Instituto Superior de Ciências do Trabalho e da Empresa

BUSINESS NETWORKS: DEVELOPMENT OF ACTORS' STRATEGIC GUIDELINES FROM THE ANALYSIS OF NEGOTIATION SITUATIONS IN PORTUGAL

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ABSTRACT:

The importance of relationships within business networks is increasing significantly in today's more competitive and global world. The organization actors' performance, especially in negotiation, is a key factor to consider in those relationships. But, on one hand, there is no structured approach from business network theory to negotiation and, on the other hand, the integrative negotiation main models and theories were not developed in the business network context. Within this environment, this dissertation's objective is based on the identification and analysis of the actors' main factors which impact negatively specific negotiation situations – negotiations with an initial perception of a potential win-win outcome, between different companies in a business network, and that ultimately lead to no agreement. The dissertation is focused only on the Portuguese market. We used a multiple-case design by analyzing thirty negotiation situations, focused on a sub-set of recent potential win-win negotiations between three different companies that did not reach an agreement. After identifying the main actors-related causes for not reaching an agreement, we identified the main factors and their relationships and derived learning outcomes from them. We believe we have made knowledge contributions to the Business Network Analysis and the Negotiations Analysis perspectives, and also to the general description of the business networks' actors' negotiation processes in Portugal, through five questions' analysis and debate. There were limitations to the study and there are other areas or studies that can be further researched in the future.

Key words: business networks, negotiation, Portugal

Classifications of JEL Classification System:

- D74 - Conflict; Conflict Resolution; Alliances.
- L14 - Transactional Relationships; Contracts and Reputation; Networks.

ABSTRACT:

A importância das relações no contexto de redes empresariais está a aumentar significativamente no mundo mais competitivo e global de hoje. O desempenho dos actores organizacionais, especialmente a nível da negociação, é um factor chave a considerar nessas relações. . Mas, por um lado, não há uma abordagem estruturada da teoria de redes empresariais à negociação e, por outro lado, os principais modelos e teorias de negociação integrativa não foram desenvolvidos no contexto de redes empresariais. Neste contexto, o objectivo desta tese foi baseado na identificação e análise dos principais factores relacionados com os actores que têm impacto negativo em negociações com uma percepção inicial de potencial de «win-win» entre diferentes empresas numa rede empresarial e que conduzem a um não acordo. A tese focou-se apenas no mercado português. Baseámo-nos em múltiplos casos de estudo ao analisar trinta situações de negociação, focadas num sub-conjunto de negociações com um potencial de «win-win» entre três empresas diferentes, recentes e que não resultaram em acordo. Depois de identificar as principais causas relacionadas com os autores para o não atingimento de um acordo, identificámos os principais factores e suas relações e retirámos daí conclusões. Acreditamos que contribuímos para um maior conhecimento das perspectivas da investigação de Redes Empresariais e de Negociação, e também da descrição geral de processos negociais entre actores de redes empresariais em Portugal, através da análise e debate de cinco questões. Houve limitações ao estudo e também há outras áreas que podem ser mais aprofundadamente investigadas no futuro.

Palavras chave: redes empresariais, negociação, Portugal

Classificações no Sistema de Classificação JEL:

- D74 - Conflict; Conflict Resolution; Alliances
- L14 - Transactional Relationships; Contracts and Reputation; Networks.

EXECUTIVE SUMMARY (FOR PRESS PURPOSES)

O objectivo desta tese consistiu na identificação e análise de factores de cariz estratégico relacionados com os actores em redes empresariais que têm impacto negativo em negociações entre empresas em Portugal.

Utilizou-se uma estratégia de análise de casos, tendo-se analizado trinta situações de negociação tripartidas, com uma percepção inicial de potencial de "win-win", entre três empresas portuguesas e em que as partes não chegaram a acordo.

Os factores relacionados com os actores em redes empresariais identificados no estudo que levam a um maior insucesso em negociações num contexto de redes empresariais são os seguintes:

- <u>Desconfiança</u>: uma fraca gestão de expectativas dos potenciais resultados da negociação, a existência de reuniões entre apenas duas das partes, e a falta de informação e preparação de uma parte levam à desconfiança de uma ou mais entidades em relação à contraparte, o que dificulta seriamente o atingir de um acordo;
- <u>Atitude de não concessão</u>: as atitudes de não concessão em pontos importantes da negociação acontecem quando as empresas têm uma imagem de negociadoras duras, tendendo a ter negociadores também com uma imagem de negociadores duros, e quando o negociador de uma empresa tem uma postura de maior "exibicionismo". Esta atitude habitualmente gera "anti-corpos" nas contra-partes, dificultando significativamente o alcançar de um acordo;
- <u>Aversão ao risco</u>: O negociador de uma empresa tende a agir com aversão ao risco geralmente quando a sua empresa tem recursos limitados, ou quando a sua empresa está a atravessar um processo de re-estruturação com a consequente incerteza da situação profissional do negociador. A aversão ao risco do negociador leva a hesitações e consequente atraso dos processos de negociação;
- <u>Falta de motivação</u>: Uma ou mais empresas estão desmotivadas ou têm uma atitude passiva no processo negocial por várias razões: falta de preparação da empresa que teve a iniciativa de promover a negociação, ao induzir nas outras partes uma ideia de falta de interesse e comprometimento da empresa promotora no projecto; a não definição de uma

agenda negocial, o que leva a alguma indefinição dos papéis a desempenhar por cada uma das empresas e a alguma desorganizção no processo; e a presença de um cliente médio-grande de uma das partes também como parte da negociação, que faz com que a empresa fornecedora se retraia ao longo do processo negocial, tomando uma atitude pouco activa. A desmotivação ou passividade de uma ou mais empresas leva a que a sua contribuição, dedicação e empenho para o processo negocial seja consideravelmente inferior ao desejado para se alcançar um acordo negocial.

Com base nestas conclusões, pode inferir-se que é importante desenvolver a confiança entre as partes para se desenvolver uma atitude construtiva e de benefício para as partes, a auto-confiança para que essa atitude construtiva seja vista como positiva para a imagem pessoal do negociador, a preparação, organização e disciplina no trabalho a desenvolver desde o início do processo negocial, e o positivismo e motivação (incluindo a auto-motivação) das partes para que haja um melhor desempenho nas negociações em contextos de redes empresariais.

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Finally, I would like to thank all the individual contributors to this dissertation, including all that have given their time to provide the information that helped developing the thirty cases which were a pillar of this work.

DEDICATION

I hereby dedicate this dissertation to my family who has supported me along this major life project. I would like to thank my lovely and beautiful wife, my adorable children and my dearest parents as I do not believe that I could have made this dissertation without them.

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0 INTRODUCTION

A firm is embedded in a network of ongoing business and non-business relationships, which both enable and constrain its performance. A company looks more like a linking unit where its key aspect resides in how it connects other market participants to each other (Håkansson and Snehota, 1995). As a result, firms should be seen as being connected in business systems and not in isolation. The increasing business world complexity, in which organizations have to deal with more entities than before, has impacted significantly the number of relationships that each organization has to continuously manage and nurture. This has led to a more frequent use of the concept of business network, which is, in basic terms, composed of several organizations with direct and indirect relationships between them.

In addition, the relationships are becoming more intimate as the interaction between organizations becomes deeper. The linkages of suppliers and clients' information systems, the need to provide faster and cheaper products and services that can improve the clients' demands for better inputs' performance are examples of the need for closer relationships between entities. A firm's relationships are one of the most valuable resources that a company has (Håkansson, 1987). Those relationships provide benefits on many valued functions performed and through the resources that they help create and provide access to, especially know-how and markets. The relationships also provide indirect benefits by providing access to other relations, organizations, resources, and competencies (Håkansson & Snehota, 1995; Walter, Ritter, & Gemünden, 2001).

The Industrial Marketing and Purchasing (IMP) Group has been studying business networks since the 1980's and has developed two main Models: the Interaction Model described in detail by Håkansson (1982) and the Industrial Network / Markets-as-Networks Approach, described in detail by Håkansson and Snehota (1995).

The actors are one of the key elements in the relationships within business networks. Both organizations and individuals are one of the four basic elements of the interaction process between two parties within a certain environment in the context of industrial marketing and purchasing, according to the Interaction model (Håkansson, 1982). Also, the Industrial Network / Markets-as-Networks Approach also highlights the importance of the organizations and individuals as it considers the actors as one of the three layers of substance identified in a business relationship (Håkansson and Snehota, 1995).

As organizations' business relationships grow in number and scope, the impacts of negotiations between actors are gaining more relevance in today's world. Negotiation is a key process-related aspect to consider in relationships within the context of business networks, which extend beyond the mere client-supplier relationship. But, on one hand, there is no structured approach from business networks' theories with a strong focus on the negotiation between actors. On the other hand, from the main negotiation approaches developed by scholars, the integrative negotiation approach has been considered the most adequate approach for managers in potential win-win situations (Lax and Sebenius, 1986). As relationships in the context of business networks are viewed in the search of win-win situations, then the integrative negotiation approach is the most adequate for relationships in networks. However, the integrative negotiation main models and theories were not developed based upon the business network context.

In this context, this dissertation's objective was based on the identification and analysis of the actors' main factors, including interactions between them, which impact negatively specific negotiation situations - negotiations with an initial perception of a potential win-win outcome; that take place between different companies in a business network; and that ultimately lead to no agreement. The dissertation was focused only on the Portuguese market.

This study can also be useful for a closer relationship between the two different lines of thought – Business Networks and Negotiation, potentially generating valid inputs to both.

Regarding the dissertation structure, the second section provides the literature review. It starts with an overview of the Business Network Analysis perspective, based on the research line developed by the Industrial Marketing and Purchasing (IMP) Group, with a particular focus on the relationship actors. Then it describes the Negotiation Analysis approach to interaction between parties with a special focus on the integrative / collaborative approach which we believe is the most adequate for relationships in business networks. Finally, we present conclusions of study perspectives on business networks in Portugal, on characteristics of Portuguese people in general and on the collaborative vs. competitive negotiation approaches of Portuguese managers while interacting with others.

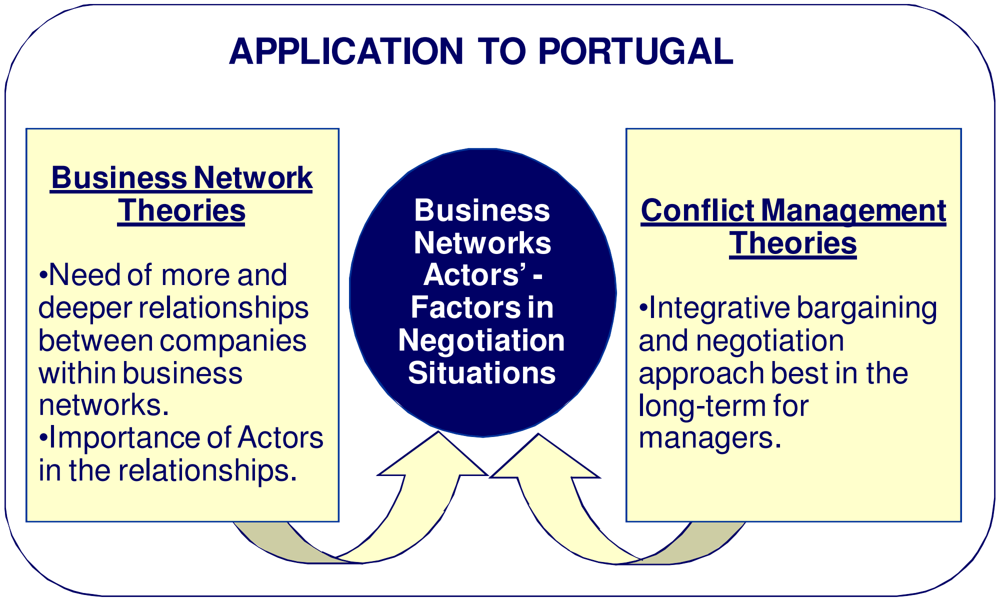

Figure 1. General description of the dissertation main approach

The third section includes the research goals. Based on our focus, we identified the main actors-related variables that led the parties not to reach an agreement and after we tried to answer the following set of questions:

1. How do parties' main characteristics and their situation negatively impact the negotiators?
2. How do current commercial relationships between two of the three parties negatively impact the negotiation process?
3. How do negotiators' main characteristics and their situation negatively impact the negotiation process?
4. How does the parties' preparation work negatively impact the negotiation process?
5. What process-related aspects lead one or more parties to stop searching for additional solutions to the negotiation issues?

This section also includes the description of the research methodology that was based on case study analysis. We used a multiple-case design by analyzing thirty negotiation situations each involving three different companies. The main source of evidence was interviews. The type of interviews was semi-structured and in-depth and the results were shown in cognitive mapping format. After all empirical data collection, interviews' debriefing and identification of the main causes for not reaching an agreement, we realized that we could group the impacting factors in four major blocks, according to their nature: Parties, People, Preparation and Process.

