Service sector in terms of changing environment

Negotiation Skills – A Factor for Insurance Development in Conditions of a Changeable Surrounding

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Abstract

 Starting from the existence of the modern business world, which our country is joining in the private as well as in the public sector, it is essential to establish a modern way of communication with the potential clients in that way turning them into active clients that would increase the level of insurance development.

 In this paper we will consider specific cases of negotiation which will initiate modern changes and development of the insurance network through proving information and responses to the challenges in the real world and it that way being a guideline towards the ways of attracting clients (the insured people ).

 A special challenge in insurance is the occurrence of complex dependent relations. The challenge is special because in insurance the product that is for sale has no physical existence and is not visible. It is in fact an insurance service whose benefits can be felt after a certain period if a damaging event occurs. This characteristic of insurance gives an opportunity to both parties in the negotiation to fulfill their goals, which would mean common creation of new insurance services and products that are a result of specific market needs, giving discounts, creating package services etc.

 People tend to regard the economic exchanges as a win-lose situation. However, these exchanges can also be structured as a win-win, in which case there is a possibility both negotiation parties to be winners. ( Bank insurance in an example where both bank and insurance services are received ) . The negotiation challenge, especially in the scope of insurance is finding a solution that would satisfy both parties.

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**I. Introduction:**

 *Why negotiation skills are important for insurance development?*

 In order the negotiating parties to fulfill their goals, primarily referring to insurance itself and making of the contract, integrative negotiation and its strategies should be used as a part of the negotiation skills. The fundamental strategy of integrative negotiation is such that it enables both parties to reach their goals although the conflict that may occur at the beginning of the negotiations may appear to both parties as a situation of win or loss but the discussions and common estimation usually points at the possibility of alternative win-win[[1]](#footnote-1)

 **Processes that help reaching integrative agreement –** effective exchange of information promotes the development of good integrative solutions. In order to make the required exchange, the negotiators should be ready to state their own goals and to carefully hear each other out. The negotiators need to create conditions for an open and free discussion of all subjects, questions and discussions.

 **An attempt to interpret the real needs and goals of the other negotiator -** the negotiators differ in terms of their values and preferences. If you are ready to help the other party to satisfy their goals, first of all you should apprehend it. Integrative agreements work better when the parties have already exchanged information about their preferences and priorities in terms of certain questions, but they do not necessarily need to state their positions about the questions.

 **Emphasis on common things among the parties and minimization of the differences –** in order to maintain the free flow of information and to make an effort to really understand the needs and goals of the other party, the negotiators may need to have different views or reference network. A need may occur to redefine specific goals and to create a collective goal. In insurance, that primarily refers to making the contract for insurance, but the goal can also be to benefit from the insurance faking an unfortunate event.

 **Seeking solutions that would satisfy the goals of both parties –** the success of integrative negotiation depends on seeking solutions that would satisfy the goals of both parties. In that process the negotiators should be firm about their prime interests, but also flexible about the way in which that interests and needs are accomplished. The results are rated in terms of the degree to what they satisfy the goals of both parties.

**II. Methodology of the new approach**

1. Building Trust – position that ensures understanding

 **Imposing trust** is one of the key skills that every negotiator should possess. Each negotiator could use some of the five strategies to influence the perception that the other party would have in terms of trust.

 **Speak their language:** Primarily, this refers to using appropriate terminology for business insurance as well as to the understanding of the cultural background, history and the specific trends of insurance.

 **Managing your own reputation:** It is a known fact that our reputation speaks about us. If it is negative that can be a '' murderer '' of the contract even before the negotiations have begun. On the other hand, if it is positive it can help in the development of relations with the other party and to speak as our recommendation. Experienced negotiators use reputation as a tool during the negotiations.

 **Make dependence a factor:** The more we depend on somebody the more we trust that person. It is a case of a psychological phenomenon which is based on the idea of uneasiness that we fell as a result of the fact that we depend on somebody and we cover it with a strong will to believe that it is a trustworthy person who works for our interest. In the negotiations, the more both parties trust each other, better results will be achieved.

 **Make one-sided appeasement**: If we can estimate that in such a way implicitly we could get much more than we need to give up, then controlled appeasements and remissions can be made. These carefully calculated appeasements do not need any commitment of the other party, but they show our good intentions and can do miracles in terms of gaining the trust of the other party.

 **Explain your requests:** Unfortunately, when any negotiations begin with some new person we can assume that he / she will think the worst about our motives and goals. Psychologists have found out that people tend to see themselves in a perfect light while the others in not so good light, especially when it comes to some person they are in conflict with. This is the reason why in the negotiations we have to explain well to the interlocutor what we specifically want, why we want that, what our intentions are and to make sure that he has understood us. In order to start talking about building trust at all the basics that lead to understanding must be established. It is impossible that both parties will reach an agreement if their views do not allow that. This raises the question : What kind of attitude leads to understanding ? An excess of answers exist that can be summed up by three basic rules which every negotiator should use : never assume that there is only one problem, everybody is right ( everyone has a right to have a personal point of view ) and everybody can win ( the barrier that usually appears during the negotiation is the opinion that if we help others to achieve what they want automatically we lose what we want ) .

