

DEVELOPMENT OF STRATEGIC SYSTEM FOR BUSINESS NEGOTIATION SUPPORT

RAZVOJ STRATEŠKOG SISTEMA ZA PODRŠKU POSLOVNOG PREGOVARANJA

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Abstract: *This essay deals with the basic structure of the business negotiations process, as a complex mix of various business activities. At the beginning, the process of business negotiations is described, the goal of negotiations, the types of negotiations, key elements and the phases of the negotiations process are defined. All of this for pointing out the possibility of automating the mentioned entities of negotiations and for developing a negotiations support system. The main reason for this is because modern business demands support in software solutions during revising and choosing the most appropriate negotiation decision.*

Režime: *U ovom radu biće prikazana osnovna struktura procesa poslovnog pregovaranja, kao vrlo kompleksanog miksa brojnih poslovnih aktivnosti. Na početku je opisan proces poslovnog pregovaranja, definisan je cilj pregovaranja, vrste pregovora, ključni elementi i faze procesa pregovaranja. Naravno sve ovo, da bi se ukazalo na mogućnost automatizacije pomenutih celina pregovaranja i razvoja sistema za podršku poslovnom pregovaranju. Razlog za to jeste činjenica da savremeno poslovanje zahteva potporu u softverskim rešenjima prilikom razmatranja i izbora najprihvatljivije pregovaračke odluke.*

Keywords: *negotiating, business negotiations, business decision, business decision-making, strategics, manager*

Ključne reči: *pregovaranje, poslovno pregovaranje, poslovna odluka, poslovno odlučivanje, strategija, menadžer.*

INTRODUCTION

The process of business negotiations can be observed as a set of elements (strategies) which order has to be set precisely in order to find an appropriate solution. It is the most complex and middle part of the trilogy everyone of us does everyday. Presentation and communication are activities we do everyday in the circle of our family, at work, with business colleagues, business partners etc.

Various scientists in this area agree in one thing: communication form, and presentation skills are a very important element or a practical *necessary condition* for the negotiations success. At the other side, the *satisfactory condition* is the variety of negotiating activities which have to be implemented for a common goal and finding an appropriate solution for both sides, if possible.

On the other hand, compromise is an alternative and withdrawal, and also negotiation. Some type of compromise includes arrangements between two positions, and other point to win-win combination. Positive side of the compromise is its creativity and engagement, and the negative side of compromise is that often includes bad communication and problem solving. Generally speaking, each dynamic and open system that functions in changable enviroment must adapt to changes and one of the processes that contribute this adaptation is proces of negotiations, see [8].

Relevant singularity of the negotiation process is independence between negotiators, because accomplishing own goals depends on under what criteria other side also accomplishes its goals. Nevertheless, goals of the negotiable sides does not have to be in conflict situation and mutually inclusive. They are symbiosis of two components: Process of **rational decision making** and **psychical (emotional) process**, more details in [1].

Result of negotiations is equally conditioned with psychological as well as rational factors.

In most cases, sides' failure in order to achieve most desired solution or the best alternative derives from various factors such as, more details in [2]:

- How each participant understands the other side
- Assumption that each side generates on other as well as on problem
- Condition of an each participant after the conflict has accrued
- Expectations of each negotiable side
- Attitudes of negotiable sides on mutual trust
- Importance level of negotiations' success

Understanding of the rational and psychological part of the negotiations is prerequisite of the good negotiation process. It requires self-understanding as well as understanding of your calling party (negotiator). Incomprehension of psychological needs leads to negotiation failure. This is usually difficult for norm of other organizations discourage expressing negative feelings. Therefore, intensity of emotional conflicts are often expressed and rationalized on realistic issues.. People often express disagreement in trivial issues in order to justify emotional conflict with other person. In addition, unreasonable decisiveness leads to endorsed failure.

After all, without successful negotiations there is no general social progress for negotiator is a social being and practically cannot do anything independently, as a person. As our Nobel Prize winner Andric had said, bridge over river does not rely just on one side of the shore. *Therefore, negotiation process is crucial for quality decision making.*

In order to identify process as possible prerequisite for supporting system in negotiation process, for the cause of this paperwork, two most prevailing negotiation forms have been identified, see [2], and those are:

- Distributive negotiations, called as well negotiations with a zero sum. In this type of negotiations, one side wins and other loses. It is about situation in which there are no fixed resources in need of sharing, therefore the more one side wins the other loses more. Interests of the negotiable sides are conflicted. Mostly, when something is bought, one person gets a lot of money and the other has less of it. Consideration in this type of negotiation is own interest maximization. Prevailing strategy includes manipulation, force, hiding information, etc.

