * Most of the disputes settled through negotiation



Process of Negotiation

- * According to Fisher et al, Negotiation can be divided into three stages:
- * 1. Analysis – Diagnose the situation, gather and organize information, consider people problems (partisan perceptions, hostile emotions, unclear communications), identify interests of both sides, note options suggested
- * 2. Planning – generate ideas, handle people problems, identify most important interests and realistic objectives, generate additional options
- * 3. Discussion – back and forth communications, acknowledge and address differences in perception, feelings of frustration and anger, difficulties in communication, jointly generate options mutually advantageous, agreement on objective standards



Theories of Negotiation

- * As summarized by Brown et al in “ADR Principles and Practice”, there are two approach:
- * 1. Competitive Approach
- * 2. Problem- Solving Approach

- * A new approach by Fisher et al:
- * Principled Approach (increase the joint gain for both parties, best outcome for each party)



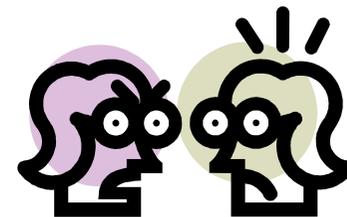
Principled Negotiation Theory

- * Fisher et al suggest certain negotiation principles:
- * 1. Negotiation on merits
- * 2. Participants are problem-solvers
- * 3. The goal is a wise outcome reached efficiently and amicably
- * 4. Separate the people from the problem (soft on people, hard on problem, proceed independent of trust)
- * 5. Focus on interests, not positions (explore interests, avoid having a bottom line)
- * 6. Invent options for mutual gain
- * 7. Insist on using objective criteria (based on standards instead of will, principles, open to reason)



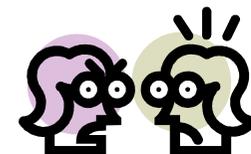
Principled Negotiation Theory (Cont'd)

- * BANTA – Best Alternative to a Negotiated Agreement
- * WATNA – Worst Alternative to a Negotiation Agreement



Other Theories of Negotiation

- * Competitive Theory (Positional Bargaining) (Win/Lose Strategy)
- * - Participant are adversaries
- * - The goal is victory
- * - Demand concessions as a condition of the relationship
- * - Hard on the problem and the people
- * - Distrust others
- * - Dig in to your position
- * - Make threats
- * - Mislead as to your bottom line
- * - Search for one single answer : the one you will accept
- * - Insist on your position, demand one-sided gain
- * - Try to win a contest of will
- * - Apply pressure



Other Theories of Negotiation (Cont'd)

- * Soft (Accommodating Negotiator) (Constructive Approach)
- * - Participants are friends
- * - The goal is agreement
- * - Make concessions to cultivate the relationship
- * - Soft on the people and the problem
- * - Trust others
- * - Change your position easily
- * - Make offers
- * - Disclose your bottom line
- * - Accept one-sided losses to reach agreement
- * - Search for one single answer : the one they will accept
- * - Insists on agreement
- * - Try to avoid a contest of will
- * - Yield to pressure



Tactics of Negotiation

- * Who use tactics?
- * Churchman summarized commonly used tactics as follows:
 - * -Acceptance time
 - * - Agenda
 - * - Ambiguity
 - * -Anger
 - * -Authority
 - * -Back Channels
 - * -Bad Guy/Good Guy
 - * -Bargaining Climate
 - * - Bargaining Range/Settlement Range



Tactics of Negotiation (Cont'd)

- * -Best and Final Offer
- * -Better than that
- * -Bluffing, Lying and Errors (Not to be used)
- * -Body Language
- * -First and Final Offer (The only offer)
- * -Caucus
- * -Closing
- * -Concession Making/Conditional Concession
- * -Deadlines
- * -Deadlock
- * -Delay



Tactics of Negotiation (Cont'd)

- * -Empathy
- * -Face Saving
- * -Good and Bad Faith
- * -Haggling
- * -Ignorance
- * -Information
- * -Linkage
- * -Listening
- * -Objections
- * -One-Text Procedure
- * -Patience and Perseverance