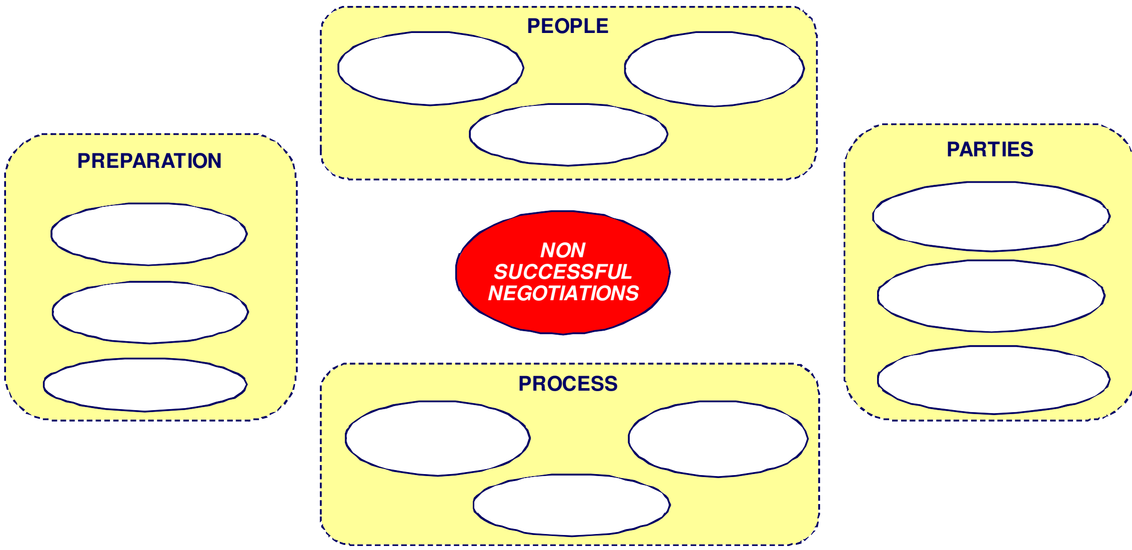

Figure 2. Cognitive map template

The fourth section focuses on the research work developed. The study explores actors' negotiation issues within business networks in Portugal, through a focus in a specific subset:

- Negotiation situation between three parties;
- Initial perception of potential win-win negotiations with several issues being negotiated;
- Parties did not reach an agreement;
- Parties were corporations;
- Negotiators had more than ten years of professional experience;
- Parties were Portuguese or had Portuguese managers;
- Negotiation occurred between 2005 and 2007;
- No party had significantly higher power than the other two parties.

The conclusions to be derived can be extrapolated for the overall business networks situations, but with naturally implicit limitations.

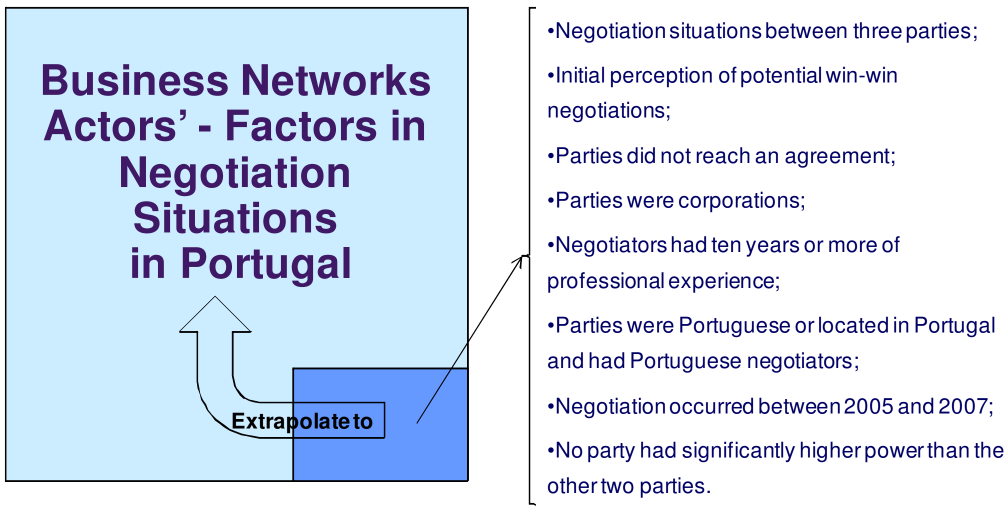

Figure 3. Dissertation focus and possible extrapolation to broader context

In this section we also present the interviews reports and conclusions, which are included in this section and not in an annex because they are highly relevant for our dissertation's conclusions.

The fifth section is dedicated to the debate of the outputs produced by this work. The debate is intended to contribute, on a general level, to a different view on the current literature both on the Business Network Analysis and on the Negotiation Analysis Perspectives. It even attempts to prompt a better dialogue between Business Networks and Negotiation research.

Finally, the sixth section includes the conclusions and also limitations to the study and other areas or studies that can be further researched in the future.

1 Research Problem

The main research problem is to acquire knowledge on the actors' impact in negotiations in a business networks context in Portugal based on the identification and analysis of the actors' main factors, including interactions between them, which impact negatively specific negotiation situations - with an initial perception of a potential win-win outcome; that take place between different companies in a business network; and that ultimately lead to no agreement.

2 Literature Review

This literature review aims to provide the most relevant theoretical frame to the dissertation's theme which include business networks and negotiation theories and the application to the Portuguese setting.

First, we analyze companies' relationships within a wider range of interactions - we study the Business Network Analysis perspective on the interactions between parties, which extend beyond mere client-supplier relationships, based on the research line developed by the Industrial Marketing and Purchasing (IMP) Group. We decided to use this perspective for several reasons: it was initially developed in Northern Europe, which is closer to our geographical focus than other countries like the USA; its output started approximately twenty five years ago and it was clearly ahead of time; IMP Group has produced a large variety of outputs being a very strong knowledge contributor for this subject area.

Second, there is an overview of the Negotiation Analysis approach to interaction between parties with a higher focus on integrative / collaborative negotiations. The literature is mostly focused on negotiation processes between two parties.

Finally, there is a summary of the conclusions of two study perspectives on characteristics of Portuguese people in general and of a study on the collaborative vs. competitive negotiation approaches of Portuguese managers while interacting with others.

2.1 Business Network Analysis Perspective

The literature research on business networks was based on the Industrial Marketing and Purchasing (IMP) Group business network analysis perspective. We decided to use this perspective for several reasons, as mentioned previously. First, it was initially developed in Northern Europe, which is closer to our geographical focus than other countries like the USA. Second, IMP Group's output started approximately twenty five years ago and it was clearly ahead of time in its focus on the analysis of relationships in networks as we believe it still is. Finally, IMP Group has produced a large variety of outputs being a very strong knowledge contributor for this subject area.

2.1.1 IMP Group

Between the 60's and the 90's, a large part of marketing research was oriented towards the management of the company's marketing-mix, using as tools the variables price, product, promotion and place (commonly called «4 P's»). This perspective was based on the assumption of passive relationships between the parties (Möller and Wilson, 1995). However, several scholars mostly from Northern European countries began to look at marketing in a different perspective, based on what they saw essentially in Europe, where there were strong business-to-business markets in which both buyer and seller were active partners (Wilkinson, 2001).

The Industrial Marketing and Purchasing (IMP) Group was created by those scholars, based on a line of research on interactions, which, although developed by Northern European business schools, has grown to other countries in Europe and the USA. IMP has evolved through two main landmarks: Interaction Approach, and the Industrial Networks / Markets-as-Networks approach.

IMP Group has focused on interaction, relationship and network as its three main levels of analysis, starting from studies on co-operation and long-term approach on exchanges between economic actors, to the integration of a dyad in a network of relationships. IMP Group was clearly ahead of time in its focus on its analysis of relationships in networks.

IMP Group has produced a large variety of outputs. Table 3 below (Harrison, in progress) is a list of the current main research areas, mostly built from the scientific works of Gemunden (1997), Easton et al (2002), Ritter and Gemunden (2003), Fiocca et al (2003).

Level	Theme
Interaction (episodes)	• Interaction Model - co-operation, exchange and adaptation creates interdependencies and connectedness; • Industrial Marketing and Purchasing; • Exchange embedded in social, technical and economic interfaces.

Level	Theme
Relationship (dyad)	• Relationships as governance mechanisms; • Co-operation, exchange and adaptation; • International; • Customer and supplier interfaces and level of involvement; • Technological innovation; • Power and dependence; • Managing in business relationships ; • Knowledge, learning and competence; • Value; • Characteristics of BRs, e.g. trust, atmosphere; • *Dark side* – dissolution, burden, stress; • ICT, Technology and E-commerce.
Network (net and network)	• How markets work as networks; • Change as mobilizing and influencing; • Network position / role and network investments (strategy); • Supply networks; • Managing in networks; • Portfolios; • Social networks; • Understanding boundaries; • Technological development and innovation; • Networks as governance structures; • Creating value in nets and networks; • ARA and 4 resource models; • Activity and resource interdependencies; • Network dynamics – change and stability.

Table 3. Current main IMP Group research areas, in Harrison (in progress, p. 4-5)

We will analyze in detail the two most renowned models developed by IMP Group: the Interaction Model, and the Industrial Network Approach.

The first model, the *Interaction Model*, results from an Interaction Approach to industrial markets (Håkansson, 1982), it is based on the «New Institutional» Economic Theory (Williamson, 1975), that discusses transactions vis-à-vis internalization benefits and costs, and it is directly related to evolutions in the literature of marketing at that time, with a particular emphasis on inter-company relationships.

It was also built on a number of factors which the earlier empirical studies indicated were important in industrial markets and which appeared to have been largely neglected in previous research (Håkansson, 1982):

1. Both buyer and seller are active participants in the market;
2. The relationship between buyer and seller is frequently long term, close and involving a complex pattern of interaction between and within each company;
3. The links between buyer and seller often become institutionalized into a set of roles that each party expects the other to perform; these relationships can involve both conflict as well as co-operation;
4. Close relationships are often considered in the context of continuous raw material or component supply; however, we should emphasize the importance of previous purchases, mutual evaluation and the associated relationship between the companies in the case of infrequently purchased products.

The study focus was generally on a two-party relationship, not on a several-party relationship.

The main components of this Interaction approach are illustrated in the following figure.

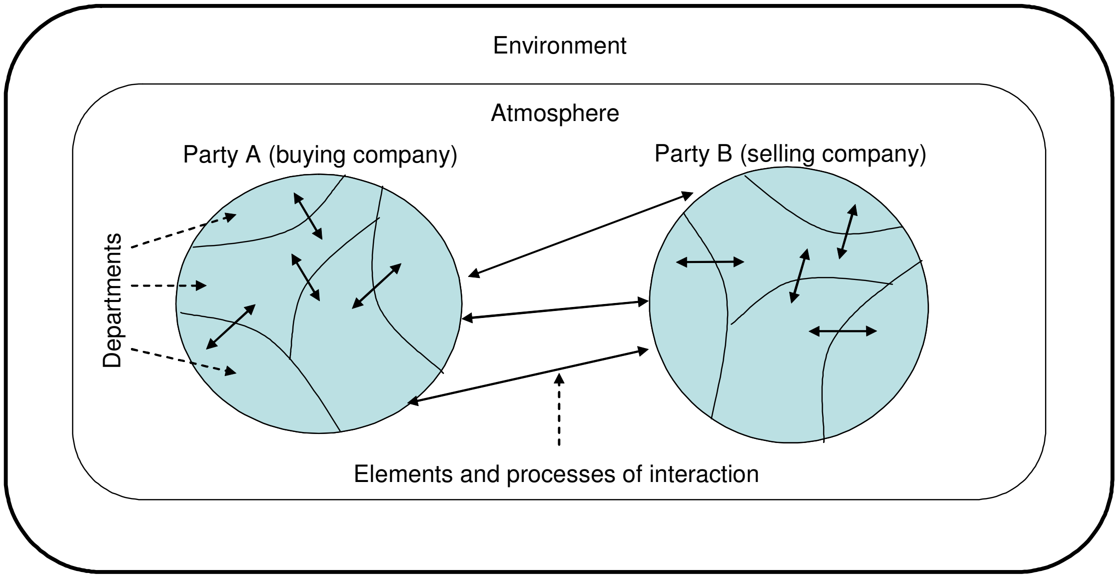

Figure 8. Main elements of the Interaction Model, in Håkansson (1982), p. 23

In this figure, there are four groups of variables that, in the interaction between buying and selling companies, describe and influence:

- the *parties* involved, both as organizations and as individuals;
- the elements and process of interaction;
- the *environment* within which the interaction takes place;
- the *atmosphere* affecting and affected by the interaction.

The approach does not only involve an analysis of these groups of variables but it also includes the relations between them.

Based on this Interaction model, the marketing and purchasing of industrial goods is seen as an interaction process between two parties within a certain environment. The way of analyzing industrial marketing and purchasing has four basic elements:

1. The interaction process;
2. The parties in the interaction process;
3. The environment within which interaction takes place;
4. The atmosphere affecting and affected by the interaction.

On the first element, *Interaction Process*, it should be noted that there are several individual episodes in a relationship, like the placing of a particular order, and the longer-term aspects of that relationship which both affects and may be affected by each episode.

The episodes which occur in an industrial market relationship involve four different exchanges between two parties:

- Product or service exchange;
- Information exchange;
- Financial exchange;
- Social exchange.

Social exchange episodes are critical in the build up of long-term relationships. The routine of these exchange episodes over a period of time leads both parties to have clear expectations of the roles or responsibilities of the other party. Eventually, these expectations become institutionalized to such an extent that they may not be questioned by either party. Also, the communication or exchange of information in the episodes successively builds up inter-organizational contact patterns and role relationships.

Another relevant aspect of the relationship is the adaptations which one or other party may make in either the elements exchanged or the process of exchange.

On the second element of the interaction process, *Interacting Parties*, Håkansson (1982) considered both the companies and the individuals. At the companies' level, factors to consider include characteristics of the parties, such as organization structure, technology, and resources and also the companies' overall experiences, strategies and their objectives. At the individuals' level, factors to consider include age, background, and experience of those involved in the interaction process. There is obviously interplay between the characteristics and situation of these individuals and those of the company.

Regarding the third element, *Interaction Environment*, there are five main aspects to consider in the wider context of the interaction process:

- Market structure;
- Dynamism;

- Internationalization;
- Position in the manufacturing channel;
- Social system.