- Integrative negotiations or win-win negotiations. In this type of negotiations, there is changeable

- resource which is in need of sharing and both sides can win. Crucial negotiation consideration is maximization of the mutual outcome. As an example, we have selection of financial institution (bank) which needs to monitor side that conducts some civil-engineering project. Both sides, the bank as well as constructor have mutual interest for the common success of an investment project. Other example is situation evaluation with employee or dealing with the fact that he/her is always late for work. Basic strategies include cooperation, sharing information, mutual problem solving, etc.

After all, we need to emphasize that multiple situations of business negotiations include factors of both forms. Dynamics is different, and for two final instances exist two negotiations types. – *Stiff* negotiations which consist of infesting your opponent until you

succeed or an *indulgent* negotiation which deals in conflict prevention and also with wavering to other side, see [3].

Stiff negotiations lead either to agreement or to inevitable disagreement of the opponent sides. This leads to process ending. This type of negotiations requires time and often prevents sides to reach compromise. *Indulgent* negotiation is exposed to stiff negotiators. They can withdraw in order to avoid confrontation or to recognize that other side is in unjustified advantage.

As an alternative to such negotiations is principal negotiations, in which vigor lies in the fact that it is stiff toward problem and indulgent toward people.

Principal negotiations includes following factors, see[10]:

- ✓ People should be unlinked from problems
- ✓ Negotiators should be focused on interests, not on positions
- ✓ Search and chose the best solutions for all participants and
- ✓ Permanently insist on objective and relevant criteria

After short description of the basic negotiations' problematic, in order to mechanize the process, its identification during negotiation will follow.

2. NEGOTIATIONS PROCESS MODELING

Base of successful negotiations should be some kind of an negotiable deal (tending toward integrative negotiations), which is established through opponent sides in order to reach final goal. From this point of view, basic factors of the process are: deal, participants, messages which influence results of the deal, indicator of the encountered changes and messages on changes distributed to all negotiations participants, more details in reference [2], which is also a base for this paperwork.

The idea is to model negotiation process with final number of complexions. Situations in this model are practically negotiations complexions. In the following, description of characteristic processes of the negotiations cases as possibilities to implement in the model base (process) during projecting system to support negotiation process will be presented.

First model, also model which simplifies negotiation process is presented on the image 1. It consists out of two negotiable sides. Side A (e.g. salesman) and side B (e.g. buyer), because in opinion of researchers of this issue is that negotiations existed long ago, even at the beginning of the goods exchange. Therefore we have salesman/buyer, out of terms in sales, purchasing, marketing and modern management. In this simple model side B is not in the possibility to influence on side A using feed-back.

Prepared answers are limited on two options: acceptance or refusal of the deal. Negotiations frame (NF) can be comprehended as negotiation scheme, also environmental scheme in which negotiations process is unwinding (since the issue is e-negotiating), it can also be considered as negotiations software frame. Side A gives its offer as rated attribute value under discussed relevant beneficiaries' criteria, such as price, delivery date, terms of payment, warranty period, etc. for offered products/services. Side B takes the offer into consideration and according to this model two possible situations can happen. Side B can take the offer and therefore we have complexion/situation. Accepting the offer (AO) results with successful negotiations. Should side B refuses the offer complexion of offer refusal (OR) occurs, and this results with unsuccessful negotiations. If this happens, side A withdraws its offer and negotiations ends with failure.

Next scenario of negotiations process (Image 2.) shows the process in case of public attendance or auction with sealed offers, and specified time when offers must be submitted. The news of this model is: for all relevant decision making creatiria starting attributives value are

defined, but with a possibility of ending during negotiations process. They means that they are not fixed, and depending on negotiations terms and system dynamics they can be modified.