Tactics of Negotiation (Cont'd)

- * -Persuasion
- * -Power
- * -Precedent
- * -Preconditions (Authority, agenda, arrangement)
- * -Proposals
- * -Questions and Answers
- * -Raisin Picking (Pick the lowest bid as the basis of negotiation)
- * -Reverse Auction (advantages of his products and disadvantages of competitors' products)
- * -Salami Slicing (asking for small concession after another)
- * -Lowball (increasing price for items not included in the original offers)
- * -Signals (of what they want)



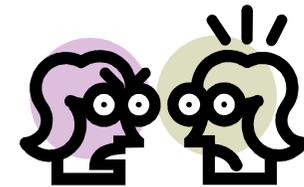
Tactics of Negotiation (Cont'd)

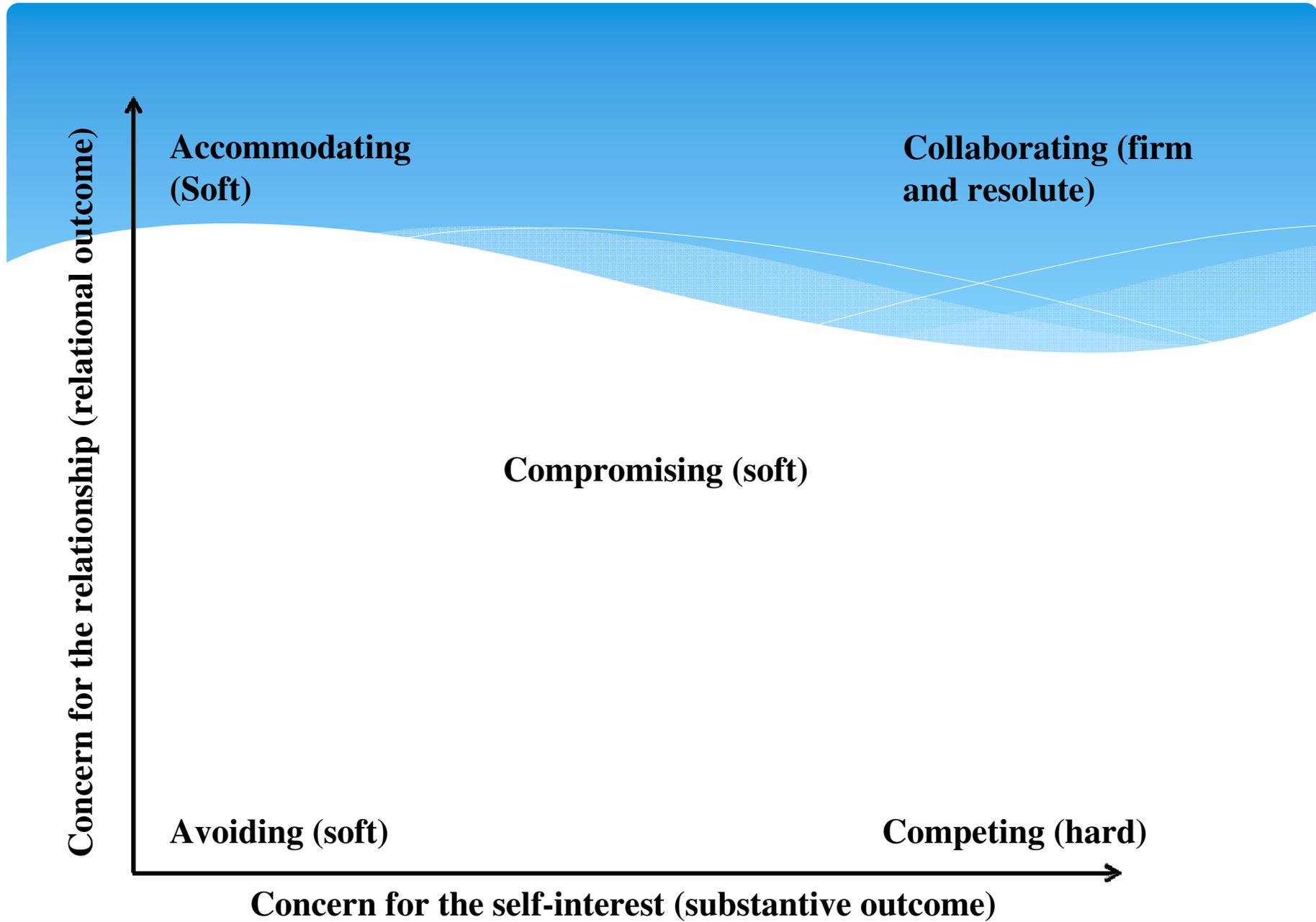
- * -Silence
- * -Strawman (raising issues which you have no interest, then surrender them)
- * -Take It or Leave It
- * -Threats and Ultimatums (consequences if not accept)
- * -Timing (Pace of negotiation)
- * -Toughness
- * -Venue (where, setting and seating arrangement)