The fourth and last element of the interaction process, *Interaction Atmosphere*, "is considered as a group of intervening variables, defined by various combinations of environmental, company specific, and interaction process characteristics. The atmosphere is a product of the relationship, and it also mediates the influence of the groups of variables. There are reasons for the buying and selling firm to both develop a high degree of closeness with their counterpart as well as to avoid such closeness. There are both advantages and disadvantages connected with different atmospheres. We can analyze the reasons involved with regard to an economic (cost–benefit) dimension and a control dimension" (Håkansson, 1982: 21).

From these four groups of variables that have been identified, the first three of these groups describe certain features which are believed to influence the possibilities of interaction between suppliers and customers. The variables which comprise the fourth group are both the results of previous interaction as well as the starting points for future interaction. This group of variables is more than just a number of summarizing concepts; it relates the other variables to each other.

Besides the above described Interaction Model, there is a second main model developed by the IMP Group called *Industrial Network / Markets-as-Networks Approach*, described in detail by Håkansson and Snehota (1995).

Considering a relationship as a result of an interaction process where connections have been developed between two parties that produce a mutual orientation and commitment (Håkansson and Snehota, 1995), the model looks at the elements being connected in a relationship and the effects that the connections produce. Based on this, the model describes the business relationships in two dimensions: substance and function.

The *substance dimension* regards what the relationship affects on the different sides of the relationship, within a market context. The market is considered as networks of multidimensional exchange relationships between economic actors, who own resources and develop activities. In these exchange relationships, there are exchanges of know-how, development of technical knowledge, coordination of logistical activities and development of social relations (Mattsson, 2003).

The network approach regards the market as a network of relations between companies. The major market-as-networks approach model is the Actors – Resources – Activities (ARA) model, which considers actors, resources and activities as the three layers of substance identified in a business relationship:

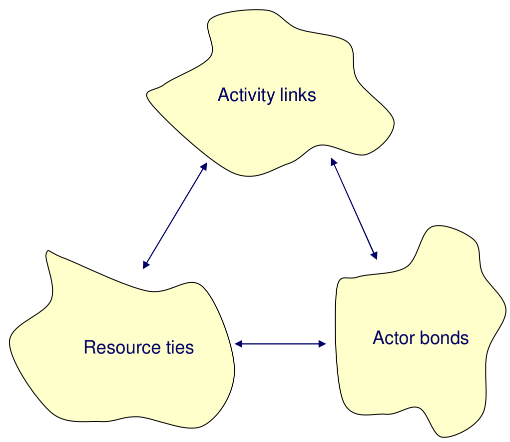

Figure 9. Interplay of the three substance layers of business relationships, in Håkansson and Snehota (1995), p. 35

Activity links include technical, administrative, commercial and other activities of a company that can be connected to those of another company as a relationship develops. This relationship between two companies may affect the way they perform the numerous activities that form their coordinated activity structure.

A business relationship grows as a flow of exchange episodes in which some activities are undertaken by either company. These activities in a relationship link a number of other activities in the two companies. The linking of activities reflects the need of coordination and will affect how and when the various activities are carried out.

Activity links are a factor in the productivity of the companies involved, but they also affect the productivity in the whole network. As the companies have other relationships in which activity links are relevant, an activity link in a relationship «links other links» in the activity pattern (Håkansson and Snehota, 1995), creating activity chains. These activity chains are quite robust in many industries, as in the automotive industry, where the buying departments can be involved down to the third-tier level in the supplier network.

The assessment of the activity links is essential in order to describe the effects of a relationship and how it may evolve, and therefore activities are one of the layers of substance in a business relationship.

Resource ties in a relationship between two companies derive from different resource elements of the two actors that can be tied together, as in that relationship some of the resources needed for each one's activities can be accessed and acquired by the other, in order to perform transformation and transfer activities. These ties can be physical when common resources are established, but the most usual is adaptation of knowledge resources (Ford et al, 2002).

A company consists of an assortment of different resources, like manpower, equipment, plant, knowledge, and financial means, among others, that sustain its activities.

In a relationship, some of the resources of the two companies are tied, either brought together, confronted or combined. "The process required to develop a business relationship has some characteristics that make it similar to an investment process. It usually is costly, and the costs precede the future benefits; when a relationship is developed it becomes an asset that must be taken care of and utilized in an efficient way" (Håkansson and Snehota, 1995: 31).

The resource ties among the interacting actors (resource providers) within a certain context create a resource constellation. Resource ties in a relationship are an element of that larger structure. As a result, they may be either a valuable asset or a constraint for other third companies when different resources of the resource constellation can be connected.

The assessment of extent and type of resource ties is essential due to their economic consequences on productivity and innovation, and therefore they are another layer of substance in a business relationship.

Actor bonds in a relationship between two companies, as between two persons, may change their perspective and opinion about several situations and also of one another. These bonds arise as both parties direct a certain amount of attention towards each other.

As bonds are established between actors, an organized structure of actors emerges. The web of actors changes as the individual actors learn and adjust their bonds. Simultaneously, bonds affect the learning (Håkansson and Snehota, 1995).

The assessment of the nature and strength of the bonds developed between companies in business relationships that affect their behavior and identities is highly relevant. Therefore, bonds are the third layer of substance in a business relationship.

Besides the substance dimension, the Industrial Network model describes the business relationship also in a function dimension. Regarding this *function dimension*, and in order to identify the effects a relationship has and is subject to, we should take into account three different functions:

- *"Function for the dyad* - This originates in the conjunction of the two companies; their activities, resources and actors. Activity links, resource ties and actor bonds in a relationship integrate various elements and thereby some unique outcomes and effects are produced.
- *Function for the individual company* - A relationship has effects on each of the companies, on what it can do internally and in other relationships. These depend on how what is produced in the dyad can be connected to other internal elements of the company and its other relationships.
- *Function for third parties* - Being a building element in the larger network structure, what is produced in a relationship can affect and is affected by other relationships that involve other parties. The effects on third parties and from third parties and their relationships on the relationship in any of the three layers of substance depend on how tight the connectedness of relationships is in the overall network" (Håkansson and Snehota, 1995: 27).

These three types of effects originate and are intervening in business relationships.

2.1.2 Business Networks

A firm is embedded in a network of ongoing business and non-business relationships, which both enable and constrain its performance. A company looks more like a linking unit where its key aspect resides in how it connects other market participants to each other (Håkansson and Snehota, 1995). As a result, firms should be seen as being connected in business systems and not in isolation.

A firm's relationships are one of the most valuable resources that a company has (Håkansson, 1987). Those relationships provide benefits on many valued functions performed and through the resources that they help create and provide access to, especially know-how and markets. The relationships also provide indirect benefits by providing access to other relations, organizations, resources, and competencies (Håkansson & Snehota, 1995; Walter, Ritter, & Gemünden, 2001). Therefore, it is highly important to manage business relationships and to be capable of managing in business networks.

The business networks are self-organizing systems, in which order emerges in a bottom– up fashion from the interactions taking place among firms in their own relationships (Wilkinson & Young, 2002).

The different types of potential relationship partners may be conceptualized in terms of the firm's value net (Brandenburger and Nalebuff, 1997). The value net identifies four types of firms and organizations that affect a firm's ability to produce and deliver value to an intermediate or final customer: suppliers, customers, competitors, and complementors.

We provide an extension of Branderburger and Nalebuff's (1997) Value Net Model developed by Ritter et al. (2004) that also incorporates intra-firm relationships in all the entities included in the model depicted in the following figure.

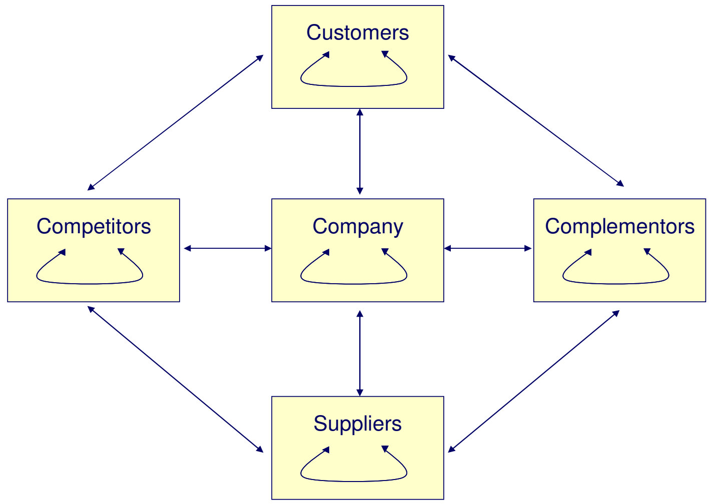

Figure 10. Value Net, in Ritter et al. (2004), p. 176

Network and relationship management includes both being managed and managing (Wilkinson & Young, 1994, 2002). "They simultaneously involve both proactive and reactive elements. They involve initiating and responding, acting and reacting, leading and following, influencing and being influenced, planning and coping, strategizing and improvising, forcing and adapting" (Ritter et al., 2004: 178). Networking happens in a space of paradoxes (Håkansson & Ford, 2002), which vary over time in a relationship, as circumstances change in that relationship. In conclusion, relationship and network management is about managing interactions with others, not about managing others. This is a two-way process whereby a party influences others while letting others have influence over itself.

There are several levels considered in the literature on managing relationships and networks. These levels of relationship and network management are depicted in the following figure, where each dot represents an individual actor, which can be a person, business department or unit, company or other entities.

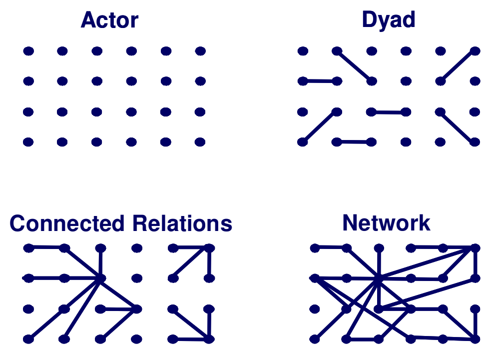

Figure 11. Levels of relationship and network management, in Ritter et al. (2004), p. 179

The first management level is the individual *actor* viewed in isolation, as in most resource-based theories of firms. The second level is the individual *dyad*, which has been deeply studied under the buyer-seller perspective. The third level is that of *connected relationships* in which the actor is only indirectly involved, with the indirect effects of relationships' management in other relationships. Finally, the fourth management level is the *network* itself, which is a result of the interactions taking place among actors in the network, including interaction between and within firms and other types of organizations (for example, government actors), and business and non-business interactions (Håkansson & Snehota, 1995; Welch & Wilkinson, 2002).

In addition, management in business relationships and networks involves relationship-specific and cross-relational tasks (Ritter et al., 2004).

Relationship-specific tasks refer to activities aimed at managing interactions in a relationship, that is, activities aimed at exchanging tangible and intangible items and at coordinating activities between firms. The ARA model (Håkansson & Snehota, 1995) developed by the IMP Group shows these coordination efforts which develop over time in relationships.

Cross-relational tasks focus on the simultaneous management of several relationships and also of interconnections among relations. Four cross-relational tasks are provided: planning, organizing, staffing, and controlling (Ritter, 1999; Ritter & Gemünden, 2003; Ritter, Wilkinson, & Johnston, 2002):

- *Planning* refers to the development of an overall strategy;
- *Organizing* deals with the implementation of the plan;
- *Staffing* refers to human resources management;
- *Controlling* evaluates the process and also provides inputs for the process changes.

Dyadic and cross-relational management tasks are ongoing and are included in a continuous process of interaction taking place within and between relations, as networks are constantly changing as living organisms (Easton, 1992).

Network management involves marrying the external network of relationships to and via the internal network of relationships (Ritter et al., 2004). The following figure depicts the various network tasks and their ongoing and interrelated nature.

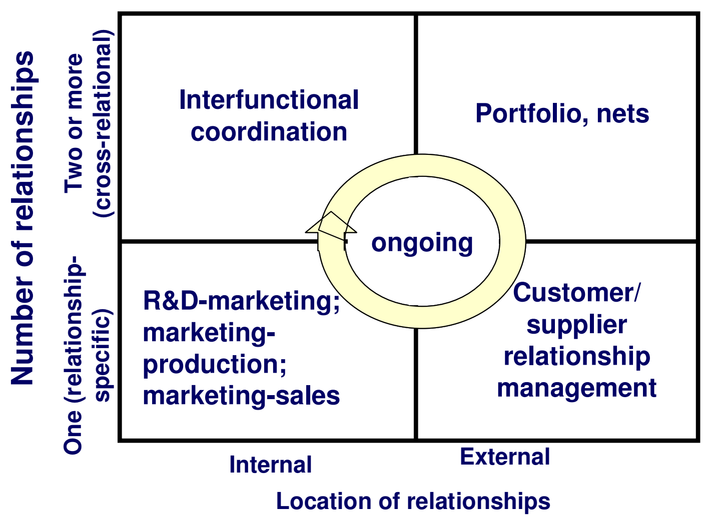

Figure 12. Overview of network management tasks, in Ritter et al. (2004), p. 181

Finally, cooperation and adaptation are central in the conflict management approach in business networks. *Cooperation* is highly relevant in the company's relationship with internal and external networks, as networks are developed based on cooperation (Easton and Araujo, 1992), which is a major element in all inter-firm interaction and industrial network strategies (Håkansson and Johanson, 1988). *Adaptation* by companies in the context of relationships with other companies allow for better and longer relationships, since conflicts are usually managed more successfully (Johanson and Mattsson, 1987).

As described above, managing business networks is very important as it is complex but highly relevant in a company's success. That implies conflict management and a focus on collaborative negotiation (involving cooperation and adaptation), which we will now analyze.

2.2 Negotiation Analysis Perspective

In order to provide a perspective on the main models of negotiation, there is an initial contextual analysis of conflicts' theory. The first part includes a description of the main approaches to conflict definition and its types, a description of issues identification and possible settlements determination, and an analysis of the different styles of conflict. The second part includes an identification of the main approaches to studying conflict in organizations and a more detailed description of the models of negotiation and bargaining, which are the most relevant models to this dissertation. These are mostly focused on two-party negotiations.