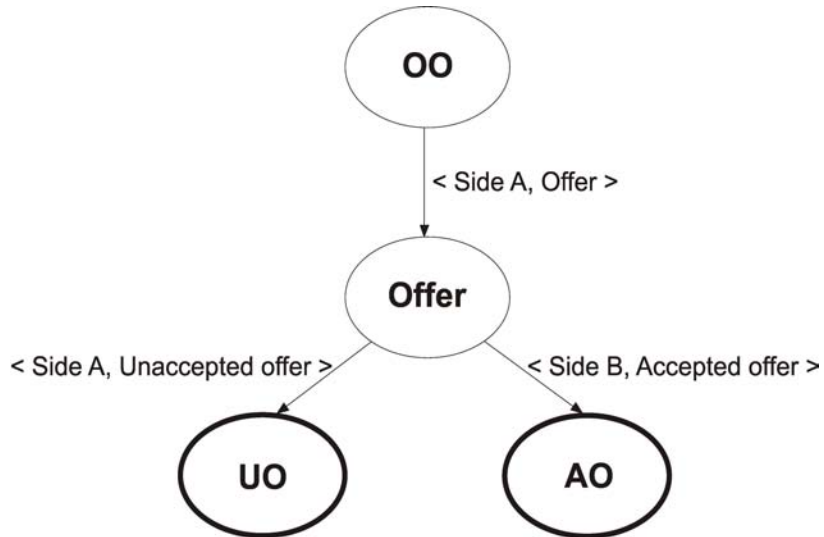


Image 1. First scenario of the negotiations process

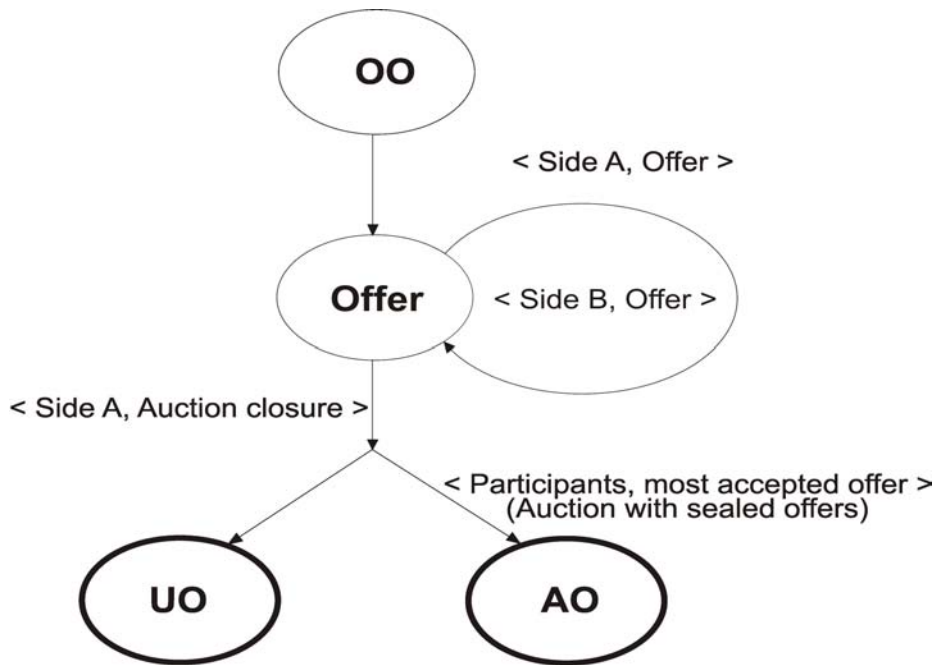


Image 2. Second scenario of the negotiations process

The news of this model is an active participation of side B in negotiations process and therefore its contribution. Side B gives own aspiration and gives feedback to the offer of the side A. That way, side B has the possibility to influence negotiable side A, which is not case in the previously mentioned model. Next model describes an iterative situation of negotiations process (some detail such as customers' check-up, deposit taking in the different phases of negotiations process are intentionally eluded for they are appellative denominator for other negotiations processes. Also, an assumption is that at the beginning side A leads an auction. (Image 3.)

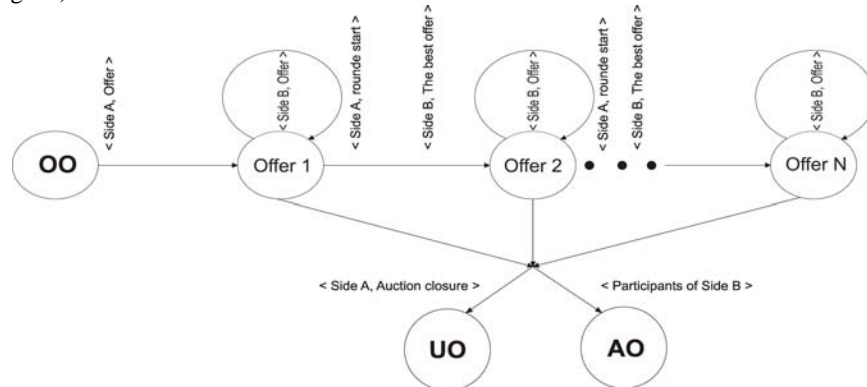


Image 3. Third scenario of the negotiations proces

Auction with seal offers take place in certain periods of time predicted in advance. In the phase offer phase offer giving, side A gives out the best offer. At the end of each phase, side A can close an auction or initiated the beginning of next phase.