Style of Negotiators

- * -Personal traits of negotiators
- * -To know the other parties' negotiation styles
- * Three important styles as summarized by Halpern:
 - * 1. Hard and tough
 - * 2. Soft
 - * 3. Firm and resolute
- * Possible outcome when negotiators of different styles meet:
 - * 1. Hard meets soft (win/lose)
 - * 2. Hard meets hard (negotiation fail)
 - * 3. Soft meets soft (split of the difference)





Style of Negotiators (Cont'd)

- * **Competing** – focus on self-interest or substantive outcome, not concern on the other party and relationship
- * **Collaborating** – exploring individual and mutual interests in an effort to satisfy everyone's needs
- * **Compromising** – splitting the difference, engaging give-and-take and take an intermediate position
- * **Accommodating** – concerned with preserving the relationship, can give up substantive outcome
- * **Avoiding** – avoid the issue, other parties and the negotiation



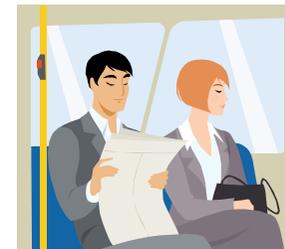
Psychological Aspects of Negotiators

- * 1. Driving force (what you want)
- * 2. Emotion
- * 3. Relationship
- * 4. Perceptions
- * 5. Trust
- * 6. Mirroring Behaviour
- * 7. Self-Esteem/Image Loss
- * 8. Concessions and Sacrifice
- * 9. Expectations about the other side's demands
- * 10. Setting limits
- * 11. Time Pressure
- * 12. Representing another's interests



Effect of Gender

- * O'Hare summarizes the stereotypical differences between the sexes as follows:
- * Males – individuality, competition, objectivity, rationality, reasoning, strategic thinking
- * Females – community, dependence, family, co-operation, subjectivity, irrationally, intuition, emotion and ad hoc thinking
- * Other factors to consider:
 - * -Power
 - * -Language



Cultural Influences on Negotiation

- * Goh summarized Western culture and Chinese culture as follows:
- * Western Culture – egocentrism and individualism, the social unit is the person and not the group or the city. Individual will fight for his rights in pursuit of justice and not focus on mutual interests
- * Chinese Culture – homocentrism, emphasizes the social unit-be it family, society, community or country
- * Chinese also emphasize on trust, face-saving, personal relationship, reasonableness, patience, long-term objectives, tenacious memory
- * How about a Hong Kong Chinese?



Cultural Influences on Negotiation (Cont'd)

- * Based on the studies from Evans et al, Hong Kong Chinese are basically loyal, hard working, emphasize on long-term relationship and “saving face” and prefer a hierarchical structure.
- * By the influence of the Western Culture, the concept of individualism and egocentrism become more and more accepted by Hong Kong Chinese.



What is the Best Negotiation Style?