2.2.1 Definition of Conflict

From the social sciences, there are two main levels of conflict. One is the individual conflict level, as the role conflict that an individual faces when subject to different role requirements. The other level refers to the conflict between two or more parties. These parties can be individuals, groups, social units, departments, companies, and other organizations. In this level we can find organizational conflict, which will be the focus of this work.

There are also various definitions of organizational conflict. Several researchers have summarized and reviewed different definitions (Mack and Snyder, 1957; Fink, 1968; Lewicki, Weiss & Lewin, 1992). For example, Mack and Snyder (1957) described conflict as a particular kind of social interaction process between parties who have mutually exclusive or incompatible values. Schmidt and Kochan (1972) were part of the group that viewed conflict as involving the deliberate interference or blocking of another party's goal. Putnam and Poole (1987) defined conflict based on three premises: interdependence between the parties;

perception of a certain degree of incompatibility between the parties' goals and/or interests by at least one of the parties; and interaction between the parties.

Thomas (1992) defined conflict as the process that starts when one party perceives that the other has negatively affected or is going to negatively affect something that the party cares about.

Roloff (1987) referred that organizational conflict occurs when members engage in activities that are not compatible with those of colleagues within their network, or other people who use the services or products of the organization.

Rahim (2002: 207) broadened this definition by "conceptualizing conflict as an interactive process manifested in incompatibility, disagreement, or dissonance within or between social entities (i.e., individual, group, organization, etc.)". Besides including in his definition the intra-individual conflict, Rahim (2002: 207) also listed the situations when conflict may occur:

1. "A party is required to engage in an activity that is incongruent with his or her needs or interests.
2. A party holds behavioral preferences, the satisfaction of which is incompatible with another person's implementation of his or her preferences.
3. A party wants some mutually desirable resource that is in short supply, such that the wants of everyone may not be satisfied fully.
4. A party possesses attitudes, values, skills and goals that are salient in directing his or her behavior but are perceived to be exclusive of the attitudes, values, skills, and goals held by the other(s).
5. Two parties have partially exclusive behavioral preferences regarding their joint actions.
6. Two parties are interdependent in the performance of functions or activities."

Rahim (2002) also added that in order for conflict to occur, it has to exceed the threshold level of intensity before the parties experience (or become aware of) any conflict.

In conclusion, there is no unique definition of organizational conflict. Depending on the researchers' focus and perspectives, the organizational conflict definition may differ from work to work. For this dissertation, we have based our definition of conflict in the definition presented by Rahim (2002).

2.2.2 Types of Conflicts

According to Thomas (1992), there are at least three elemental forms of conflict, based on the types of concerns which are at stake for the party: goals, judgments, and normative standards. Each of these forms of conflict involves different dynamics and tasks for the parties in conflict.

Goal conflicts exist when the parties want to achieve opposite and incompatible ends. Since one party's goals achievement implies that the other party will not achieve his or her goals, the re-definition of each party's goals and /or target levels is crucial for a positive outcome.

Judgment conflicts exist when the parties derive different conclusions from the same empirical issues. Each party considers that the other party perceives the same fact in a different and incorrect perspective. In these situations, a beneficial approach may be to form one and only conclusion leveraged on both parties' perspectives, ideas and perceptions.

Normative conflicts exist when the other party's behavior is below the standards expected by the party in certain social norms, which may include ethics, notions of justice, equity, and respect for the others, among others. The party may react strongly and try to impose sanctions for the violations that took place. In these situations, a beneficial approach may be to define the behavior standards and the sanctions applicable in each specific setting.

Conflicts may involve one or more of these three elemental forms.

There is another perspective on conflict types, which divides them into affective or substantive conflicts.

Affective conflicts exist when there are incompatible interpersonal relationships resulting from the fact that the parties have different feelings and opinions about some of the issues in negotiation. Relationship conflicts interfere with task related effort because members focus on increasing power and attempting to build cohesion instead of working on task. The conflict causes members to be negative, apprehensive, and offended (Jehn, 1997).

Affective conflict is harmful for the organization. It hurts group performance, since it limits information processing ability, cognitive functioning of group members and antagonistic attributions of group members' behavior (Amason, 1996; Jehn, 1995; Jehn et al., 1999). It also hurts group loyalty, employee loyalty to the company, job satisfaction (Amason, 1996; Jehn, 1995, 1997; Jehn et al., 1999), as a result of higher stress and conflict escalation.

Substantive conflicts exist when organization's colleagues have disagreements over task or content issues. On one hand, substantive conflict can improve group performance in groups performing non-routine tasks, since it allows for a better understanding of the issues and also of different points of view and alternative solutions (Jehn, 1995, 1997; Jehn et al., 1999). This benefit is highly leveraged by a company's culture of issue and task disagreements' open and honest discussion without generating affective conflict. However, only a moderate level of substantive conflict is beneficial to a group, by stimulating healthy discussion of issues. Absence of substantive conflict does not stimulate understanding of issues and their discussion, while high substantive conflict levels may interfere with task completion (Jehn, 1997).

On the other hand, it can hurt group loyalty, employee loyalty to the company, job satisfaction (Jehn, 1997; Jehn et al., 1999).

Although these conflicts' description focus was on intra-organizational conflict (within an organization), both conflicts also apply to inter-organizational conflict (between two or more organizations).

Based on this conflict categorization, Rahim (2002) refers that contemporary organizations should focus on conflict management and not on conflict resolution. Conflict management does not always imply avoidance or reduction of conflict. It involves, on one side, minimizing the dysfunctions of conflict and, on the other side, enhancing the constructive functions of conflict in order to enhance learning and effectiveness in an organization.

2.2.3 Issues and Possible Settlements

In a conflict, it is important to define its framing (Sheppard, Lewicki & Minton, 1986), in other words, the issues in which there is a conflict and also the possible negotiation outcomes. The conflict issues can be viewed through the perspective of the parties' concerns - one party's concerns that may be affected by the counterparty, and the counterparty's concerns that may be affected by the party.

In this context, there is a set of possible negotiation outcomes, including the no-agreement scenario. The potential settlements can be viewed as a combination of the degree of satisfaction of the parties involved in the negotiation.

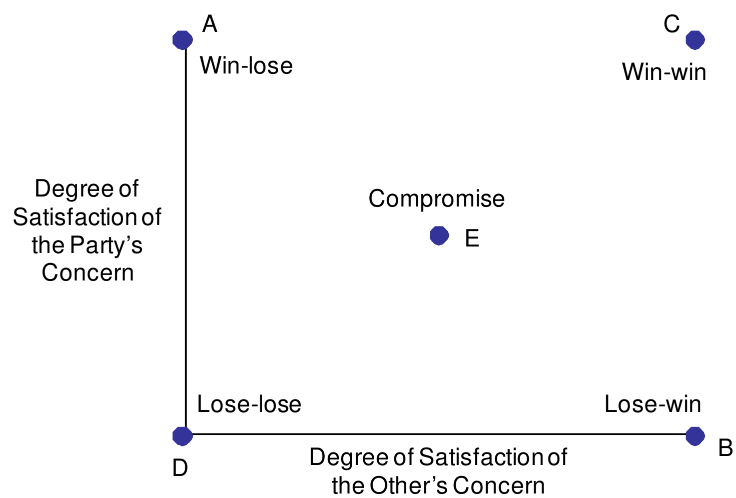

Figure 4. The Joint Outcome Space, in Thomas (1976), p. 898

Figure 4 represents a party's conceptualization of the possible settlements. The vertical axis represents the degree of satisfaction of the party's concern, while the horizontal axis represents the degree of satisfaction of the other party's concern with any potential outcome.

There are five main possible outcomes. Point C represents the best outcome, since it depicts a win-win or integrative situation, whereby both parties' concerns are satisfied. Point D is on the opposite side, representing the worst outcome, since both parties concerns are not satisfied, which is considered a *lose-lose* situation. In the middle stands Point E, which depicts a compromise situation, whereby neither parties' concerns are fully satisfied or fully unsatisfied. Points A and B represent *win-lose* situations, in which one party manages to fully satisfy its concerns with the outcome, while the other party does not satisfy its concerns at all.

The conflict issue definition approach followed by each party has a strong influence on the outcomes. Thomas (1976) identified three dimensions of issue definition: egocentricity, insight into underlying concerns, and size of issue.

Egocentricity refers to when the party is only focused on satisfying its concerns, and not taking into account the other party's concerns' satisfaction. In these situations, the party tends to face the negotiation with a binary approach of either / or alternatives. As a result, the most probable outcome is a *win-lose* situation.

For example, an employee may take the position before his superior that he wants a fifty percent raise or he will leave the company. The employee does not care about his boss, who will be hurt by either losing a key employee or by overpaying him with impacts on the company's profitability and salary leveling policies.

Two concepts were defined that are relevant in this area. One concept is the Best Alternative To a Negotiated Agreement (BATNA), initially defined by Fisher and Ury (1981), which is the course of action that will be taken by a party if the current negotiations fail and an agreement cannot be reached. If the other party proposes an agreement whose value is worse than the party's BATNA, it should not be accepted since there is a better alternative than this. The other concept is the Zone of Possible Agreement (ZOPA), initially defined by Raiffa (1982), which is the room between each party's BATNA's within which agreement can be reached between parties.

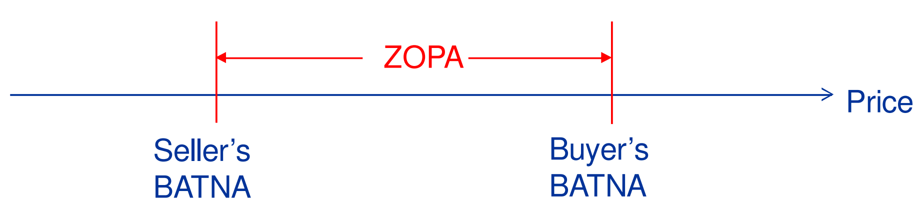

Figure 5. Illustration for concepts of BATNA and ZOPA

The second dimension, *insight into underlying concerns*, encourages collaboration between parties in the search for an integrative negotiation outcome. When one party attempts to negotiate with others using as negotiation tools his or her positions on certain issues, and the party does not provide the reasoning behind those positions, the probability of collaboration and integrative outcomes are very low. On the other hand, if each party bargains over his or her interests instead of bargaining over positions, the probability of cooperation and of reaching an integrative and more positive outcome is significantly higher (Fisher and Ury, 1981; Lax and Sebenius, 1986; Pruitt and Rubin, 1986).

Using the same example as above, the employee takes a position that he wants a fifty percent raise or he will leave the company. If the boss takes the position that the company's policy does not allow for such a substantial raise, the employee will either leave the company or hurt his relationship with his superior and the company. However, if both explore and bargain over each other's interests, the outcome may be different. The employee's interests may include to:

- work close to his children's school;
- have one more week of vacation;
- spend less time traveling;
- have a larger office;
- get a different car.

If the superior understands the employee's interests and both bargain over interests, there is a higher probability of an integrative outcome whereby the employee may see his interests satisfied staying in the company and therefore satisfying his superior's and the company's interest of keeping a key employee.

The third dimension of issue definition is *size of the issue*. The issue is considered larger when it involves more people, entities or events, or when it sets precedents for the future. For example, if a country provides independence to a semi-autonomous region after the latter requested it, the same country will have difficulties in denying independence to other semi-autonomous regions under its rule. Large issues make integrative outcomes highly improbable by raising the parties' emotional level and / or by raising defensive approaches which limit collaboration and integrative settlements.

2.2.4 Styles of Handling Conflict

There are several styles of behavior in handling interpersonal conflict. Blake and Mouton (1964) were the first to provide a conceptual scheme for classifying the styles or modes of handling interpersonal conflict. They defined five styles: forcing, withdrawing, smoothing, compromising and problem solving. These were defined based on manager's attitudes: concern for production and concern for people.

Thomas (1979, 1992) assumed five types of conflict handling modes (strategic intentions): competing, avoiding, accommodating, compromise and collaborating. These were defined based on two dimensions of intent: assertiveness (the extent to which the party attempts to satisfy his or her own concerns), and cooperativeness (the extent to which the party attempts to satisfy the other's concerns).

Pruitt (1983a) defined a dual-concern model that defined four styles of handling conflict: contending, inaction, yielding and problem solving. These were defined based on two concerns: concern for self and concern for others.

Rahim and Bonoma (1979) also defined a model based on concern for self and concern for others. The first explains the degree to which one party tries to satisfy his or her own needs and concerns. The second explains the degree to which one party tries to satisfy the needs and concerns of the other party(ies).

They identified five specific styles of handling conflict as in the following figure:

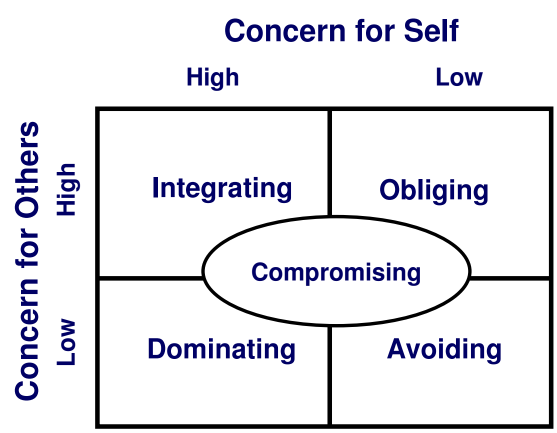

Figure 6: The Dual Concern Model of the Styles of Handling Interpersonal Conflict, in Rahim & Bonoma (1979), p. 1327

The vast majority of management researchers and scholars believe there is no ideal approach to conflict handling. The following table shows situations in which different styles are appropriate or inappropriate.