2. Argumentative negotiation – step by step to bound success

 Generally, there are a lot of negotiation techniques, but now we will not give a detailed explanation of them. Instead, we will look into one specific case of argumentative negotiation, whose allegory we think that could be easily turned into a useful technique not only for insurance routine but also for other businesses routine:[[2]](#footnote-2)

 Tom is the owner of a car which was completely destroyed by some goods truck. His car was insured, but the precise amount of recompense he must arrange with the company's loss adjuster . This is how the conversation developed:

Loss adjuster: We have investigated your case and have---- that your policy has not yet expired. You have the right of recompense of $6600.

Tom: I understand, but what standard did you use to specify that amount?

Loss adjuster: How much would you request?

Tom: As much as I'm entitled according to the policy. I found a car similar to mine for $7700 together with the expenses it would be $8000.

Loss adjuster: $8000! That is too much !

Tom: I'm not asking for $8000 or $6000 or $10000, but for a righteous recompense.

Loss adjuster: Fine, I can offer you $7000. That is the highest I can give. It's the company's politics.

Tom: How did the company estimate it ?

Loss adjuster: Look, $7000 is the best you'll get. Take it or leave it.

Tom: $7000 may be fair. I don't know. However, if you cannot show me objectively why I'm entitled to that amount, I think that I could get more at court. Why don't you check the calculation once more?

.....

Loss adjuster: Well Sir, here I have an advertisement in today's newspaper about a Ford Taurus from '89 for $6800.

Tom: I see. How much kilometres has it passed?

Loss adjuster: 84000 km. Why?

Tom: Because mine was only 43000 km. How much does that increase the amount according to your calculations?

Loss adjuster: Let me see... $450.

Tom: Together with the base that leads up to $7250. What does the advertisement say about a radio?

Loss adjuster: Nothing.

Tom: How much is the addition for that according to your calculations?

Loss adjuster: $125.

Tom: How much is the air conditioner?

.......

 Half an hour later, Tom left the room with a check of $8025.

 It is more than clear how argumentative negotiation easily leads to the wished results. The problem is how to get to the real argument. That is why the potentials should be well investigated, we should have the right information but also a communicative skill that will enable presentation which will use the facts objectively and will be less based on emotions.

3. Separate the people from the problem

 The negotiations are a specific activity where despite the professionalism very often conflicts occur because the real problem was disregarded and a '' physical fight “among the negotiators. In situations like this a few important aspects should be taken into consideration:

 **The negotiators are primarily people:** They are not abstract negotiators, but human beings like ourselves. Of course, both parties have ego that can be easily endangered and they should be carefully treated in order not to develop feelings that would be destructive for the negotiations. However, one should be careful because this humane aspect may have negative effect if the opposite party also knows how to use it.

 **Every negotiator usually has two interests: actual and relational.** In the negotiations, every negotiator tends to satisfy, at least, the actual interests, but on the other hand it also wants to develop a relationship with the other party. The insurance underwriter as a negotiator wants to make money from the disposal but at the same time wants to make the insured a loyal client.

 **The relationships may interfere with the problem.** Very often a simple rebuke may be interpreted as a personal attack which results in an escalation of the problem and the situation becomes harder despite the intentions of either parties. One of the basic reasons for this interference is making wrong conclusions.

 **Perceptions may be a problem of their own.** In fact, the differences that are maybe the reason for beginning the negotiations may be based on different opinion about the same thing, which may result in the occurrence of a conflict. Nevertheless, ultimately, the conflict does not lay in the objective reality but in people's heads where fears that should not be avoided can be found, on the contrary, they should be faced with i.e. they should be discussed together.

 **Do not draw conclusions for the intentions of others based on your own opinions.** It is very easy to become your habit to give the worst possible interpretation of what the other party has said or done. You should avoid making assumptions that would lead to insubstantial conclusions.

 **Emotions and gestures .** In the negotiations, especially the ones that lead towards an argument, very often the emotions may be more important than words. The parties may be ready for a fight instead of a cooperative collaboration aimed towards finding a solution for the common problem. It is a fact that the emotions of one party will provoke emotions in the other party too. The ability to recognize someone else's emotions as well as yours may be vital for avoiding their interference in the process of negotiation.

 **Communicating.** Without it there are no negotiations. Despite the fact that communicating looks like a simple thing very often we cannot understand each other completely although we speak directly and clearly.

 In order to overcome this problem the best thing is to prevention by creating positive work relationships and by confronting with the problem and not the people. The negotiators, first of all, need to hear each other out and to consider themselves as partners seeking the righteous agreement.