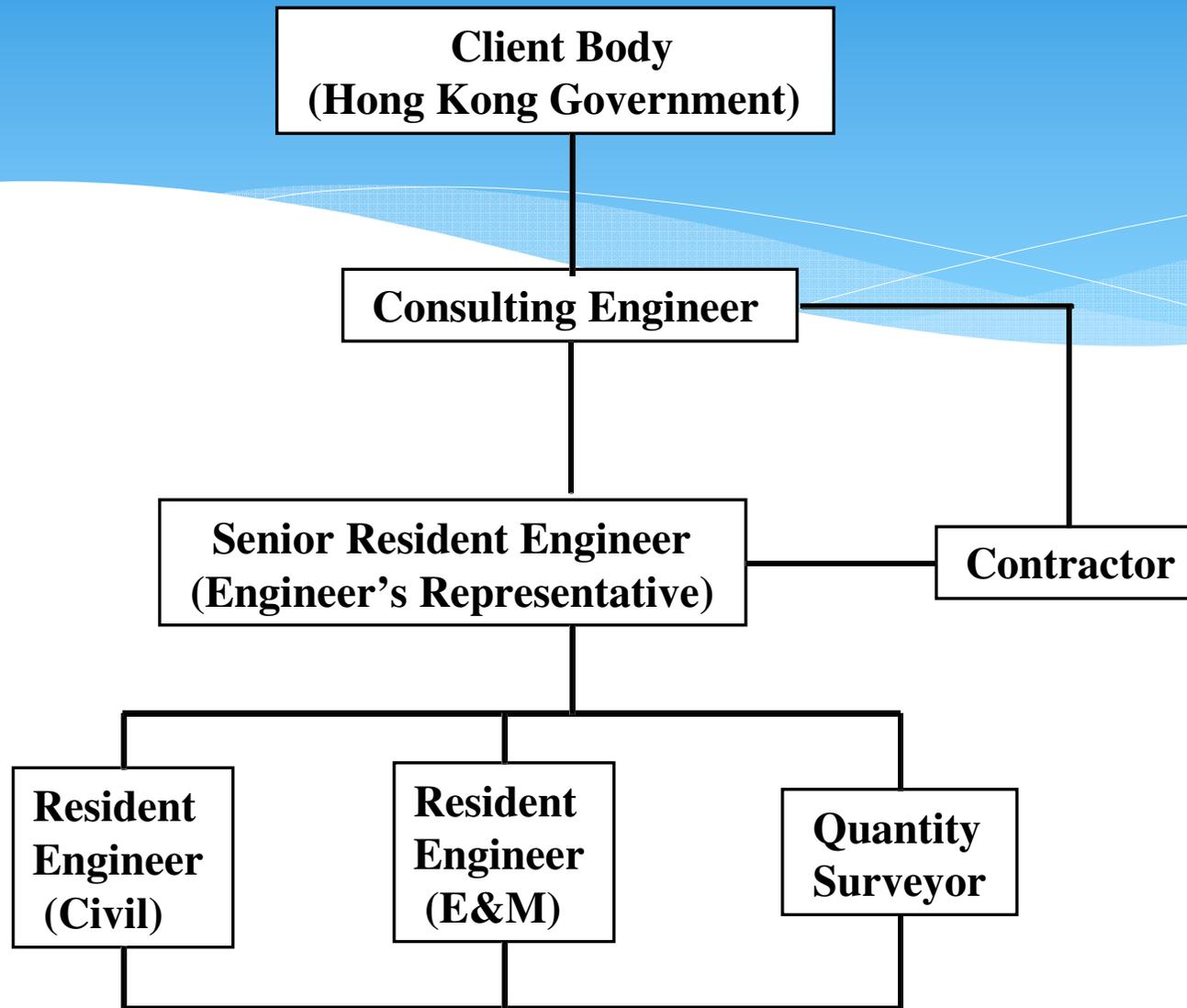
- * Effective negotiators are made not born although it is submitted that certain personality characteristics will be beneficial in some situations. Negotiators who are effective in one situation may not be effective in other. Situations must be analysed in order to choose the best fit negotiation style.