Conflict style	Situations where appropriate	Situations where inappropriate
Integrating	1. Issues are complex; 2. Synthesis of ideas is needed to come up with better solutions; 3. Commitment is needed from other parties for successful implementation; 4. Time is available for problem solving; 5. One party alone cannot solve the problem; 6. Resources possessed by different parties are needed to solve their common problems.	1. Task or problem is simple; 2. Immediate decision is required; 3. Other parties are unconcerned about outcome; 4. Other parties do not have problem-solving skills.
Obliging	1. You believe that you may be wrong; 2. Issue is more important to the other party; 3. You are willing to give up something in exchange for something from the other party in the future; 4. You are dealing from a position of weakness; 5. Preserving relationship is important.	1. Issue is important to you; 2. You believe that you are right; 3. The other party is wrong or unethical.
Dominating	1. Issue is trivial; 2. Speedy decision is crucial; 3. Unpopular course of action is implemented; 4. Necessary to overcome assertive subordinates;	1. Issue is complex; 2. Issue is not important to you; 3. Both parties are equally powerful; 4. Decision does not have to be made quickly; 5. Subordinates possess high degree of

Conflict style	Situations where appropriate	Situations where inappropriate
	5. Unfavorable decision by the other party may be costly to you; 6. Subordinates lack expertise to make technical decisions; 7. Issue is important to you.	competence.
Avoiding	1. Issue is trivial; 2. Potential dysfunctional effect of confronting the other party outweighs benefits of resolution; 3. Cooling off period is necessary.	1. Issue is important to you; 2. It is your responsibility to make decision; 3. Parties are unwilling to defer, issue must be resolved; 4. Prompt attention is needed.
Compromising	1. Goals of parties are mutually exclusive; 2. Parties are equally powerful; 3. Consensus cannot be reached; 4. Integrating or dominating style is not successful; 5. Temporary solution to a complex problem is needed.	1. One party is more powerful; 2. Problem is complex enough needing problem-solving approach.

Table 1. Styles of Handling Interpersonal Conflict and the Situations where they are Appropriate or Inappropriate, in Rahim (2002), p. 219

Each different style is more adequate to certain conflict situations, depending on how each style contributes to conflict resolution.

These five handling styles can be categorized according to their integrative (problem-solving) and distributive (bargaining) dimensions as depicted by Rahim (2002) in the following figure:

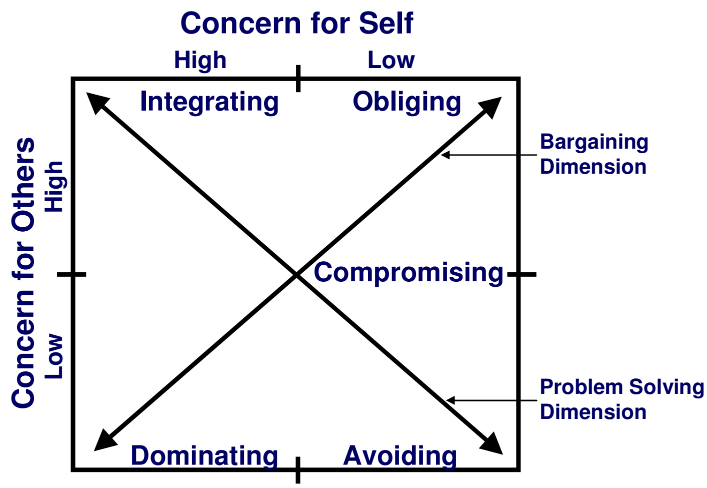

Figure 7. The Dual Concern Model: Problem Solving and Bargaining Dimensions of the Styles of Handling Interpersonal Conflict, in Rahim (2002), p. 221

The integrative (problem solving) dimension will be one of the basis of our dissertation.

2.2.5 Approaches to Studying Conflict in Organizations

From the conflict literature, we can identify at least six main approaches to studying conflict in organizations (Lewicki, Weiss and Lewin, 1992).

Out of the six main approaches, three result from academic disciplines. One is the *micro-level (psychological) approach* that is focused on the individual, which includes intrapersonal, interpersonal and small groups conflicts (e.g. Nye, 1973). The second is the *macro-level (sociological) approach* that is focused on studying conflicts in larger units of analysis like groups, departments and organizations (e.g. Pondy, 1967). The third is the *economic analysis approach*, which utilizes models of economic rationality to decision-making at the individual and at larger levels. Game theory is one example of an analytical tool of economic analysis, whose roots are based in the middle of the last century (Neumann and Morgenstern, 1944), whereby the decisions taken by the parties are interdependent through the lenses of two main perspectives: parties' cooperation or non-cooperation.

The remaining three approaches derive from specific conflict contexts. One is the *labor relations approach* that resulted from the interest in analyzing the practice of American industrial relations. Kochan and Verma (1983) indicated that industrial relations research has maintained a consistent set of assumptions about the nature and role of conflict within organizations around issues related with the employment relationship.

Another is the *third party approach* that has also stemmed from labor and international relations. The focus is on the intervention of a third party in order to resolve or minimize conflict in those arenas. The third party may have different roles and styles with different impacts on the conflict resolution effectiveness. The process will differ if he or she is an arbitrator (Kagel, 1961), a mediator (Moore, 1996) or playing a role in between those two.

The last is the *bargaining and negotiation approach* that has stemmed from labor relations and also from international relations. This approach focuses on the analysis of the bargaining interactions between the parties, in identifying the main variables with a stronger impact in a negotiation's outcome, and listing processes, attitudes, rules and principles of effective and efficient negotiation. Chamberlain (1955) and Schelling (1960) were two examples in the labor and the international relations arena, respectively.

This last approach is the most relevant for this dissertation as our study focuses on direct negotiations between different companies.

2.2.6 Models of Negotiation and Bargaining

Lewicki, Weiss and Lewin (1992) developed further analysis on the negotiation and bargaining approach, which is the more relevant for our dissertation out from the six approaches identified above. Lewicki, Weiss and Lewin (1992) provided an assessment of this approach through the description of its dominant model or paradigm, followed by the other major models categorized as descriptive (describing and predicting conflict dynamics) or normative (prescribing actions for individuals, usually through the perspective that conflict is negative).

The *dominant model or paradigm* is Walton and McKersie's (1965) four negotiation subprocesses: distributive bargaining, integrative bargaining, attitudinal structuring, and intra-organizational bargaining.

Distributive bargaining takes place on situations where there are fixed-sum payoffs and therefore the parties want to get the largest share of that fixed amount. It is based on the *win-lose* perspective. The parties play a *game of perceptions* about each one's ideal outcome and minimum-acceptable outcome. The quality of the initial offer and concession making strategies is essential for success in these types of negotiations.

Integrative bargaining occurs when the parties are focused on exploring opportunities to expand the total payoff that will result from the negotiation and are not focused on sharing the payoff. It is based on the win-win perspective. The parties follow a joint problem-solving attitude in order to increase the global outcome. Trust, open communication and considerable information exchange are key for the success of this approach.

Attitudinal structuring occurs when negotiators try to influence the quality and nature of their relationship, through attempts to change each other's perceptions, attitudes and the negotiations' climate.

Intra-organizational bargaining looks into the roles performed by negotiators and the sources of conflict inside their own negotiations' team. It focuses on internal conflict, in opposition to the other three subprocesses.

Researchers have been paying more attention to the distributive bargaining and the integrative bargaining subprocesses. However, most research has not considered the coexistence of the two as subprocesses of the same origin, but instead has analyzed each one of them separately as two different branches or two different processes.

Regarding the *other major models*, the review of negotiation models done by Lewicki, Weiss and Lewin (1992) categorized them in distributive, integrative and other processes:

	Descriptive	Normative
Distributive	Bilateral monopoly Siegel and Fouraker, 1960 Three phases Douglas, 1962 Bargaining power Chamberlain and Kuhn, 1965 Learning process Cross, 1965, 1977 Demand level / concession rate Pruitt, 1981 Strategic choice Pruitt, 1981 Multilateral public sector Lewin, Feuille, Kochan and Delaney, 1988	Risk of conflict Zeuthen, 1930 Rational utility maximization Nash, 1950 Uncertainty and tactical manipulation Pen, 1959 Superior set Champlin and Bogano, 1986
Integrative	Framework / detail Ikle, 1964; Zartman and Berman, 1982 Integrative negotiation Pruitt, 1981, 1983b	Integrative decision-making Filley, 1975 Principled negotiation Fisher and Ury, 1981 Creative problem-solving Pruitt and Rubin, 1986
Other	Development / cyclical Gulliver, 1979 Field theory Spector, 1977	Contingency bargaining Lewicki and Litterer, 1985

Table 2. The models of negotiation and bargaining, in Lewicki, Weiss and Lewin (1992), p. 221

The focus of this dissertation is in studying situations of win-win negotiations adequate to a collaborative approach where the integrative models of negotiation are included. As a result, from the above identified models, we will only analyze in detail the Descriptive Integrative and the Normative Integrative models.

The first type of Descriptive Integrative models, *Framework/detail*, was initially developed by Ikle (1964), who created a model consisting of a two-phase negotiation process in order to reach agreement, based mostly on his diplomatic negotiations analysis. The first phase includes discussion and agreement on a framework of broad issues and principles in debate. On the second phase, the parties discuss the details and specific issues that are required for an agreement.

Zartman and Berman (1982) adapted Ikle's (1964) model to a three-phase model: diagnosis, formula and detail. During the diagnosis, parties analyze the current situation and their relationship, and prepare each one's positions. On the formula step, parties try to develop a common definition of the conflict that sets terms of trade, the cognitive structure of referents for a solution, or a criterion of justice to be applied. The detail phase refers to the final discussion of details that are necessary for parties to reach a full-agreement. There is no significant empirical research to support these models.

The second type of Descriptive Integrative models, *Integrative Negotiation*, was developed by Pruitt (1981, 1983b) and Pruitt and Carnevale (1982), who have provided an empirical description of the integrative negotiation process. Pruitt did not define a single unified model in one publication but he has laid out several bases. These are aspects related to the negotiation process, which include the preparation work which can help setting up the framework required for an integrative agreement, the different formats that an integrative agreement may take, and also the tactics used to achieve an integrative agreement.

The first type of Normative Integrative models, *Integrative Decision-Making*, was developed by Filley (1975), who pointed out that while we have a choice between behavior that defeats one or both of us or that provides mutually beneficial solutions. However, while on one hand we have an unconsciously learned pattern of competition, dominance, aggression, and defense, the use of problem-solving skills, on the other hand, appears to require conscious effort to develop and practice.

His integrative decision-making model has six steps:

1. Review and adjust relational conditions between the parties, creating a cooperative environment;
2. Review and adjust perceptions;
3. Review and adjust attitudes;
4. Define the problem;
5. Search for alternatives;
6. Achieve consensus.

The second type of Normative Integrative models, *Principled Negotiation*, was initially developed by Fisher and Ury (1981), whereby a negotiator should work towards developing a relationship with the other parties but without losing focus on his/her own goals. The negotiators should not bargain over positions but over issues. The authors provide an approach that they believe is neither competitive nor naively collaborative:

a) Separate the people from the problem (hard on issues, soft on people);
b) Focus on interests, not positions;
c) Invent options for mutual gain;
d) Insist on using objective criteria to analyze the solutions.

This popular approach was followed by Ury (1993) where he defined a breakthrough strategy to turn adversaries into partners, through five steps:

1. Don't reject: go to the balcony and don't react immediately;
2. Don't argue: step to their side;
3. Don't reject: reframe what they said;
4. Don't push: build them a golden bridge so that it is easy for them to accept the agreement;
5. Don't escalate: use power to educate and not to threaten.

Finally, the third type of Normative Integrative models, *Creative Problem-Solving*, was developed by Pruitt and Rubin (1986), who proposed the creative problem-solving approach, in which parties seek a mutually acceptable solution to their conflict. The parties exchange information about their interests, try to identify the issues that set them apart, search for solutions that try to bridge their opposing interests, and evaluate these solutions from the viewpoint of their global satisfaction.

The authors suggest a four step problem-solving process:

1. Parties must clarify and explain the situation, to determine if there really is a conflict of interests present;
2. Each party must thoroughly examine their own interests, and set reasonably high aspirations;
3. Parties should problem-solve together, using several techniques, trying to create an integrative solution that can satisfy both parties' interests;
4. If no integrative solution can be found, one or both parties must lower their aspirations, and search again for an integrative solution.

The role of behavioral decision making and psychological influence at a negotiation operational level is being increasingly studied as in Thompson (2005), Epley & Gilovich (2006), and Malhotra & Bazerman (2007). However, since its application is operational instead of strategic, it was not the focus of our dissertation.

We have described literature that was very relevant for our dissertation theme. We will now focus on the Portuguese setting in which we are contextualizing the business networks.

2.3 The Situation in Portugal

The review of literature on Portugal that is relevant to our goal is relevant in order to help us supporting the conclusions derived from our debate in what concerns the Portuguese specificities of issues related to both Negotiations Analysis and Business Networks Analysis perspectives.

We focused our literature review on the analysis of the characteristics of Portuguese and Portuguese executives in general and of Portuguese executives in the specific context of negotiations.

2.3.1 General Characteristics of Portuguese Executives

For the characteristics in general, we have reviewed Hofstede (1983a, 1983b, 1993, and 1994) and also Gil (2007) works.

Hofstede (1983a) defined four dimensions that characterize countries' cultures as a framework for developing hypotheses in cross-cultural organization studies. The position of a country on these dimensions allows for some predictions on the way its society operates, including its management processes and the kind of theories applicable to its management. More specifically, "the four dimensions are used to explain (1) different ways of structuring organizations, (2) different motivations of people within organizations, and (3) different issues people and organizations face within society." (Hofstede, 1983a: 46).

The four dimensions were initially detected through a comparison of the values of similar people (employees and managers) in sixty-four national subsidiaries of the IBM Corporation. People working in different countries for the same multinational represent samples from the populations of each country with high similarities in major respects except nationality. Half of the variance in the countries' mean scores could be explained by those four basic dimensions. In addition, index scores of the countries on the four dimensions correlated significantly with the outcomes of about forty existing comparative studies (Hofstede, 1983a).

