

## **CONSIDERATIONS ON BUSINESS AND TRADE NEGOTIATION**

**ALEXANDRU CRISTIAN DOBRE\***

**ABSTRACT:** *Business and negotiations have always been a preoccupation of people since old times. Large profit can be obtained by an individual or company if others maintain their view. The development of global economic networks has increased the need for negotiations between people of different environments and cultures. The technological developments and digitalization have also made changes in traditional negotiation strategies. Now as more as ever, negotiations are being made through online exchanges. In this paper we try to outline a consideration on how to achieve win-win negotiations and what kind of principles we can use for a succesful negotiation process. We also try to analyze the advantages and disatvantages of online email negotiations. In the end we propose a couple of exercises for increasing negotiation expertise and finalize with our conclusions regarding the subject matter.*

**KEY WORDS:** *Negotiations, business, considerations.*

**JEL CLASSIFICATION:** *F00, M19.*

### **1. INTRODUCTION**

Various processes in business require many transactions. The transactions that are undertaken need negotiations between parties and different sides. We can define negotiation as the common ground that is reached by two parties pursuing their interests. All negotiations require 2 sides that have individual interests. Negotiations also contain at least 1 issue that should be considered. We can consider the alternative choices as another part of negotiations. And last but not least, each party inclines towards a position regarding the issue

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\* Assist. Prof., Ph.D., University of Petroșani, Romania, [cristiandobre@upet.ro](mailto:cristiandobre@upet.ro)

to be resolved. Each of the parties positions need to be clarified and their needs and interests defined through a process for them to reach every intended goal.

There has been a developing trend for businesses to compete for international activities. This fact has been pushing businesses to grow and expand their influence through global markets. Therefore business must undergo a intercultural change for adapting to international negotiations with different environment necessities. Business negotiation can be complex in a global setting because of different cultural biases, the functioning environments of businesses and also because of digital and technological advancements. All these factors make business negotiation harder to implement across different countries. In this article we try to consider a context in which business negotiation can become an effective process throughout business activities.

When there is a change in one of the negotiation parties, the other side can be affected. The negotiator must obtain useful skills of communication and interaction in order to find common ground with the other side. A good negotiator will work with the other side to reach his own needs that are involved. There are different levels of negotiation effectiveness that can be subjective to individuals. A good negotiator has been polishing skills through experience in reaching objectives without the expense of other's views. Communication and persuasion capabilities can optimize the incline or decline of a negotiation effectiveness.

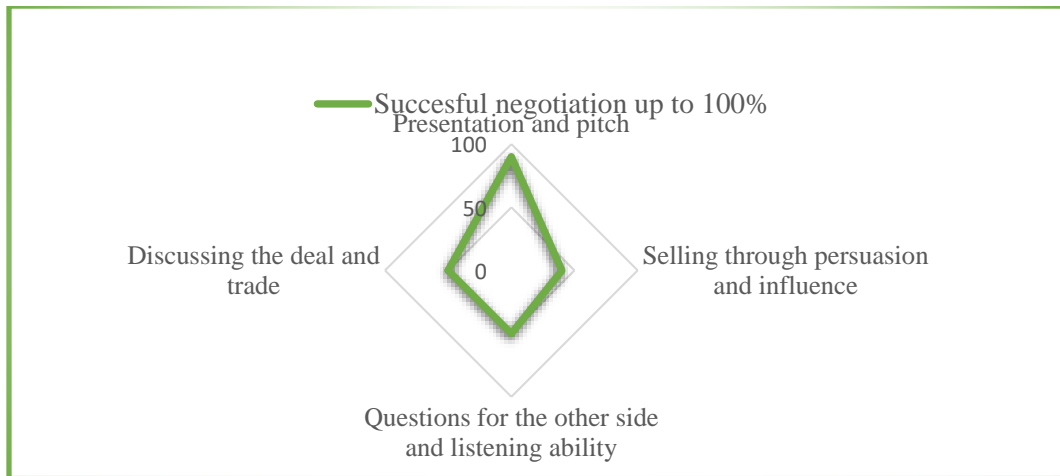
Even if we live in a heavy digitalized world, some aspects of negotiation remain unchanged as some of the needs of people remain unchanged over time. The negotiation is not the end of collaboration between sides but rather a starting point for future teamwork and responsible taking account of terms on each side. Often there is a false assumption that negotiation leads to benefit only the negotiator, in reality the process of negotiation should benefit both sides therefore creating a win-win scenario or at least a easy loss for both sides.