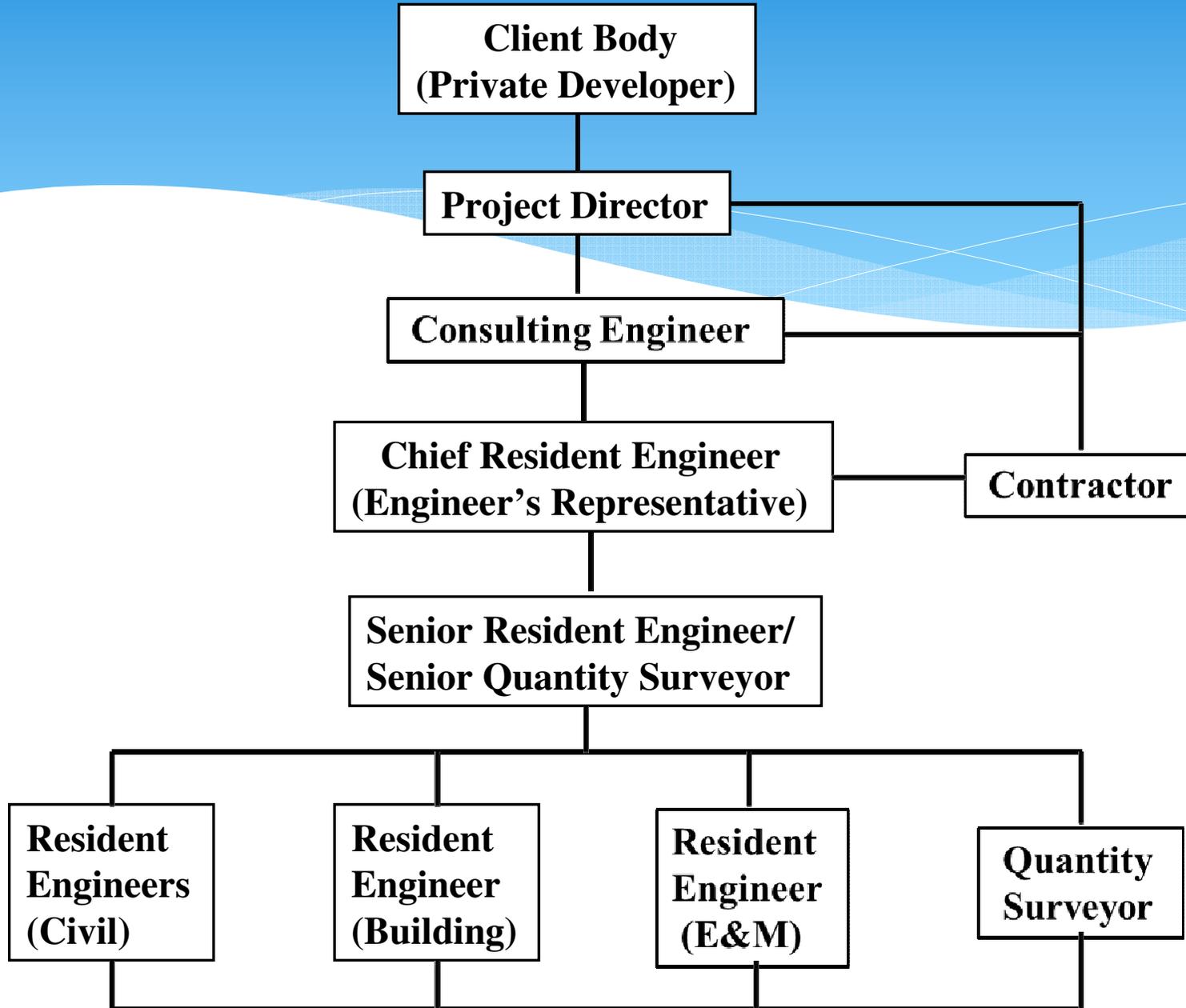


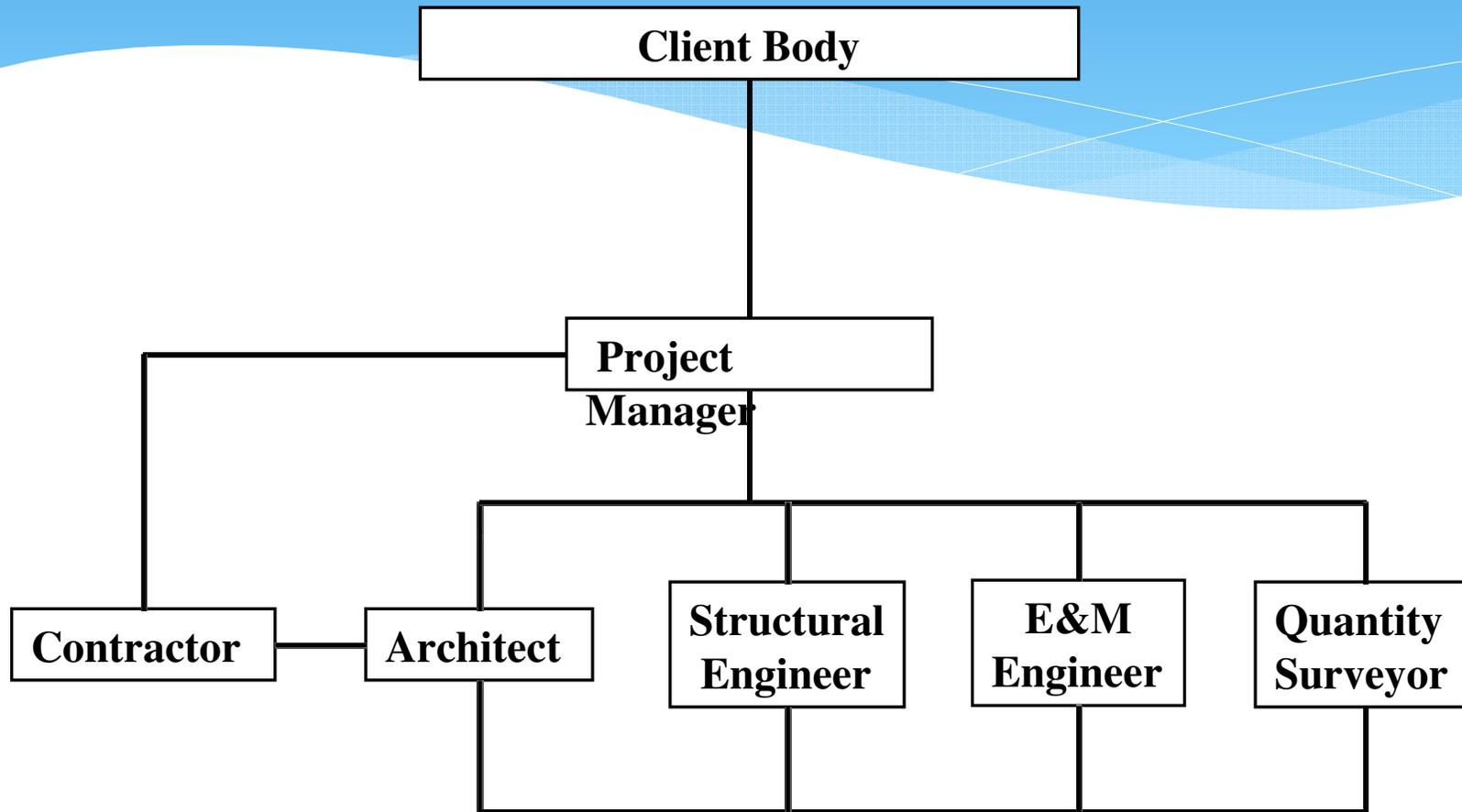
Nature of the Construction Industry

- * Unique
- * Temporary
- * Temporary Construction Project Team from various firms and organizations
- * Different/conflicting objectives
- * Different factors and forces:
 - * 1. Internal (behavioural response, techniques and technology, decision making process, organisational setting and position of power)
 - * 2. External (Political, legal, institutional, cultural and sociological, technological, economic and competitive)
- * Different contractual arrangements:
 - * 1. Traditional arrangement with or without Project Manager
 - * 2. Civil Engineering Project









