



NEGOTIATION STRATEGIES WITHIN SUPPLY CHAINS

¹Andrzej KOZINA, ²Tomasz MAŁKUS

¹*Cracow University of Economics, Poland, EU, kozinaa@uek.krakow.pl*

²*Cracow University of Economics, Poland, EU, malkust@uek.krakow.pl*

<https://doi.org/10.37904/clc.2023.4814>

Abstract

The subject of consideration in the paper are negotiations conducted within the supply chain, between its main participants, including parties cooperating in preparation of offer for final customers, parties supporting chain in logistics, as well as other external stakeholders. The objective of the paper is to distinguish and describe strategies of such negotiations, based on the authors' original concept. First, the supply chain is presented as a specific negotiation environment. Then, the negotiation strategy is defined, and its two basic types are distinguished, i.e., two-party, and multi-party negotiation strategies. In turn, the next two parts of the paper present individual subtypes of multiparty negotiation strategies, highlighting their specific features, when adapting to conditions of cooperation within the supply chain. Finally, in summary section the directions of research to improve the proposed concept are indicated.

Keywords: supply chain, business negotiations, negotiation strategies, negotiations within supply chain, the strategies of negotiations within supply chain.

1. INTRODUCTION

The key condition for the effective functioning of any supply chain (regardless of the sector of operation) is the efficient cooperation of all companies participating in this chain. Meeting this condition is not an easy task, both in the theoretical and methodological dimension, i.e. creating and using effective cooperation tools, and in empirical terms, i.e. giving these tools the character of practical solutions.

Difficulties related to the design and use of this type of solutions result from the need to create and implement efficient mechanisms for coordinating activities of all supply chain participants. In turn, implementing this type of project requires agreeing on the conditions of cooperation of all links in the chain, coordinating their activities in time and space and providing the necessary resources. This is particularly difficult in contemporary terms of supply chain operation such as: complexity, intensity of changes in the environment, the associated increase of operational risk, vulnerability of the chain to changes in the environment and the need to ensure the chain's resilience to increasing risk [1]. As a special circumstance to consider in this regard, the need to adapt the supply chain to the operating conditions after the COVID-19 pandemic may be treated [2]. To achieve this, a number of negotiations must be carried out between different participants in supply chain. These are also necessary to resolve a number of conflicts that arise during the cooperation. Appropriate tools for conducting such negotiations – just like in other areas of business activity – can be divided into general ones, i.e. negotiation strategies and styles, and more specific ones, i.e. negotiation techniques, tactics, tricks, principles, rules, etc.

It should be emphasized, that in the literature on the subject, both in the field of supply chain cooperation and negotiations the issue of negotiation strategy is rather rarely represented. Examples of few studies include [3-5], and literature review conducted in this field [6]. A common feature of most studies is the focus on bilateral negotiations without sufficient consideration of the influence of other participants on the attitudes of the negotiating parties. Also, insufficient attention is paid to the conditions of negotiations in which more partners



participate simultaneously. The approach presented in [7] is one of the few examples of a study that takes into account the company's connections with its supplier and recipient as well as the conditions affecting negotiations between the company in question and each of its partners. Moreover, a common feature of most of analyzed sources is simplification of considered, negotiated issues to delivery terms and prices, without taking into consideration other aspects of cooperation as joint investments in cooperation, joint improvement of parties. Therefore, an original, author's approach to strategies of multiparty negotiations is presented, based on classic works, discussing negotiation strategies in general, such as [8-15].

2. ASSUMPTIONS OF RESEARCH

As far as the concept of negotiations is concerned, the author's approach to the key aspects of the interpretation of negotiations is adopted as a methodological scheme [16], i.e. perceiving such activity as a process, method of conflict management and reaching agreement, mutual dependence of the parties and processes of: decision making, communicating, mutual exchange and value creation. These aspects are distinguished based on the analysis of the extensive literature on the subject, e.g. [14,15,17-20]. On this basis, two general types of negotiations within supply chain, treated as a highly complex venture may be distinguished:

- two-party (bilateral) negotiations – standard ones, like other business talks, conducted between different pairs of participants in supply chain, i.e. companies interrelating within it, this type of negotiations is not considered in further part of the content,
- multiparty (multilateral) negotiations – including all or various combinations of many potential parties performing within supply chain.