## **2. NEGOTIATION THROUGH WIN-WIN SITUATIONS**

Negotiation is a set of abilities that pursue many different disciplines. These abilities turn a potential deal into a reality that can be negotiated by the actors involved. Successful negotiations are not strictly linked just to good communication, instead they are an outcome of a series of abilities and realizations:

- Presentation and pitch – What is the negotiator doing to bring sides at one table and present the idea and objective;
- Selling through persuasion and influence – Making the other side to agree on doing a deal through negotiation and understanding our needs;
- Questions for the other side and listening ability–Finding out the other side incentives and background for ensuring a better deal;
- Discussing the deal and trade – Reaching to the finalization of the deal. More complex situations may require several negotiation meetings.

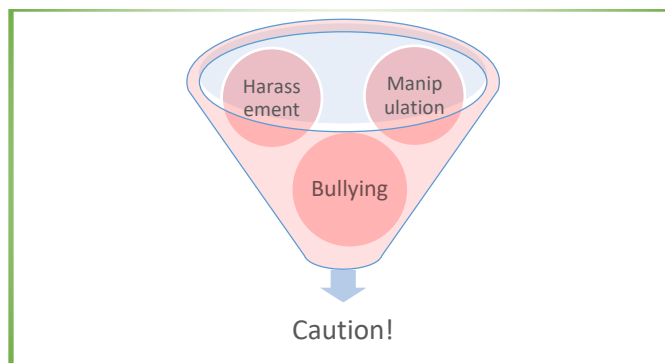
In the following Figure 1 we try to put these abilities of negotiation into perspective in a diagram. The diagram which forms a four side diamond at 100% is that of a successful negotiation or a negotiation of maximum effectiveness. Negotiators will rarely check all the boxes but reaching for perfecting their abilities can change the outcomes of negotiation.



Source: realized by the author

**Figure 1. Successful negotiation diagram**

The previous diagram shows us where we need to concentrate our attention for effective negotiation. The darker part of negotiations is that they do not always go in the desired direction and can lead to one side of the negotiation being manipulated, agressed with harassment and even bullied. We should express caution on any of the damaging signals of negotiation described in the diagram of Figure 2.



Source: realized by the author

**Figure 2. Negotiation caution**

As negotiations can lead to advancements, they can also lead to detriments in some occasions. The tipping point in which businesses can be subject to such dangerous behaviour must be guarded with protective measures to never undergo in damaging situations. The better at negotiating businesses get, the more economical potential can increase and subsequently profits (Kim, 2018).

Businesses and people should be understanding that negotiation is about all the sides included. There can be many outcomes of a negotiation because of the unpredictability of events. Whenever there exists a discussion between two or more sides for reaching a decision, there exists a space for negotiation. It can be a generalization that most people believe that a negotiation can have only a winner and a loser. In reality we can consider at least four directions for the finality of a negotiation.

The first scenario for a negotiation is the win/lose scenario. This implies a win for you cause and a loss for them. The second scenario is the lose/win scenario. This implies a loss for you and a win for the them. The third scenario is the win/win scenario. This implies a win for both parties involved in the negotiation. The fourth scenario is lose/lose situation. This scenario implies a loss for both negotiating parties.

Businesses want to be in the scenario that benefits them the most but they should also think about future relationships and collaborators (Arden, 2015). Furthermore the win/win negotiation scenario can be the best decision in a global market and current competitive environment. Negotiation planning should be accustomed to business strategy and client relationship. Profits shall thus be focused either on short term or on long term basis. Relationships and networking over long term can create more potential earnings. The importance of understanding business goals by it's main actors increases the chance of achievement.