Stages of Construction Process

- * Pre-contract
- * Tendering
- * Post-contract



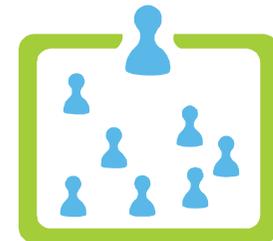
Disputes in Construction Industry

- * Between the design team and the developer
- * Between the design team and Government/public bodies/other parties
- * Between various contributors within the design team
- * Between the design team/developer and the contractor
- * Between the contractor and the sub-contractors
- * Between the contractor/sub-contractors and Government/public bodies/other parties



Hypothetical Model of Negotiating Styles of Construction Project Leaders

- * Effect of Organization Structure (power of the project leader)
- * 1. Conventional type with Architect as the project leader - Competing
- * 2. Conventional type with Project Manager as the project leader (in-house or external) – Competing and Collaborating
- * 3. Management Contract with Project Manager as the project leader - Collaborating
- * 4. Civil Engineering Contract with Engineer as the project leader - Competing
- * Effect of Stages of Construction Works
- * 1. Pre-contract –collaborating
- * 2. Tendering - competing
- * 3. Post-contract-competing



Results of the Research

- * Research based on questionnaire, interviews and case studies, the results are as follows:
- * Percentage preference for Pre-contract stage:
 - * 1. Collaborating – 95%
 - * 2. Competing – 60%
 - * 3. Compromising – 58%
 - * 4. Accommodating – 25%
 - * 5. Avoiding – 10%
- * The results indicate project leaders more prefer to use collaborating style



Results of the Research (Cont'd)

- * Percentage preference for Tendering stage:
 - * 1. Collaborating – 88%
 - * 2. Competing – 81%
 - * 3. Compromising – 50%
 - * 4. Accommodating – 21%
 - * 5. Avoiding – 10%
- * The results indicate project leaders project leader prefer to use both collaborating and competing styles



Results of the Research (Cont'd)

- * Percentage preference for Post-contract stage:
 - * 1. Collaborating – 96%
 - * 2. Competing – 60%
 - * 3. Compromising – 60%
 - * 4. Accommodating – 20%
 - * 5. Avoiding – 14%
- * The results indicate project leaders are more collaborating, it may be due to Chinese project leaders represent 89% of the study sample and the results were affected by cultural influences



Results of the Research (Cont'd)

- * Results obtained for “Concern for Substantive Outcome” and “Concern for Relational Outcome”:
- * Mean score based on maximum score from -80 to +80 for **Pre-contract stage**:
 - * 1. Substantive outcome : +48.5
 - * 2. Relational outcome : +19.5
- * **Tendering stage**:
 - * 1. Substantive outcome : +54.5
 - * 2. Relational outcome : +6.95
- * **Post-contract stage**:
 - * 1. Substantive outcome : +49.37
 - * 2. Relational outcome : +16.8



Results of the Research (Cont'd)

- * These results indicate that project leaders are much more concerned for the substantive outcome than the relational outcome
- * Concern for substantive outcome in the Tendering stage is higher than the other two stages
- * Concern for relational outcome in the Tendering stage is lower than the other two stages
- * Project leaders mainly use collaborating and competing styles than accommodating and avoiding styles throughout the three stages of works
- * The using of collaborating and competing styles is even higher in the Tendering stage



Results of the Research (Cont'd)

- * The results also indicate that different negotiating styles and different degree of each style are employed by different leaders, possibly due to different influences (cultural, gender, psychological)
- * The results also indicate different negotiating styles are employed by the same project leader which means negotiators are flexible and may employ different negotiating styles according to different situations
- * The mean scores on accommodating and avoiding styles are very low which indicate that project leaders will not avoid the issue or just let their counterparts to dominate the negotiation