**III. Negotiating techniques**

 There is a great number of negotiating tactics of different kind that can be used in negotiations. The choice is based on previous decisions concerning where the negotiations will take place, when they will be held and in what way the negotiations will begin. What follows is a presentation of some of them :

 **Make the emotions measurable**: sometimes the immeasurable goals can be turned into measurable '' I should be home latest at midnight every night '' is much more measurable than '' I should change my lifestyle ''. If we assume things in this way we can easily aim towards their accomplishment.

 **The question '' Why? ''** It is always useful to ask ourselves '' why? '' It does not matter if the question refers to our aspects of the negotiations or those of the other party. It is especially important to ask this question when something is not completely clear. We should ask ourselves why we aim towards a certain goal, why exactly that etc. The more times we ask ourselves why, the more prepared we will be to respond to the challenge in the negotiations.

 **Seeking information** Ask direct questions which do not have a big negotiating value in order to find out the goals of the other party. The way in which you ask the questions has an effect on whether it would be helpful or would make our position in the negotiations even worse.

 **Shut up** The meaning of '' Silence is gold '' is not in vain. It is more than sure that we will not give important information away if we say nothing at all. The ability to completely hear the other party out may give us an advantage in the further development of the negotiations.

 **After you** Very often you can find yourself in a situation when somebody will say '' let's make a compromise ''. That means that the other party is ready to speed things up and avoid the conflict. We can use this tactic in such a way that our '' let's make a compromise '' will be followed up by '' what do you think will be a fair agreement? '' conditioning the other party to make an appeasement.

 **Threatening to withdraw** This is a relatively extreme tactic which is used when a '' hard player '' should be forced to make the first move. The tactic is used when besides all our efforts the other party seems uninterested, then we should make it clear that what we offer is excellent and that we will not back away and withdraw from the negotiations.

**IV .Deceitful tactics**

 Most negotiators probably will give more value to the reputation of being sincere. Again, what does it mean to be sincere? Whether after the negotiations we will have a clear, precise and effective agreement depends on the ability of the negotiators to share true information about their personal preferences , and at the same time because the negotiators almost always are interested in maximization of their own interest may want to inform as little as possible about their positions, in that way manipulating with the information that the other party gives. The deceit during the negotiations may be recognized through the following tactics[[3]](#footnote-3):

 **Wrong presentation of somebody's position to the other party** With the wrong presentation, the negotiator lies about his own point of agreement or point of opposition. The negotiators may tell the other party that they want an agreement for more than they expect and are threatening that they will back down from the negotiations although they are actually ready to make additional appeasements and believe that the parties are close to reaching an agreement. Wrong presentation is the most common way of deceit in negotiating.

 **Bluffing.**  Negotiators say that they will take action when they actually have no intention of doing so and maybe they are not even capable to do it. Best example for bluffing are the false treats for keeping a promise. Some negotiator could treat that he will back down from the negotiations unless his terms and conditions are not satisfied.

 **Falsification.** Falsification is bringing wrong factual information in the negotiations ( false documents, stating false age in a case of a life insurance etc. ) .

 **Deceit.**  The negotiator creates a set of true and wrong arguments which are used to lead the other party towards a wrong conclusion. For example, the negotiator may give a detailed explanation about what kind of actions were taken in a similar situation in the past and in that way to force the other party to believe that he is planning to undertake the same actions.

 **Selective release or wrong presentation** The negotiator does not tell what exactly happened during the negotiations to his superiors because in that way he wants to play the role of both parties so that he can maneuver with his own wished negotiation agreement.

 As a result of the use of this kind of tactic, the negotiator may come across to positive or negative consequences. The consequences are depend on whether the tactic is effective, how the other party and the public will value the tactic, and also how the negotiator himself will value it. Certain '' justifications ''exist about the use of these deceitful tactics and these include the following cases : when the use of the tactic was unavoidable, when the tactic would help to avoid negative consequences, when the other party responds in the same amount, when her use is harmless etc.

 **V. Conclusion and recommendations**

 The ideal conclusion is when the negotiations would end with common satisfactory contract which is the final goal of the negotiations. The key for effective negotiations is clear and precise communication which motivates both parties to take a part in making the decisions. Business success 85% depends on effective communication and the negotiation skills that you possess. Using the skills suggested in this paper we can create a new approach for development and managing the relationships in conditions of changeable and complex surrounding.

 From the title of the paper itself *Negotiation Skills A Factor For Insurance Development in Conditions of Changeable Surrounding* the following important aspects can be mentioned as a lead : active participation in the process, clear insight in the psychological factors that have an effect on making the decision to buy or reject, an ability to recognize non-verbal communication, effective use of negotiation techniques and tactics, presentation, consideration and acceptance of mutual perspectives, values and goals, an ability to recognize the '' language of the client's needs '' , collaboration and leading towards achieving an agreement.

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Triple S Learning, http://www.tsl.mk**/** is the first training center in Macedonia, specialized in the fields of sales, service and success

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2. **Triple S Learning**, is the first training center in Macedonia, specialized in the fields of sales, service and success [↑](#footnote-ref-2)
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