### **3. NEGOTIATION PRINCIPLES**

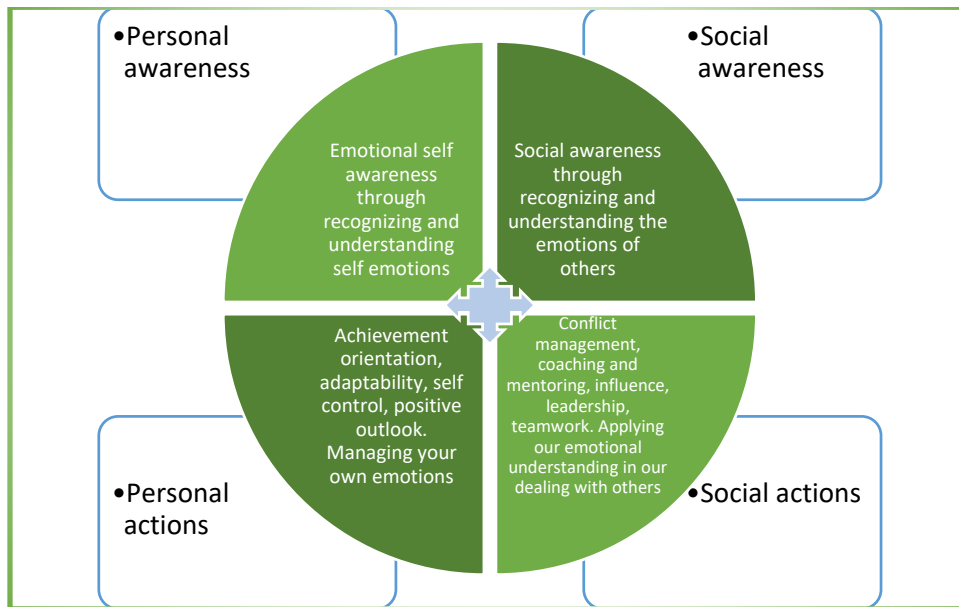
The first principle is that of preparation for the negotiation. The preparation for the negotiation can sometimes be time consuming but entering a negotiation without preparation can definitely damage the business image and also earnings. Planning a negotiation can open doors that were unseen priorly. There is no certainty that negotiation will always go according to plan but the businesses flexibility of working with information that is not complete can help reach it's goals. The end goal must be specific and clear and in case multiple pathways can be taken by the business to reach the goal, preparation is key to understand this flexibility. A multiple approach strategy can benefit business and ongoing relationships.

Another important principle of negotiation is the mindset that is brought into the negotiation. The mutual gain of business negotiation underlies a long term relationship and potential future business. Negotiation should not be focused only on short term goals and the sacrifice of relationships. Both businesses needs can be met to a measure and it is possible to have a good relationship after the negotiation even if it is hard. Cultivating

relationships is a life skill but can be very effective in negotiations. There can be times when relationships and influence can largely benefit business that otherwise would be losing at negotiation.

We can consider as a third principle for negotiations the creative problem solving mindset. There are many situations that require creative problem solving because of the necessity for complex solutions. To think outside the box can be a strategy for businesses in negotiation scenarios that can lead to success. Creative problem solving forces the mind to see between the lines and adopt views that seem hard to reach. When negotiations turn out the hidden opportunities and connect missing dots it is often the result of creative problem solving. This does not mean that this concept is similar to compromise, instead it is directed at solutions. This mindset brings the needs of each side into perspective and also a reflection on the fact that every side must say yes to continue (Cellich, 2021). Every side’s needs are important in a negotiation.

The last principle we can take in consideration is the management of the emotional side of the negotiation.



Source: realized by the author

**Figure 3. Personal and social competences**

In the previous Figure 3 we can consider some soft skills that are crucial to good negotiators. Increasing personal and social awareness will better negotiation abilities for individuals and businesses.