Results of the Research (Cont'd)

- * 93% of the study sample are male project leaders, the styles can only be considered as the styles commonly employed by male Hong Kong Chinese project leaders



Results of the Research (Cont'd)

- * Results according to the different types of organization structures are as follows:
- * **Conventional type with Architect as the project leader:**
 - * 1. Collaborating – 100%
 - * 2. Competing – 74%
 - * 3. Compromising – 47%
 - * 4. Accommodating – 29%
 - * 5. Avoiding – 0%
- * The above results indicate that the project leaders prefer to use collaborating and competing styles



Results of the Research (Cont'd)

- * **Conventional type with “Executive Type” Project Manager as the project leader:**
 - * 1. Collaborating – 92%
 - * 2. Competing – 69%
 - * 3. Compromising – 54%
 - * 4. Accommodating – 22%
 - * 5. Avoiding – 12%
- * The results indicate project leaders prefer to use collaborating style in the descending order of competing, compromising, accommodating and avoiding



Results of the Research (Cont'd)

- * **Conventional type with “Non-executive Type” Project Manager as the project leader:**
 - * 1. Collaborating – 86%
 - * 2. Competing – 70%
 - * 3. Compromising – 63%
 - * 4. Accommodating – 16%
 - * 5. Avoiding – 13%
- * The results are similar to those of the Executive Type Project Manager



Results of the Research (Cont'd)

- * **Civil Engineering Contract with Engineer as the project leader:**
- * 1. Collaborating – 97%
- * 2. Competing – 46%
- * 3. Compromising – 67%
- * 4. Accommodating – 27%
- * 5. Avoiding – 13%
- * The results indicate that Engineer prefer to use collaborating style in the descending order of compromising, competing, accommodating and avoiding



Results of the Research (Cont'd)

- * **Civil Engineering Contract with “Executive Type” Project Manager as the project leader:**
 - * 1. Collaborating – 94%
 - * 2. Competing – 100%
 - * 3. Compromising – 26%
 - * 4. Accommodating – 16%
 - * 5. Avoiding – 14%
- * The results indicate that project leaders of this type of contract prefer to use competing style in the descending order of collaborating, compromising, accommodating and avoiding



Results of the Research (Cont'd)

- * **Civil Engineering Contract with “Non-executive Type” Project Manager as the project leader:**
- * 1. Collaborating – 94%
- * 2. Competing – 67%
- * 3. Compromising – 50%
- * 4. Accommodating – 26%
- * 5. Avoiding – 12%
- * The results indicate that project leaders of this type of contact prefer to use collaborating style in the descending order of competing, compromising, accommodating and avoiding



Results of the Research (Cont'd)

- * The results also indicate that project leaders for all types of contracts are more concern for substantive outcome than the relational outcome with Executive Type Project Manager of civil engineering contract and Architect in conventional type contract ranked with highest scores
- * The position power of the project leaders are high for all three stages of construction in the descending order of tendering stage, pre-contract stage and post-contract stage which indicate that project leaders are more competing in tendering stage and more collaborating in the other two stages



Results of the Research (Cont'd)

- * The position power of the project leaders in civil engineering contract with Executive Type Project Manger and Conventional type contract are higher than other types of contractual arrangement which indicate that project leaders of these two types of contractual arrangement will employ a more competing style
- * Project leaders are more satisfied with the negotiation outcomes in the tendering stage than the post-contract stage which indicate the styles used by the project leaders in the post-contract stage may not be quite suitable



Results of the Research (Cont'd)

- * Project leaders in conventional type contract and civil engineering contract with Executive Type Manager are more satisfied with the negotiation outcome than the other types of contractual arrangement
- * The results from case studies also indicate that the position power of contractor is generally low but they prefer to use collaborating style to counteract the competing styles taken by the project leaders



Negotiation Styles of Construction Professionals in Hong Kong

THANK YOU