"The first dimension is labeled *Power Distance*, and it can be defined as the degree of inequality among people which the population of a country considers as normal: from relatively equal (that is, small power distance) to extremely unequal (large power distance). All societies are unequal, but some are more unequal than others. […]

The second dimension is labeled *Individualism*, and it is the degree to which people in a country prefer to act as individuals rather than as members of groups. The opposite of individualism can be called *Collectivism*, so collectivism is low individualism. In collectivist societies, when children grow up they remain members of their group, and they expect the group to protect them when they are in trouble. In return, they have to remain loyal to their group throughout life. In individualist societies, a child learns very early to think of itself as «I» instead of as part of «we».

The third dimension is called *Masculinity* and its opposite pole *Femininity*. It is the degree to which tough values like assertiveness, performance, success and competition, which in nearly all societies are associated with the role of men, prevail over tender values like the quality of life, maintaining warm personal relationships, service, care for the weak, and solidarity, which in nearly all societies are more associated with women's roles. Women's roles differ from men's roles in all countries; but in tough societies, the differences are larger than in tender ones.

The fourth dimension is labeled *Uncertainty Avoidance*, and it can be defined as the degree to which people in a country prefer structured over unstructured situations. Structured situations are those in which there are clear rules as to how one should behave. These rules can be written down, but they can also be unwritten and imposed by tradition. In countries which score high on uncertainty avoidance, people tend to show more nervous energy, while in countries which score low, people are more easy-going. A (national) society with strong uncertainty-avoidance can be called rigid; one with weak uncertainty avoidance, flexible. In countries where uncertainty-avoidance is strong a feeling prevails of «what is different is dangerous». In weak uncertainty-avoidance societies, the feeling would rather be «what is different is curious».” (Hofstede, 1993: 89-90)

In Annex 1, we have a list of connotations of each of the four dimensions at their high and low values.

According to a comparison of fifty-three countries (see results in Annex 2), Portugal is characterized by having relatively high Power-Distance, relatively low Individualism, low Masculinity and very high Uncertainty-Avoidance (Hofstede, 1994). Several studies comparing different nations including Portugal were based in Hofstede’s work, as for example Jesuíno et al (2002) and Jesuíno et al (1995).

The GLOBE Research Program has also aimed at creating cultural dimensions (House et al., 1999), some of them based on Hofstede’s (1983a) dimensions. However, we have used Hofstede’s dimensions’ results (Hofstede, 1994) since the study’s sample was much broader than the GLOBE Research Program’s sample.

In a different perspective, Gil (2007) tries to describe more the Portuguese mentalities, which are “forces laid in the social and behavioral fields” (Gil, 2007: 127), than any other issues. In order to achieve that, the author uses a varied array of sources, concepts and notions, including “ethnographic notes, trivial facts and anecdotes, psychological and philosophical concepts, political science concepts, among others” (Gil, 2007: 127), which allows for a broader perspective and approach to his main focus of identifying what is limiting the full expression of the strengths of the Portuguese as individuals and as people.

Among others, the author criticizes the television as creating a context of «no-reality», of «no-happening». The media are one of the main responsible for the «fog» that involves the Portuguese society which reduces its clarity in looking at the facts.

Also, he talks about the «no-inscription», which means that things happen but they do not really leave a «mark» on people. On one hand, this leads to no action and to a lack of statement and responsibility. On the other hand, it leads to a lack of debate in a «public space», to very poor discussions that do not go deep into the core issues and problems but that only remain at the surface. The Portuguese do not adequately dialogue or debate issues since they do not have good listening skills and they are frequently changing the subjects of the conversations.

In addition, there is such a fear in the society that people do not feel comfortable to act freely and to say what they think. Besides, the Portuguese individuals believe that they are not good enough, which dramatically reduces any potential creativity. The lack of self-confidence is further promoted by the envy that is spread in the society. The ones that try to do something different and/or valuable are a target of destructive criticism, and are excluded from the group.

Furthermore, Gil (2007) refers that the Portuguese individual identifies him/herself in what is small and gets shelter and feels comfortable in what is small: small pleasures, small loves, short (small) trips, and small ideas. «Small» becomes the perfect size for the Portuguese affection investment. These «small worlds» lead to a short-term focus and a rejection of the medium/long-term projects.

In summary, we have listed above several of the main negative characteristics of the Portuguese people that explain much of the Portuguese behaviors and the situation that Portugal currently faces, according to Gil (2007).

2.3.2 Characteristics of Portuguese Executives in a Negotiation Context

We have analyzed a large study on the characteristics of Portuguese executives in a negotiation context that Sobral and Carvalho (2003) developed in Portugal based on a survey of executives of the five hundred largest Portuguese corporations, from which they received two hundred and thirty one valid answers.

The study indicated that the Portuguese executives have predominantly a competitive negotiation posture. Even though the majority of respondents preferred the competitive negotiating strategy, they showed concern for introducing some fundamental elements of collaborative strategy in their behavior, such as looking for a fair solution to both parties (93.5%), a concern for conducting themselves in an honest and open fashion towards their counterpart (89.6%) and the firm conviction that the outcome of a negotiation should be reached in cooperation with the other party (90%).

The mature age (approximately fifty years old on average) and the extensive experience (more than twenty-five years on average) of the respondents may determine the adoption of mixed negotiation strategies: first, to cooperate in building value; then, to compete in sharing it.

The study didn't detect major differences in the negotiating approaches between men and women.

However, experience seemed to foster more competitive negotiating styles. A possible explanation for this result may be the fact that this experience may have been acquired in highly competitive negotiating environments such as those that characterized the business atmosphere of the past. In fact, the business networks' perspective that implies a collaborative dimension in corporate management and strategy (either through alliances, joint ventures, networks, etc.) is relatively recent in the Portuguese business environment. It is the authors' opinion and also our opinion that this issue deserves a more in-depth study.

The authors also conclude that the results seemed "to confirm that there is a projection effect that drives the most competitive negotiators to consider the most competitive traits as the most important in the profile of a superior negotiator. The same phenomenon takes place with the most collaborative negotiators. Since the sample is composed of successful managers and business owners, with a high self-esteem and self-respect, the projection of their own traits into the traits required to successfully negotiate in business environments is a natural and expected result" (Sobral and Carvalho, 2003: 19). If they had we used a wider range sample and included individuals with a lower self-confidence, this phenomenon would have been less displayed.

Although the authors believe the whole study deserves a more in-depth research and analysis, we can withdraw the conclusion that the Portuguese executives' negotiation approaches are not as collaborative as we considered desired for successful relationships within business networks, independently of the negotiator gender.

In addition, recently, Moreira (2007) developed a research study on inter-organizational cooperation focused on the organizational development of the overall Portuguese industrial companies, which is mostly composed by family-owned small and medium enterprises. Taking into account data (Lopes and Moreira, 2004) that indicates that there is a low level of trust in the Portuguese society (although there is high trust within families), the study is based on the analysis of forty-nine case-studies and it concludes that the success of inter-companies networks in Portugal depends mostly on a «federating» leadership that may overcome the low trust environment between parties in general.

3 Methodology

3.1 Introduction

The starting point of our work was the definition of our research topic, as we tried to find a relevant problem not only in practice but also with the potential for theoretical contribution (Lukka, 2003).

We have realized that there are a sizable number of studies developed about negotiation and we have read the major theoretical works, included in the Literature Review. However, these are not focused on the actors within the context of business networks, although negotiations between actors occur very frequently within business networks. This situation led us to try to develop knowledge about actors within business networks with a focus on the negotiation between them.

We followed an inductive logic to try to develop knowledge as we analyzed negotiation situations and after we derived knowledge consistent with those situations.

3.2 Research Conception Setting

As previously mentioned in the Introduction, organizational conflict management and conflict resolution are gaining more relevance in today's world, as organizations' business relationships grow in number and scope. This growth has led to a more frequent use of the concept of business network, which is, in basic terms, composed of several organizations with direct and indirect relationships between them.

The business world is facing increasing competitive and regulatory pressures, which are leading companies to continuously develop efforts to reduce costs, increase revenues in a profitable way, defend themselves from global competition, respond faster to market needs' changes, and communicate more frequently and with more entities, among others.

In such context, companies need to develop more and deeper relationships with their clients and suppliers in order to, for example, reduce costs by streamlining processes, adapt better and faster to the market demands, reach new markets. However, companies need to develop also relationships with other companies and entities besides clients and suppliers, like regulation authorities, media, and consumers' associations.

This implies an increasing importance of the actors in the business networks and their needs of negotiation skills to deal intimately with other entities and with a higher focus on long-term relationships. Although the integrative negotiation approach is the most adequate for long-term relationships (as the relationships that are developed in the context of business networks and which are viewed in the search of win-win situations), the integrative negotiation main models and theories were not developed within the business network context.

For this reason, we decided to try to develop specific new knowledge about actors within business networks with a focus on negotiation between them.

As previously mentioned, this dissertation's objective was based on the identification and analysis of the actors' main factors, including interactions between them, which impact negatively specific negotiation situations – negotiations with an initial perception of a potential win-win outcome; that take place between different companies in a business network; and that ultimately lead to no agreement. The dissertation was focused only on the Portuguese market.

Based on this specific objective, that allowed us to identify the main negative actors' negotiation aspects related to the overall negotiation process, i.e., the main actors' variables that led the parties not to reach an agreement, we tried to answer the following set of questions:

1. How do parties' main characteristics and their situation negatively impact the negotiators?
2. How do current commercial relationships between two of the three parties negatively impact the negotiation process?
3. How do negotiators' main characteristics and their situation negatively impact the negotiation process?
4. How does the parties' preparation work negatively impact the negotiation process?
5. What process-related aspects lead one or more parties to stop searching for additional solutions to the negotiation issues?

3.3 Research Operational Setting

3.3.1 Research Strategy

For the research work, and in order to study negotiations in business network contexts, we analyzed only negotiation situations with an initial perception of potential win-win with several issues being negotiated that did not reach an agreement.

As we intended to identify and analyze actors-related causes for no agreement in negotiation situations with an initial perception of potential win-win with several issues being negotiated between three parties, we tried to select the best research strategy.

We first based our selection in the research types set out by Reto & Nunes (2001), which are:

- Experimental;
- Quasi-experimental;
- Comparative causal;
- Descriptive;
- Comprehensive;
- Historical.

We believe our best approach would be a hybrid approach mostly based on the descriptive but also including the comprehensive and quasi-experimental strategies.

The descriptive research strategy has as its main goal the characterization of the current state of a research object, which may or may not lead to the usage of research hypothesis. It applies, but only partially, to our research strategy because we are analyzing actors within the context of business networks and negotiation models and theories.

In addition, the comprehensive approach would be partially applicable when we tried to understand the own dynamics of actors-related factors with one another.

Also, an approximation to a quasi-experimental strategy would be partially applicable when we tried to test the existence of causal links between causes and effects, which had to be based on a field research as we could not create the laboratorial requirements for such research. But we did not make group-comparisons based on an experimental group and a control-group, as we had to analyze recent negotiation situations in order to then identify factors that led to no-agreement. In other words, we were not trying to confirm the existence of pre-identified causes in the analyzed situations. Instead, we had to be open to identifying any causes when analyzing the situations.

In conclusion, we did not intend to follow the descriptive, the comprehensive or the quasi-experimental strategies, although they were partial approximations according to the classification by Reto & Nunes (2001).

Taking into account what we wanted to do, we believe the most adequate strategy to follow was the case study strategy. This implied basing our research strategy in the approach presented by Yin (2003) because Reto & Nunes (2001) had not highlighted the case study strategy as a separate strategy from the ones typified by them in 2001.

The case study has been used as a research strategy in several situations in order to help create knowledge of various phenomena. The case study application as a research strategy has been commonly used in several study areas, including business (Ghaury & Gronhaug, 2002). Case studies are usually used to try to understand complex social phenomena.

"In brief, the case study method allows investigators to attain the holistic and meaningful characteristics of real-life events – such as individual life-cycles, organizational and managerial processes, neighborhood change, international relations and the maturation of industries" (Yin, 2003: 2).

In addition, "building theory from case study research is most appropriate in the early stages of research on a topic or to provide freshness in perspective to an already researched topic" (Eisenhradt, 1989: 548)

From the different research strategies commonly available (experiment, survey, archival analysis, history and case study), Yin (2003) sets out three conditions that can help a researcher selecting the main research strategy to be followed:

- The type of question posed;
- The extent of control a researcher has over actual behavioral events;
- The degree of focus on contemporary as opposed to historical events.

In the table below, Yin (2003) displayed how each of the five strategies that he analyzed related to those three conditions:

Strategy	Form of research question	Requires control of behavioral events?	Focuses on contemporary events?
Experiment	how, why?	Yes	Yes
Survey	who, what, where, how many, how much?	No	Yes
Archival analysis	who, what, where, how many, how much?	No	Yes/No
History	how, why?	No	No
Case study	how, why?	No	Yes

Table 4. Relevant Situations for Different Research Strategies, in Yin (2003), p. 5

We reached the conclusion that the case study was the most adequate to our work taking into account these three conditions.

Analyzing the first condition, the type of questions posed was more explanatory as they focused on trying to understand how certain factors and characteristics impacted other factors, and therefore they were in the «how, why?» form. This type of questions tends to be researched by experiments, histories or case studies.

Based on this first condition, we have excluded the survey and the archival analysis since these research strategies are adequate for situations in which the research question is in the form « who, what, where, how many, how much?», which is not the situation in analysis. In other words, our research goals did not follow those lines of enquiry that are favorable to situations of describing the frequency or prevalence of a phenomenon or of estimating certain outcomes (for example, analysis of widespread political attitudes or analysis of the growth of certain item's consumption).