In the next model beginning is the same as previous models. Side A gives offer for sales of its products/services on which side B answers with its offers. At the end of each phase of offer giving, sides' a modified offer as well as the best offer of participant in side B are generating. These offers in the next iteration present starting point for the next negotiations cession. Each cession of this model resembles previously mentioned model, open cry or auction with seal offers. Side A has possibility to end an auction in the each cession, with accepting the offer od sides`b participant or with closing an auction without a deal. Should side A after many negotiations cessions is an satisfied with sides`b offer, it will notify other participants on the best offer and end an auction. It however is satisfied with an offer, the deal is made with the side B, that gave the best offer and this leads to auction closure.

Model 4., is also known as Netherlands auction type. The name was given for its implementation began in Netherland and most common form of negotiations. Side A sets high starting values and it's not expected to have interest for. Should side B is not interested, it's nessesary for side A to generate new offer with lower attribute values until side B accepts or reject the offer.

Auction with sealed offers with one or many cession in that case, that turn into tradicional RFQ (request for quote - level attributives values identification) processes.

Next model on Image 5. is sales and auction mix with fixed attributives values.

At the beginning we have auction of the RFQ combination, which enables either side (B or A) to start negotiations process. In this case during negotiations process, consideration emphasizes on the offer of the side B and the starting attitude of the side A. Both sides have the possibility to change their starting positions. Out of this situation, either one negotiable side or the other can initiate the final offer.