Taking into consideration multilateral negotiations, as reflecting to the greatest extent specificity of cooperation in supply chain, on the basis of [13] main features of such negotiations can be distinguished:

- mutual dependences and relations – equivocal, heterogeneous, complicated, difficult to identify and analyze,
- terms (conditions) of a potential agreement – the acceptance of all sides is not always necessary and/or possible,
- negotiator behavior – considers too much broader and multidimensional context,
- nature of processes – highly complex,
- potential negotiation strategies – a greater number of them, it is difficult to choose one that would be the best, universal.

A larger number of participants than in bilateral negotiations results in a considerable increase in the complexity of negotiations in several dimensions. These are presented in **Table 1**.

Table 1 Dimensions of Complexity of Multiparty Negotiations

Dimensions of Complexity	Description
Informational	a significant amount of various data describing the negotiation situation, i.e., goals, interests, positions of the parties, resources, and conditions of the negotiations, etc., necessary to be included in their analysis; objective and subjective difficulties in obtaining and assessing the usefulness of necessary information and the danger of its redundancy.
Computational	significant difficulties and limitations in the processes of interpretation, processing, verification and analysis of very complex data for the purposes of identifying and shaping the negotiation situation; these processes are highly complex and labor-intensive.
Social	a large number and diversity of goals, needs, views, expectations, attitudes, behaviors, etc. of negotiation participants and social interactions between them; the important role of group processes,



	which may limit the rationality of behavior, such as the groupthink syndrome or the so-called shifting the risk level.
Procedural	problems related to the organization of negotiations, i.e. development and implementation of rules, arrangements and procedures regarding: the schedule of talks, the choice of their place and organization of space, conducting discussions, the order and time of statements, etc.
Strategic	objective difficulties in establishing a typology and selecting a negotiation strategy, as well as tools specifying it, especially offers and arguments, as well as negotiation techniques, due to the complexity and multidimensionality of the negotiation situation.

Source: own elaboration based on [13,21].

Results of research presented in further parts of article are based first of all on own experience of authors, on the analysis of sources related to the essence of negotiations conducted between companies, sources related to specificity of negotiations in supply chain, assumptions of success of cooperation in supply chain, as well as on the basis of sources on contemporary concepts in the development of the supply chain.

3. RESULTS OF RESEARCH

3.1 The idea of negotiation strategy

Negotiation strategy can be treated as a general plan aimed at achieving goals and a sequence of events leading to their implementation [14]. It can be also described as a planned sequence of actions defining the approach to negotiations [22] as well as a certain set of means and methods leading to the achievement of planned goals [23]. It should also be assumed that the negotiation strategy should, in most cases, be consistent with the strategy of the organization for which the negotiators work [24].

A negotiation strategy can therefore be defined as a program specifying the key goals and principles of implementing the negotiation process as well as assumptions and expectations as to its course. It includes a scenario of expected events, expected actions and behaviors of negotiation participants. It also identifies the conditions (possibilities and limitations) of conducting them, resulting from the influence of their parties, the immediate environment, and the external environment [16].

Therefore, the negotiation strategy determines the course of action during negotiations, in the form of synthetic rules (indications) for conducting them. It is difficult to clearly define it, it is situational in nature, i.e., it depends on the assumptions and conditions of specific negotiations, and it is also necessary to precisely distinguish between the strategic and operational aspects of action. Unless this is done from the perspective of future relations with the other party or in the context of long-term contracts under which partial transactions are negotiated. By definition, negotiations are closed undertakings (projects).

Depending on the real possibilities of "programming" considered negotiations, the discussed strategy may be:

- a detailed plan for their implementation, constituting a synthesis of planning arrangements, or
- a rough scenario, containing only the most important statements, or
- only a general view of the negotiations (sketch), suggesting how they should be conducted.

The negotiation strategy under consideration may therefore be variously detailed or generalized.

3.2 Typology of multiparty negotiation strategies within supply chains

In contemporary operating conditions of organizations multilateral negotiations occur more and more often in the field of various, complex, and dynamic projects, such as concluding alliances, implementing joint projects (e.g., development, innovation, etc.), outsourcing, creating network or virtual structures, as well as in supply chains.

Up to now, conducted research did not develop effective methodological tools for the implementation of the considered negotiations, adequate to their specificity, and especially their strategy. It is not difficult to find



advice on how to conduct negotiations involving two parties, but such simple negotiations in the real world are rare [25]. Modifications to the standard negotiation process or tools for solving selected problems are usually proposed, mainly in the context of international relations [26-28].