Regarding the second condition, we also decided to exclude experiment as a research strategy since it is more adequate to situations in which a researcher can manipulate behavior directly, accurately and systematically (Yin, 2003), which was not the situation. In our work, we wanted to analyze real negotiation situations that had already occurred since the reality of the business networks and the corporate world was the most adequate setting for a better understanding of negotiations. As a result, there was no requirement to control actual behavioral events by the researcher.

In addition, experiments usually are done aiming for analysis of one or two variables, keeping in laboratory context the remaining variables under control. This was not the case in our work, since it focused on the analysis of situations involving three companies and their respective negotiators in which several variables were relevant. Besides, the business networks context can not be adequately replicated in laboratory settings.

The full range of experimental science also includes other approaches like social experiment, which is done in a field context but in which researchers deal with groups of people in different manners, as for example giving them different kinds of coupons (Boruch, 1993); and also the «quasi-experimental» approach in which the researcher can not fully control the behavior but the experimental logic can still be applied (Blalock, 1961; Campbell & Stanley, 1966). However, none of these approaches were applicable to our research goals since we wanted to analyze negotiation in business networks context which could not be reliably replicated with these approaches.

Finally, this study wanted to provide updated know-how, which made it focus on contemporary events as opposed to events that have occurred in a period from which there are no people alive to describe the event. As a result, based on this condition, we also excluded history as a research strategy, as it best suited to dealing with past situations from which there are no people alive and that the main sources of evidence come from documentation and cultural and physical remaining from that time (Yin, 2003). Histories can also be done about contemporary events, but in those scenarios the case study method allows for interviews to the people involved and, in certain circumstances, for direct observation of the events in addition to everything the history method allows for.

In terms of the case study design, we decided to use a multiple-case design in our study. A single case design should not have been applied to our study because it is typically only justified "when the case represents (a) a critical test of existing theory, (b) a rare or unique circumstance, or (c) a representative or typical case or when the case serves a (d) revelatory or (e) longitudinal purpose" (Yin, 2003: 45-46), which was not the situation.

Multiple cases represent replications that allow for development of a richer theoretical framework as the evidence from multiple cases is usually more persuasive making a study more solid (Herriott & Firestone, 1983). In fact, each case is analogous to an experiment and multiple cases are analogous to multiple experiments, and not analogous to several observations of an experiment. It is therefore more useful to our situation as we are trying to understand how the context of the phenomenon of interest affects the outcomes (Yin, 1984).

Although there is no ideal number of cases, multiple cases analysis should be based in four to ten cases. With less than four, it is difficult to generate theory with much complexity and empirical evidence is not convincing. With more than ten cases, it becomes difficult to cope with the high volume of information and data (Eisenhardt, 1989).

3.3.2 Information Collection Techniques

Interview

In qualitative research, also often called field research, the researcher is personally involved in interpreting the human field of activity with the objective of generating holistic and realistic descriptions and/or explanations (Miles and Huberman, 1994). The three primary qualitative techniques that are more adequate for the case study are direct observation, recordings and interviews (Ellram, 1996). The main information collection technique that we have used for the multiple cases was the interview.

Direct observation in the negotiation process was not applicable for several reasons:

- Since our work was only based on negotiation situations in which there was no agreement, only after any negotiation is finished is it possible to know if an agreement was reached or not;
- It was not acceptable by any of the parties for confidentiality reasons;
- There may be informal manipulation in situations in which the observant is present which could distort our conclusions.

Indirect observation in the negotiation process, which may include audio recordings, video taping, content analysis and diary/self-reporting, was also not applicable for the first two above-mentioned reasons.

Out of the three types of interviews useful for case study data collection presented by Ellram (1996) - unstructured, semi-structured, and structured - we have used semi-structured interviews.

The semi-structured nature of the interviews allowed participants to initiate their own observations, rather than act strictly as question respondents. This additional informant role encouraged participants to provide spontaneous insights, identify sources of corroboratory evidence, and initiate access to such valuable information (Yin, 1994). The dual respondent/informant role increased interview clarity and improved the probability of developing accurate, reliable models and theories (Eisenhart, 1989).

In addition to initial standardized questions, several open-ended questions were asked to elicit the perceptions of the respondents on the impact of different actors' negotiation aspects in the lack of agreement. It involved asking open-ended questions from the interview guide, recording the answers, and posing additional relevant questions. Although straightforward, this process produced greater detail and generated a holistic understanding of the interviewee's views (Patton, 1987).

As a result, the semi-structured interviews allowed us to make a deeper analysis, producing a better insight into the causes that led to unsuccessful negotiations in each of the case studies.

A structured interview was not adequate to our research goals since it would limit the interviewees' responses making it harder to understand issues and reducing the probability of identifying new issues and/or to deepen certain issues during each interview. Besides, it would not give us the required flexibility to try to understand behaviors, attitudes and relationships between several variables that had not been pre-identified. An unstructured interview was also not adequate to our research goals as it would make it difficult for the researcher to obtain a structured perspective and clear and organized relevant information from the interviewees, also hurting the comparisons and global analysis of the different case studies.

Reliability and validity

Our case study research design paid particular attention to reliability and validity.

Regarding the *reliability* issue, Ellram (1996) presented two key aspects to case study reliability: use of a case study protocol and development of a case database.

In terms of the case study protocol, before we started the interviews, we defined the key research issues, which were based on our research objective and questions above-mentioned in Sub-Chapter 3.2, we developed an interview guide (Annex 3) and defined the procedures that were to be followed in all the interviews, which mainly included, besides the interview guide:

- Selection criteria of situations to be analyzed;
- Letter sent to interviewees previously to the interview;
- Approach to the issue of confidentiality;
- Reports presentation outline.

All items are further detailed in Chapter 4.

The protocol was reviewed by three experts (from the academic and the professional «worlds») previously to the beginning of the initial interviews. In addition, we began the field research work with a pilot case study, which we used to refine the case study protocol.

In terms of the case study data base, we established a data base which included for each case study:

- Interview guide's answers;
- Interview's notes;
- Documents collected;
- Notes on documents with read-only access;
- Notes on additional contacts by email and/or phone.

Regarding the *validity* issue, we acted on both external and construct validity.

In terms of the external validity, we have analyzed thirty cases, a considerably higher number than the four to ten cases that Eisenhardt (1989) considered adequate, as previously mentioned. The apparently excessive number of thirty is not in fact excessive since the debate of conclusions derived do not result from all cases but from sub-sets of cases, as we will see in Chapter 5.

In terms of the construct validity, we had a strong emphasis on the use of multiple data sources to corroborate evidence, usually called «triangulation», as multiple sources tend to produce more stable and reliable results (Newman, 1991). In addition, as part of the negotiators were interviewed one to two years after the negotiation occurred, the «triangulation» also allowed us to dramatically reduce the risk of negative impacts on our study from those interviewees' hypothetical «blurred memory» on certain aspects.

Although the interview was the main technique, we also had access to a significant amount of documentation, including:

- Negotiation agendas;
- Emails, faxes and/or letters of contacts between the parties;
- Internal memos;
- Project's initial presentations from the negotiation's promoter;
- Project status' presentations;
- Meetings' minutes.

Even though we could only keep a minimal amount of the copies of the documentation that we have had read-only access for our data base, due to confidentiality reasons, they allowed us to strongly support the interviews' reports.

In addition, we contacted all of the interviewees after the interviews in order to thank them and, in most cases, to clarify issues and ensure our understanding of major points, which also helped us in ensuring validity.

In order to obtain more information and to help creating a setting in which interviewees would feel more «comfortable» to talk more freely and to provide incentives for them to place themselves also in the other parties' perspectives, we gave interviewees the option of anonymity of cases and people, which they all accepted. Disclosing the identities of both the case and the individuals is only highly relevant in a single case study since all conclusions are derived from just one case and readers can benefit more if there is more information available to them. However, in a multiple case setting like this one, we believe that not disclosing identities is not concerning because there is no need to have such deep analysis of each of the cases and no reader will have a previous know-how of all negotiations analyzed.

On the overall, the research methodology used several procedures to achieve «triangulation», which we believe provided a strong substantiation of validity and also reliability (Eisenhardt, 1989).

3.3.3 Data Analysis

The data analysis process followed was based on the initial creation of a pre-structured case study outline (further described in Chapter 4), as part of the case study protocol above-mentioned in this Sub-Chapter 3.3. This allowed us to better deal with the risk of data overload collection and analysis and also made it easier for us to locate the data related to a specific issue across all cases (Ellram, 1996).

The data analysis in itself and the account of the interviews' reports and conclusions was done by cognitive mapping followed by a written explanation.

Tolman (1948) is generally credited with the introduction of the term «cognitive map». Here, «cognition» can be used to refer to the mental models, or belief systems, that people use to perceive, contextualize, simplify, and make sense of otherwise complex problems. Cognitive maps can be used to structure and store spatial knowledge, allowing the «mind's eye» to visualize images in order to reduce cognitive load, and enhance recall and learning of information. Cognitive maps have been studied in various fields of science, such as psychology, archaeology, planning, geography and management.

Cognitive Mapping may be used for a variety of purposes although a «problem» of some sort usually forms the focus of the work. It is a technique used to structure, analyze and make sense of accounts of problems. These accounts can be verbal - for example, at an interview -, or documentary.

Cognitive mapping can be used as a note-taking method during an interview with the problem owner and provides a useful interviewing device if used in this way. Alternatively, it can be used to record transcripts of interviews or other documentary data in a way that promotes analysis, questioning and understanding of the data, which is what we have done.

We have used cognitive mapping to account the interviews' reports and conclusions because, besides wanting to use a different illustration tool as an innovative point to this dissertation, we believed it presented a better clarification of the conclusions, by explaining the ideas and how they fitted together, allowing us to gain a better understanding of the issues. In other words, we acquired insights into the nature of the issues through capturing the chains of argument and linking them together.

There is no definitive map of an account. Models of an account of a problem produced by different users will differ according to the interpretation of the data made by each individual user. Mapping is in this sense an inexact science (Ackermann, Eden and Cropper, 1992).

In order to perform the mapping works, a researcher should take into account data coding processes that Strauss and Corbin (1990) analyzed in order to look at the case study data in several ways based on case study precedent research and then try to develop new theory.

During the mapping works, data coding processes allow breaking-down case study data in order to analyze, conceptualize and develop categories for the data. After, they allow making connections among categories previously defined, looking at interactions and conditions, helping to provide greater insight into the data and trying to create patterns (Strauss and Corbin, 1990).

As a result, we developed our mapping works by representing the issues and factors that contributed to no agreement as a series of short phrases, each of them essentially a single idea or concept, and identifying the relationships between them which were represented by links.

After mapping the case studies, we proceeded to the debate and conclusions, where an integrative process allowed us to analyze existing patterns and develop also alternative patterns to analyze and explain the key phenomenon of interest (Strauss and Corbin, 1990).

"Explanation building based on patterns and causal links strengthens the internal validity of case study findings. By demonstrating that alternative explanations do not account for the patterns, the case for the explanation supported by the researcher is strengthened" (Ellram, 1996: 111). Theory must also allow for alternative explanations based on different contexts or circumstances (Strauss and Corbin, 1990).

These explanations were analyzed taking into account other case study data and the literature. This analysis showed that each explanation was valid when it was internally consistent – valid based on the case study data -, and also externally consistent - valid based on data not included in the case study data base, such as in the literature (Yin, 1981).

It is important to also provide a final note that the general application of case study results tends to be qualitative in nature (Yin, 1981).

4 Research Work

4.1 Research Work Overview

4.1.1 Selection of Negotiations Analyzed

For the development of our research work, we decided to analyze thirty negotiation situations that met the following criteria:

- Negotiation situation between three parties: in order to study negotiations in business network contexts, we selected multi-party negotiations but with only three parties in order to reduce the diversity of situations analyzed and therefore increase the study focus;
- Initial perception of potential win-win negotiations: we selected negotiation situations where there were several issues being negotiated, avoiding more commercial/transaction-oriented situations with a strong focus on price (like simple commercial negotiations) and also avoiding situations in which a third-party is acting as a mere intermediary/broker in a transaction;
- Parties did not reach an agreement: in order to identify causes of unsuccessful negotiations, our study was based only on negotiations that did not reach an agreement;
- Parties were corporations: since our focus was in management in the business world, we excluded entities that were not corporations, as public entities, not-for-profit organizations, government entities, among others;
- Negotiators had ten years or more of professional experience: this ensured that the people involved in the negotiations had maturity and had had exposure to different management settings and various negotiation experiences, which significantly reduced the probability of having negotiators' inexperience or immaturity as the causes for not reaching an agreement;
- Parties were Portuguese or located in Portugal and had Portuguese managers: as our study was applied to the Portuguese business setting, we analyzed situations with only Portuguese management involvement;
- Negotiation occurred between 2005 and 2007: in order to draw conclusions based on recent data and information and also to minimize the risk of loss of memory from the interviewees regarding the negotiation, we studied situations from 2005 to 2007;

- No party had significantly higher power than the other two parties: such that there were no situations of agreement by any kinds of force from one single party.

These criteria allowed us to eliminate differences in relevant variables. As a result, the conclusions derived from each of the thirty three-party negotiation situations were not distorted by the power to impose an agreement from one single party neither by differences in:

- Number of parties involved, as we considered only three parties;
- Types of entities, as we excluded entities other than companies;
- Negotiators' experience and maturity level, as we excluded negotiators with less than ten years of professional experience;
- Major changes in the general cultural, political, social and economic context, since we considered only recent cases.

In order to identify the thirty negotiation situations to be analyzed, we started to contact executives on June 2006 and continued until July 2007, the moment we identified the thirtieth three-party negotiation situation.