#### **4. NEGOTIATING ON THE INTERNET**



In the context of globalization businesses change the way they operate constantly. The online environment is becoming the most used channel of communication. The freedom the internet provides brings opportunities for new markets. International trade is nowadays simplified without endless phone calls and fax machines. The executives of businesses rely on the internet for communication because it is fast and capable. Business transactions through online communication cut on the company costs. Negotiation has also been moved to the online environment because of digital advancements.

Often times this type of communication can also cost businesses. Without clearly stating the deals and sometimes even ignoring email messages, some businesses can actually have more costs. Businesses should be intently cautious about online negotiations. To be effective in online negotiations, information should be clearly stated and face to face follow-ups should not be ignored because traditional relationship and influence is always powerful in negotiations. The time spent on writing emails can be optimized through inner business processes and regulations.

Exporters and importers adapt to this new form of negotiating by restructuring their processes. This period of transition forces everybody to adapt to digitalization. Regardless of the distance between business, negotiation through the internet can be competitive and impersonal. There can be failures in online negotiation because of adverse reasons. Business to business companies face a high pressure in their negotiations with clients because of this impersonal nature. The unpredictability of the online platforms can have pressure on price and on the markets themselves. Face to face negotiations should continue to undergo their effort before we transfer everything to digitalization.

Understanding and effective usage of online negotiations can better relationships and agreements between businesses. Without adapting to online negotiations, some businesses fail to be open to a market segment that could bring profits. There are many departments of business that can benefit from online negotiations as in: order placement, trading deals, market tests, clarifications, asking for more information, sales information, shipment, delivering, customer communication, competition checks, negotiation preparation.

The optimum online negotiation activities must have well built email messages, that can sometimes be the result of more than one person. The reviewing of messages and replies is a must as they should contain a clear and respectful language, lacking any sort of aggressiveness and irritating expressions. This type of communication should be done in a cooperative manner and should be concise, not to force the negotiating parties for long hours in front of the screen. Every business is different by their activity sector but as digitalization can be implemented in almost anything, the same can be said of online negotiation through technology.

Advantages	Disatvantages
	
<input type="checkbox"/> Alot of information	<input type="checkbox"/> Can be overwhelming
<input type="checkbox"/> Review before sending	<input type="checkbox"/> Limited way of responding back
<input type="checkbox"/> Overcomes organization barriers	<input type="checkbox"/> Relationships form harder
<input type="checkbox"/> Empower people with less social skills	<input type="checkbox"/> Limits privacy
<input type="checkbox"/> Overcomes distance	<input type="checkbox"/> Impersonal information
<input type="checkbox"/> Adds to face to face negotiation	<input type="checkbox"/> Behaviour is individualized
<input type="checkbox"/> Information storage	<input type="checkbox"/> Can have a multiplication effect
<input type="checkbox"/> Reduces hostility	
<input type="checkbox"/> Avoids unwanted relationships	

Source: realized by the author

**Figure 4. Advantages and disadvantages of email negotiation**

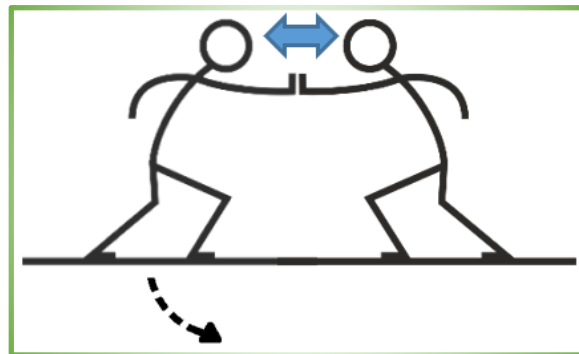
In the above Figure 4 we can consider some of the advantages an disatvantages that are recurring in online negotiation strategies.