As far as the definition and features of multiparty negotiations are concerned, the three fundamental criteria to classify their strategies may be used. Each of criteria allows distinguishing two, thus all of them six, i.e., three pairs of basic (pure, single-dimensional) negotiation strategies are described below:

- including the general attitude towards negotiations (parties, goals, mutual relations, and context), which is reflected in traditional concept of integrative versus distributive bargaining, two basic strategies may be distinguished: cooperative (negotiator focused on finding solutions which satisfy the interests of all parties, to reach common ground, and to look for potential allies) and competitive (negotiator searches for solutions which satisfy only his interests and fights against his opponents),
- considering the negotiator's bargaining power, two pure strategies can be specified: superiority (supremacy – when the position of a negotiator against others is relatively strong, negotiator dominates over others and has many possibilities) and inferiority (subordination – reflecting a weak negotiator's position, subordinated to other parties, and having limited opportunities, which reflects the actual negotiator's possibility for controlling the negotiation process and scope of determining the activities of the other parties),
- according to the possible ways of performing negotiations in relation to other parties within a group, two basic strategies can be pointed out: individual (the negotiator acts solely on his own but impacting indirectly his partners) and common (the negotiator is involved in teamwork, directly and substantially influencing group structure and processes).

The pure negotiation strategies listed above are not sufficient to reflect the complexity of multiparty negotiations. Therefore, it is necessary to combine the three classification criteria, i.e., look at those strategies from three-dimensional perspective, which leads to elaborating eight potential, resultant strategic options. These are presented in **Table 2**.

To enable the selection of an appropriate strategy in the case of negotiations between participants of the supply chain, it is necessary to determine the conditions of their usefulness – these are presented in **Table 3**.

Table 2 Three-dimensional classification of multi-party negotiations

Strategies (below: pure, left: resultant)		Individual	Collective
Cooperative	Superiority	Entrepreneurial [Creator]	Integration (forming coalition) [Integrator]
	Inferiority	Encouragement demonstration [Supporter]	Accession to coalition [Nexus]
Competitive	Superiority	Fight [Terminator]	Disintegration (destroying coalition) [Saboteur]
	Inferiority	Opposition manifesto [Don Quixote]	Accession to adverse coalition [Oppositionist]

Source: own elaboration.

Considering types of strategies presented in **Table 3**, the integration strategy based on the construction of a coalition should be considered as the most preferred, i.e. recommended for use. This strategy potentially provides the greatest benefits to all partners as a result of their cooperation in searching for the best solutions.



However, taking into account the objective difficulties in implementation of considered strategy, determined by the complexity of the negotiations under consideration and the often-limited possibilities of action, the strategy of accession to a coalition should be considered more realistic, provided, of course, that such a coalition has been concluded. On the other hand, in order to prevent the creation of undesirable enterprise agreements between supply chains, which reduce the strength of connections between partners in the chain under consideration, strategies of disintegration and accession to another coalition may also prove to be useful from time to time.

Table 3 Conditions of usefulness of multilateral negotiation strategies in the supply chain

Strategy	Conditions of use in the supply chain
Entrepreneurial	an agreement with others within supply chain, concluded on one's own terms, even though it is not necessary for immediate purposes; this significantly increases the benefits and/or strengthens the potential of resources or weakens potential competitors, e.g., creation of an "empire" by the main manufacturer of the product offered to the end customer through subsequent mergers with other companies.
Encouragement demonstration	in a case of firm not attractive for partners, the fact of "media" support is the only source of potential benefits, i.e. at least improving image, obtaining a possible award, or achieving benefits in the future (related e.g. to the use of well-known trademark) by being invited to join a chain.
Fight	the best method to dominate other companies by imposing own conditions, but this does not entail costs that significantly exceed the possible benefits, e.g. resulting from the loss of a partner to the chain or its revenge.
Opposition manifesto	verbal opposition to others is the only way to gain any possible benefits, usually in the future, used in the case of a change in the situation, e.g., as a result of favorable external conditions, e.g. blocking the implementation of its goals – considered unfounded, irrelevant, wicked, etc. - by stronger external entities.
Integration (forming coalition)	seeking high-quality agreements with other partners by striving to achieve mutual goals as much as possible, solving problems together, achieving objectives efficiently, leading to the best possible results; useful strategy, especially when each party to negotiation has significant potential.
Accession to coalition	applied particularly when considered organization strives to cooperation with other firm, which is the best, and sometimes the only, way to improve one's own weak bargaining position in order to fully or at least partially achieve high efficiency of the entire chain (treated as coalition); this can contribute remarkably to the achievement of common organizational goals.
Disintegration (destroying coalition)	competing with partners in order to prevent or limit the implementation of their common, but for us opposing, goals; it is treated as the most advantageous way to achieve one's own goals, e.g. breaking up by manufacturer previously established but currently ineffective coalition with subcontractor, preventing the creation of an alliance between such subcontractor and provider of logistics service that could weaken the position of manufacturer in the likely unfavorable external conditions.
Accession to adverse coalition	cooperation (e.g., of manufacturer with subcontractor) as the best, and sometimes the only, way to improve own position of manufacturer for the full or at least partial implementation of goals that are common for coalition of manufacturer and subcontractor as well as to prevent the subcontractor from joining another coalition and thus prevent the implementation of the goals of such a coalition.