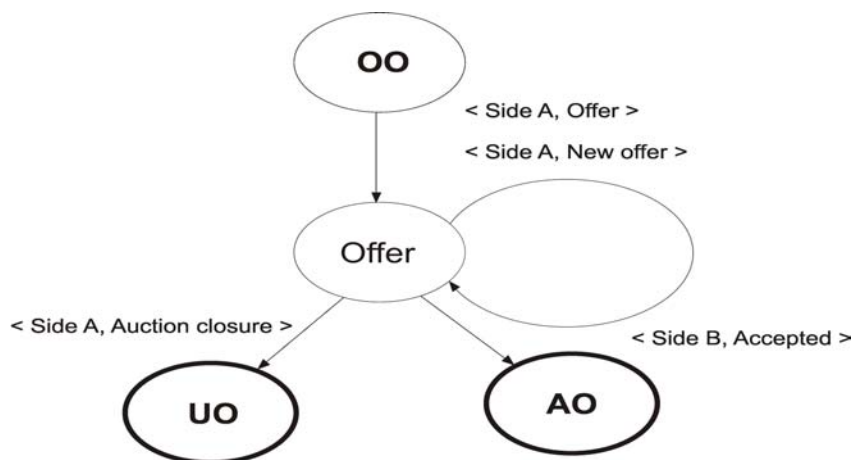


Image 4. Fourth scenario of the negotiations process

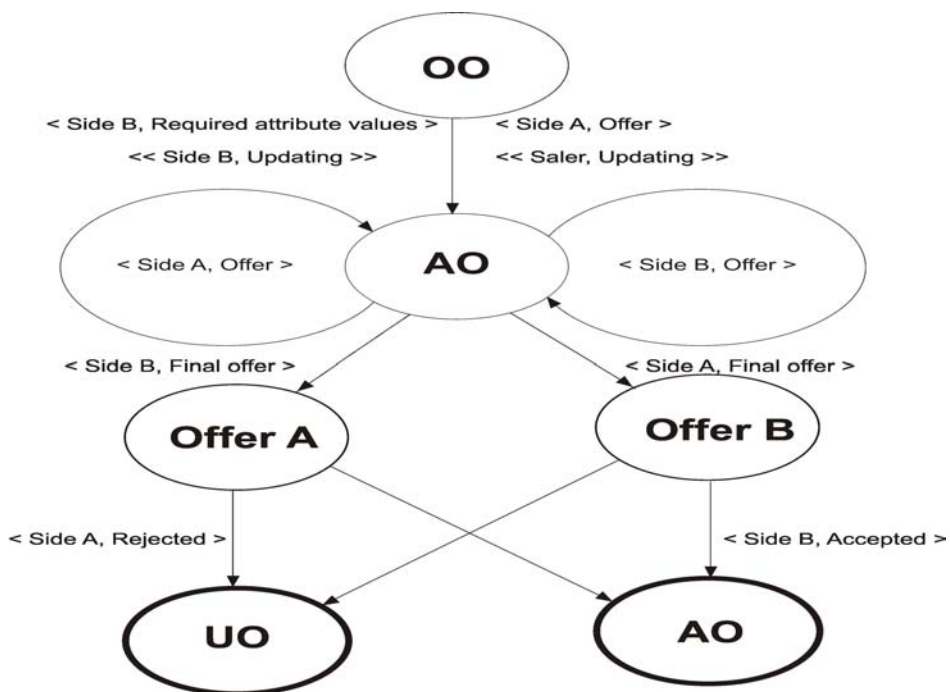


Image 5. Fifth scenario of the negotiations process

For the last negotiations model we present certain modification of the above mentioned Netherlands model. In this case, modification of a model 4. represents side A which offers range of goods/services, and for each offers specially defined attribute values. Those values are knowingly incremented which enables side A during negotiations process, ordress mentioned values depending on interest and aspirations of the side B, which is presented on Image 6.

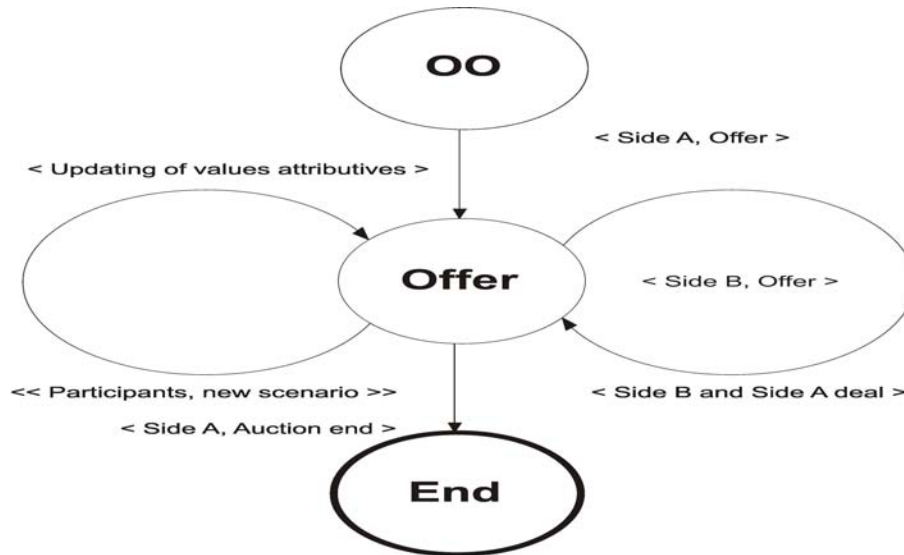


Image 6. Sixth scenario of the negotiations process

Goal of this work is to present possible scenarios during negotiations process, which is a base of all possibilities during auction procedure. The idea is to set presented models as a projecting base and base model development of a system that supports business negotiations.

Proposition of the hardware platform as well as software selection for application development remain as the subject of other work in which we shall present structure of developed system that supports business negotiations.

CONCLUSION

Although *negotiations* are old as humanity, it can not be concluded that it was not given a lot of attention in expert publications. Exploration of negotiations' theory and practice as an interdisciplinary phenomenon started in the 60' years of the XX century. During this short period those who practiced theory emphasized different aspects of negotiations mostly as a form of business communication. As a conclusion in many research studies is the fact that this is very complex and important process for work and the survival of every business organization especially in difficult system.

We must have in mind necessity of most accepted alternative and its procurement as a result of negotiations process and group decision making. All in the cause of defined strategic goal.

Successful business negotiation depends on verified theory and best negotiations practice. With intensive negotiations, exposure to different business situations makes negotiators' side safe and accumulates experiences. In addition to mechanize above mentioned process than purpose of this paperwork is clear, and it is to identify characteristic business scenarios of the negotiations process. This enables projecting of models' base as basic component of the system negotiations support.

Two other integrative entities are database and users' interface, and are easily implemented and also depend on research subject in which negotiations happen.

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