When writing for online negotiations businesses should bare mind that the email will be read by others. The significant information of the email should be in the first lines. Emails should not be copied from different uncongruent places. Cross cultural information should be analyzed and reviewed before sending. The clarity of the email should be a main principle of attention. Messages in email negotiations should not be very long. Misinformation is sometimes hard to dfetec in online negotiationg. A readable font and font size should be used by the negotiator for a facile response. The email sender should not stack up too much information in one email. Negotiators should not write in CAPS. It is best to avoid stringent collors in messages and emoticons. Language that can be interpreted is also

best to be avoided and also abbreviations that might not be familiar. The avoidance of popular catchphrases is also indicated (Weiss, 2020).

## 5. NEGOTIATION EXERCISE PATTERNS

Often businesses are aggressive in their negotiation endeavors neglecting the needs of other businesses or even clients to pursue personal gain. We can consider an exercise for negotiation as an example of two people firmly grounded on their feet and pushing with their hands stretched out towards each other. Each person pushes a bit and the other side responds with that little bit so it doesn't fall off balance. If a person pushes harder, the other side responds with equal strength. But now let's change the direction of the pushing forces. If one person steps to the side at 90 degrees, the other side lies there pushing only the air. The force that is used to push from one side, now has no resistance. Similarly in negotiation if one business is too aggressive in its negotiation, the other business will respond back with the same force. If we put this exercise into perspective we can learn that sometimes businesses must move to the side and stop pushing in order to see everything in perspective. If a business does not push against another business or client, the goal can be seen with more clarity.



Source: <https://freesvg.org/stick-figure-pushing>

**Figure 4. The push back exercise**

The business, as the person in the exercise is now seeing that there is no need for the push, instead it can focus more on mutual gains without using force on the business partner or client. The consequences of using force in negotiation often outweigh the benefits and mutual gains. We illustrate this concept in the above figure 4. This exercise can be done between 2 people in order to explain how a negotiation can take part and how one side of the negotiation influences the other.

Another exercise that can be done to better understand creative problem solving in negotiations is linked to a story from old times. There was once an old man who had died



and left a will to his three remaining sons. In his will was written that one son get's one half of his possessions, another one third and the remaining smaller son one ninth. It sounds awkward, but that is what the will said after all. After he died, there remained 17 sheep and nothing else. The sons had a hard time trying to figure out how to part the sheep because of the mathematical origin of the will. Luckily there was a wise man who was willing to help the three sons. They told him what happened and he offered to give them one of his sheep. At last the math now was working and one could get 9 sheep, the other 6 sheep and the last son 2 sheep. The three sons have solved the problem but they were still left with one sheep. They decided to give the sheep back to the old man. We can see from this story that creative problem solving can have an impact. This was not just a win/win situation, it was instead a win/win/win.

There are always more solutions to negotiation that even businesses are probably not aware and sometimes creativity can reach for hidden opportunities.

## **7. CONCLUSIONS**

The end of a good negotiation is not just the signing of the contract, it is a promise for future collaboration, a plus for a future partnership through work and mutual understanding. The negotiation is a social contract that covers many aspects like what to expect when communicating, who to consult, when to make decisions, contract finality and future opportunities for negotiations. During this process of negotiation the sides clarify the deal, it's quantification and also it's duration.

Businesses should be on the lookout for aggressive pressure involved in the negotiation that can ruin future collaboration. Negotiation process internal regulations can be a competitive plus for businesses and can obtain future earnings.

Through creative problem solving, negotiation can bring wins to all sides. Sometimes thinking out of the box is necessary for mutual gains.

Digitalization has given a new perspective on negotiation with it's plusses and minuses. The globalization tendencies can change how things have been done in the past and businesses must adapt to strive in the competitive market.

Training and experience in business negotiation often comes through trial and error and a business can rarely develop without the evolution of it's personal management. The skillset of a good negotiator comes with the skills of a good business manager that looks forward to keep good relationship with business partners, clients and not least colleagues.

As in many other activities, communication, partnership networking and general influence can be a definitive factor in negotiations and beneficial future business relationships. Negotiation strategies can delete misinterpretation and increase the value of contracts.

In final words, effective negotiation is a must have skill in business and commercial activities in these changing times. It is a skill that must be permanently enhanced in order for businesses to reach development and increased earnings.

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