Source: own elaboration

4. CONCLUSION

The proposed concept of distinguishing and describing negotiation strategies, specific for cooperation in supply chain is comprehensive, as it covers all important issues of the considered negotiation strategy, necessary for the effective performance of the supply chain. It describes the considered negotiation strategies in a synthetic and exhaustive way. It is also universal because it can be applied to a variety of negotiation cases. Moreover, it has both a diagnostic (descriptive) and design (normative) dimension, i.e., firstly, it can be used for the purposes of analysis and assessment of the strategies used, i.e. constitute a kind of checklist enabling the



assessment of their effectiveness, possibilities and limitations, and secondly, serve to create strategies for upcoming negotiations and improve them in specific negotiation situations.

On the other hand, the concept presented in the paper is an initial, largely hypothetical approach to the considered issues, since they are relatively new, not recognized both in theory and research, as well as in socio-economic practice. Therefore, the authors will strive to enrich and broaden the concept, mainly by searching for more precise characteristics of the considered negotiation strategies. It is also planned to carry out empirical comparative research to verify the usefulness of suggested concept.

In addition, it is planned to develop the context of considerations, i.e. to create a broader concept of negotiations within supply chain in the current socio-economic realities, and thus to create a specific model of identification and analysis of their determinants, possibilities and limitations. As can be seen, some of the statements contained in the paper are more general in nature, going beyond the pure issue negotiation strategies, which allows to analyze them in a broader context. The second, promising direction of research will be to consider the more general issue of managing relations between the partners within supply chain, and not just only negotiations with them.

ACKNOWLEDGEMENTS

The participation in the publication of prof. Andrzej Kozina has been financed from the funds granted to the College of Economy and Public Administration of the Cracow University of Economics, as part of a subsidy for the maintenance of research potential - the project entitled "Political Economy of Budget Processes in Poland - Structural, Institutional and Relational Aspects".

The participation of dr Tomasz Malkus has been financed by the Ministry of Science and Higher Education within "Regional Initiative of Excellence" Program for 2019-2022. Project no.: 021/RID/2018/19 (Total financing: 11 897 131,40 PLN).

REFERENCES

- [1] WATERS, D. *Supply chain risk management. Vulnerability and resilience in logistics*. London, Philadelphia, New Delhi: Kogan Page, 2011.
- [2] VAN HOEK, R. Research opportunities for a more resilient post-COVID-19 supply chain – closing the gap between research findings and industry practice, *International Journal of Operations & Production Management*, 2020, vol. 40, iss. 4, pp. 341-355.
- [3] SCHMELTZER, L.R., MANSHIP, J.A., ROSSETTI, C.L. An analysis of the integration of strategic sourcing and negotiation planning, *Journal of Supply Chain Management*, 2003, vol. 39 iss. 4, pp. 16-25.
- [4] RAMSAY, J. Serendipity and the realpolitik of negotiations in supply chains, *Supply Chain Management: An International Journal*, 2004, vol. 9 iss. 3, pp. 219-29.
- [5] THOMAS, S., EASTMAN, J., SHEPHERD, C.D., DENTON, L.T. A comparative assessment of win-win and win-lose negotiation strategy use on supply chain relational outcomes, *The International Journal of Logistics Management*, 2018, vol. 29, iss. 1, pp. 191-215.
- [6] ZACHARIASSEN, F. Negotiation strategies in supply chain management, *International Journal of Physical Distribution & Logistics Management*, 2008, vol. 38, iss. 10, pp. 764-781.
- [7] ZHONG, F., ZHOU, Z., LENG, M. Negotiation-sequence, pricing, and ordering decisions in a three-echelon supply chain: A cooperative-game analysis, *European Journal of Operational Research*, 2021, vol. 294, pp. 1096-1107.
- [8] WALTON, R.E., MCKERSIE, R.B. *A Behavioral Theory Of Labor Negotiations: An Analysis Of A Social Interaction System*. New York: McGraw-Hill Book Company, 1965.
- [9] SCHELLING, T.C. *The Strategy of Conflict*. Cambridge: Harvard University Press, 1960.
- [10] LAX, D.A., SEBENIUS, J.K. *The Manager As Negotiator. Bargaining for Cooperation and Competitive Gain*. New York: The Free Press, 1986.



- [11] SCHOONMAKER, A.N. *Negotiate to Win. Gaining the Psychological End*. New Jersey: Prentice Hall, 1989.
- [12] KENNEDY, G. *Negocjator*. Warszawa: Studio EMKA, 1998.
- [13] KAMIŃSKI, J. *Negocjowanie. Techniki rozwiązywania konfliktów*. Warszawa: Poltext, 2003.
- [14] LEWICKI, R.J., BARRY, B., SAUNDERS, D.M. *Zasady negocjacji*. Poznań: Dom Wydawniczy Rebis, 2018.
- [15] *Negocjacje i komunikacja. Wybrane aspekty*. GRACZ L., SŁUPIŃSKA K. (ed.), Warszawa: Edu-Libri, 2023.
- [16] KOZINA, A. *Zasady negocjacji*. Kraków: Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie, 2018.
- [17] JUNG, S., KREBST, P.. *The Essentials of Contract Negotiation*. Vien: Springer-Verlag, 2019.
- [18] ROCKMANN, K.W., LANGFRED, C.W., CRONIN, M.A. *Negotiation: Moving from Conflict to Agreement*. Thousand Oaks: Sage Publications Inc., 2020.
- [19] THOMPSON, L.. *The Truth About Negotiations*. New Jersey: Prentice Hall, 2013.
- [20] WEISS, J.N. *The Book of Real-World Negotiations: Successful Strategies from Business, Government, and Daily Life*. New York: Jon Wiley & Sons Inc., 2020.
- [21] KRAMER, R.M. The More the Merrier?. Social Psychological Aspects of Multiparty Negotiations in Organizations. In: *Research on Negotiation in Organizations*. BIES, R.J., LEWICKI, R.J., SHEPPHARD, B.H. (ed.), vol. 2. Greenwich, 1991, pp. 307-332.
- [22] *Negocjacje*. Harvard Business Essentials. Konstancin-Jeziorna: MT Biznes Ltd., 2003.
- [23] KAŁAŻNA-DREWIŃSKA, U. *Negocjacje w biznesie. Kluczowe problemy*. Wrocław: Wydawnictwo Akademii Ekonomicznej, 2006.
- [24] KOWALCZYK, E. *Psychospołeczne uwarunkowania negocjacji gospodarczych*. Poznań: Wydawnictwo Akademii Ekonomicznej w Poznaniu, 2001.
- [25] WATKINS, M. *Sztuka negocjacji w biznesie. Innowacyjne podejście prowadzące do przełomu*. Gliwice: Wydawnictwo Helion, 2005.
- [26] ZARTMAN, W.I. Two's Company and More's a Crowd. The Complexity of Multilateral Negotiation. In: *International Multilateral Negotiation. Approaches to the Management of Complexity*. ZARTMAN, W.I. (ed.), San Francisco: Jossey-Bass Publishers, 1994, pp. 7-20.
- [27] DUPONT, C. Coalition Theory. Using Power to Build Cooperation. In: *International Multilateral Negotiation. Approaches to the Management of Complexity*. ZARTMAN, W.I. (ed.), San Francisco: Jossey-Bass Publishers, 1994, pp. 325-346.
- [28] CRUMP, L. Multiparty Negotiation and the Management of Complexity. *International Negotiation*. 2003, vol. 8, iss. 1, pp. 189-195.