We contacted managers asking if they had been involved in a negotiation situation with the characteristics described above. In case of a positive answer, we requested a one and a half to two hour interview to analyze the situation, ensuring confidentiality, if required. We also enquired them about the possibility of contacting the counter-parties' negotiators in order to try to set up separate interviews with them. Finally, we asked them to prepare themselves to discuss the negotiation situation previously to the interview including gathering data and information that they still could have access to in order to minimize the effects of the passage of time.

From the positive replies, all the executives required confidentiality and nineteen mentioned that they would not do the interview if any of the negotiation's counter-parties knew about it.

4.1.2 Description of Parties and Negotiators

The case studies analyzed occurred in Portugal, as the study's goals were only applicable to the Portuguese business setting. We analyzed thirty situations that met our requirements.

The revenues size of the ninety parties involved was the following:

Company Size (Revenues)	%
Micro Company (€0 - €2 M)	16.7%
Small Company (€2 - €10 M)	20.0%
Medium Company (€10 - €50 M)	15.6%
Large Company (> €50 M)	47.8%

Table 5. Revenues size of parties of the thirty cases (company size according to Recommendation n. 2003/361/CE, May 6, 2003)

From the ninety companies, almost half were large companies, and the remaining companies were almost evenly split between micro, small and medium sized companies.

Their distribution by activity sectors was the following:

Activity Sector	%		Activity Sector	%
Advertising	4.4%		Insurance	3.3%
Automotive	6.7%		Investments	1.1%
Beauty	2.2%		IT - Consulting	5.6%
Civil Construction	7.8%		IT - Retail	1.1%
Communications	8.9%		IT - Software	6.7%
Consulting	6.7%		Leisure & Entertainment	3.3%
Electronics	1.1%		Media	4.4%
Fashion	1.1%		Real Estate	6.7%
Finance	8.9%		Retail	3.3%
Food & Beverages	7.8%		Tourism	1.1%
Health	1.1%		Transports & Logistics	4.4%
House ware	2.2%			

Table 6. Sectors of parties of the thirty cases

The activity sectors are diverse, encompassing twenty-three different sectors, none of which with such a significant weight that could generate a bias effect in the analysis results.

Regarding the negotiators' characterization, 11.1% (eleven point one percent) were women and the average age of all negotiators was 42.1 (forty-two point one) years, with the following distribution:

Age	%
32-40	38.9%
40-49	36.7%
> 50	24.4%

Table 7. Age of the negotiators of the thirty cases

The age distribution reflects a broad coverage of executives with different ages. However, all negotiators had ten years or more of professional experience, ensuring that the negotiators had maturity and had had exposure to different management settings and various negotiation experiences, which significantly reduced the probability of having negotiators' inexperience or immaturity as the causes for not reaching an agreement

The significantly higher number of men reflects the reality of the Portuguese top executives where only seven per cent of the members of the daily executive bodies in top 50 publicly quoted companies are women[1].

The interviews were conducted in Portuguese. As mentioned in the previous chapter, we followed a semi-structured approach based on an interview guide (Annex 3).

4.1.3 Number of Negotiators Interviewed per Case Study

In theory, the ideal research approach implied interviewing separately each of the main negotiator of the three parties involved in each negotiation analyzed in a total of ninety

[1] Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, of 22 February 2006, on equality between women and men, Official Journal C 67 of 18/03/2006.

interviews. This approach would allow acquiring a broader perspective of the negotiations and therefore having more and more independent data and information for analysis.

In practice, if we had decided only to analyze situations where the three parties' negotiators could be interviewed, we would not be able to analyze the large majority of negotiations, because in most of them the negotiators that were interviewed did not want the other parties to know about it. The interviewees provided us with several reasons for this to happen, including the fact that most of the unsuccessful negotiations held by companies:

- may still have implications in the companies' current businesses;
- should not be revealed;
- may have negotiators that do not want to expose their failures.

Additional reasons may have existed but they were not in themselves the focus of this dissertation.

Only analyzing situations where the three parties' negotiators were going to be interviewed would severely restrict the number of situations that could be selected. This was proven by the fact that nineteen out of thirty initial positive contacts mentioned that they would not consider doing an interview if any of the other negotiation parties would know of it.

In addition, based on the contacts for interviews developed we inferred that the situations where the three parties could be interviewed would be the least confidential situations. We also assumed that, in most cases, there was a high positive correlation between the amount of confidentiality involved and the amount of relevance of the situations to the corporate world. Therefore, if we only analyzed the situations where the three parties could be interviewed, we would be mostly analyzing the least relevant situations which would be a biased sample of the Portuguese corporate world. We reiterate the fact that this inference and this assumption were not developed based on a reliable and solid methodology.

Most situations analyzed were based upon interviews of one (63.3%) or two parties' negotiators (30.0%). The number of situations based upon interviews of three parties' negotiators was not higher because:

- some parties were not available to talk about the situations in analysis;

- the issues were so sensitive that there was no interest from some negotiators in recognizing that they had existed;
- some negotiators no longer worked for one involved party and therefore did not want to talk about any situations related to that party.

The reality proved that in the eleven situations where we managed to interview the negotiators from two or three parties, we compared the different parties' interviews and realized that each one of them led us to the same major conclusions. There were only minimal differences detected between them which were mentioned in the interviews' reports. In fact, the interviewees seemed not only to be self-conscious of their own mistakes, flaws and personal interests, but also to try to describe the situation in an impartial perspective. This interviewees' approach minimized significantly the probability of getting unreliable data for our study in all other situations where only one or two parties' negotiators were interviewed.

In addition to the previously described «triangulation», this was mainly due to the fact that in the situations where negotiators from only one or two parties were interviewed we took several measures to try to minimize biases and to get an impartial perspective on the causes for not reaching an agreement:

- Immediately before we started the interview, we asked the interviewees to try to place themselves in the three parties' negotiators' perspectives, so that the interviewees would try to describe the negotiations based on the most independent view as possible of the situation;
- The interview guide was designed and used in such a way to provide incentives for the interviewees to be self-conscious and to view the situation from the perspectives of the three parties and people involved;
- We assured confidentiality of parties and people's names to anyone who desired it, and, as a result, the interviewees were more open to talk about the others' perspectives and about their own mistakes, flaws and personal interests in the negotiations.

4.1.4 Confidentiality Issue

As mentioned previously, we ensured confidentiality to whoever wanted it. In the initial contacts to set up interviews, every contacted person said that he or she would only accept being interviewed and/or be more comfortable and honest during the interview if confidentiality was ensured. Therefore, confidentiality was ensured in all situations, which allowed us to achieve two main goals:

- To have access to a sufficient number of situations that allowed us to derive reliable conclusions from, since most of the recent three-party unsuccessful negotiations are confidential;
- To get more reliable data from the interviews, since the interviewees were more comfortable about criticizing themselves and the others involved in the negotiations.

4.2 Interviews' Reports

All the interviews' reports followed the same presentation outline in order to ensure consistency in the analysis and comparison between all cases:

- Person(s) interviewed;
- Date of interview(s) ;
- Negotiation focus;
- Negotiation main issue;
- Brief description of the parties;
- Brief description of the parties' main negotiators;
- Brief description of the situation;
- Brief list of the companies' main interests;
- Brief list of the negotiators' main interests;
- Brief analysis of the parties' preparation work;
- Brief description of the negotiation process;
- Identification of the main difficulties/problems faced by the fact that three parties within a network were negotiating at the same time (in cognitive map and in text).

In the last item, we provide a report of all situations analyzed and the factors that led the negotiation parties to not reaching an agreement. These factors are reported in cognitive maps.

After all empirical data collection, interviews' debriefing and identification of the main factors for not reaching an agreement, we realized that we could group the actors-related factors in four major blocks, according to their nature: Parties, People, Preparation and Process.

In our opinion, this grouping allows for better cognitive maps' visualization and understanding as depicted in the following figure.

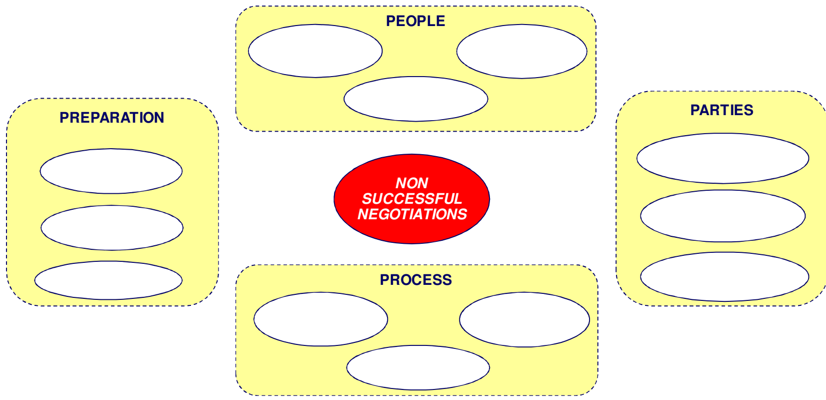

Figure 13. Cognitive maps' visualization structure

We would like to emphasize that it was outside of this dissertation scope to perform psychological analysis of the interviewees. As a result, we did not focus on potential causes related with the negotiators' psychological profile.

<u>Case 1:</u>

<u>Interviewed</u>: Ms. Gift

<u>Date</u>: June 6th, 2006

<u>Negotiation focus</u>: Promotion set up

<u>Negotiation</u>: Sale of a product as a newspaper promotional item with a third party sponsorship

<u>Parties:</u>

- <u>Gift</u>: a marketing services small-medium company, represented by its Operations Director and partner Ms. Gift, thirty-three years old;
- <u>Media</u>: a large media player, represented by Mr. Media, a board member with marketing responsibilities, fifty-five years old;
- <u>Bank</u>: a large financial group, represented by Mr. Bank, a marketing analyst, approximately fifty years old.

<u>Situation:</u>

In January 2006, Ms. Gift proposed to Mr. Media an idea: to sell multimedia language courses sets as two newspapers' promotional items on a specific date. Mr. Media was a board member with marketing responsibilities but had no marketing director at the time, which made him very busy.

The idea did not seem profitable but it was not rejected on the first brief contact. As a result, Ms. Gift needed to detail further the project and find a sponsor to make the potential project profitable. Gift identified Bank as a potential target, and contacted Mr. Bank2 who seemed interested in the idea and immediately told his subordinate Mr. Bank to be in charge of the negotiations. Mr. Bank was a marketing analyst with no career development perspectives, accommodated in his position at the Bank.

If the deal was done, Gift would have a secure profit, while the other parties would be faced with risk. Gift was also the party that had invested more time in this project, and was the only who had invested money in it (approximately five thousand Euros).

Companies' interests:

Gift's interests:

- Get into a new business line (audio visual promotions);
- Get a new client;
- Make an attractive profit.

Media's interests:

- Increase its newspapers sales;
- Reposition its two newspapers as serious journalism, focusing on cultural issues;
- Differentiate the newspapers from their competitors.

Bank's interests:

- Advertise the bank;
- Promote the bank in the different branches;
- Position the bank as a multicultural bank, in order to appeal more to the emigrants and immigrants markets segments.

Personal interests:

- Ms. Gift: similar to the company's interests;
- Mr. Media: to be recognized as a very good board member; to do innovative and successful initiatives but with low risk; to minimize efforts and time consumption in tasks as he did not have a marketing director to support him at the time;
- Mr. Bank: to look important in front of the other two parties; to avoid risks, since he had no incentives to run risks.

Preparation:

Gift was not well prepared. Gift went to the initial meeting with a «we'll perform well on the spot» attitude as it had not spent a reasonable amount of time thinking about any operational aspects of its idea, namely in terms of the languages selection and number of languages defined, among others. In addition, there were no discussions about the negotiation process, namely about the negotiation agenda and the parties' roles in the process.

Negotiation process:

The initial meeting was set in Bank's premises. The environment was formal. The negotiations kick-off was not positive. Although Gift was the entity that proposed the idea, it was ill-prepared as it could not adequately respond to some of the other parties' questions. In addition, the parties seemed that they were not aware of what exactly they were supposed to discuss at the initial meeting and of how each party would be involved in the project. Media clearly showed that it was not comfortable with those uncertainties and that it made it lose motivation for the project.

After some awkward beginning, the parties started talking about the idea. However, the meeting came quickly to an impasse. On one hand, Mr. Bank wanted one hundred thousand units of multimedia language courses sets to be produced to get more advertising impact. On the other hand, Mr. Media only wanted fifty thousand units as it feared not being able to place more than fifty thousand units. These two parties «anchored» on their positions and got into an impasse. As a result, the meeting ended and the parties set up a second meeting to try to reach an agreement.

The second meeting took place again in Bank's premises. Gift presented several suggestions to make it more appealing for Bank to accept less than one hundred thousand units (e.g., to make adaptations to the product in order to make it more attractive) as well as suggestions for Media to accept more than fifty thousand units (e.g., to give discounts to Bank's employees). However, Media did not seem motivated to make real efforts to reach an agreement as it kept its initial position. Bank replied that the suggestions should be further analyzed and that it would set up a new meeting after its own deeper analysis of the suggestions.

Despite Ms. Gift's insistence with Mr. Bank during the following weeks, Mr. Bank did not set up a new meeting. Approximately one month after, Mr. Bank set up another meeting. In this meeting, Media maintained its initial position and did not show motivation for the project, Bank was open to think about the project but without any time pressure, while Gift tried to encourage the other parties to discuss other options but they did not seem to react positively.

When Ms. Gift suggested setting up a new meeting for a brainstorming session, the other parties disagreed. Mr. Media said that he was very busy and that he had to begin immediately thinking about the promotions that he has to develop six times per year. Mr. Bank said that they should think more about the project and see if it made sense later in the future.

Ms. Gift insisted that they should meet again to try to reach an agreement, but the other two parties eventually agreed that they would be wasting their time trying to reach other solutions to the project. As a result, the negotiations ended in that meeting.

Main actors-related factors that negatively impacted the negotiation between the three parties:

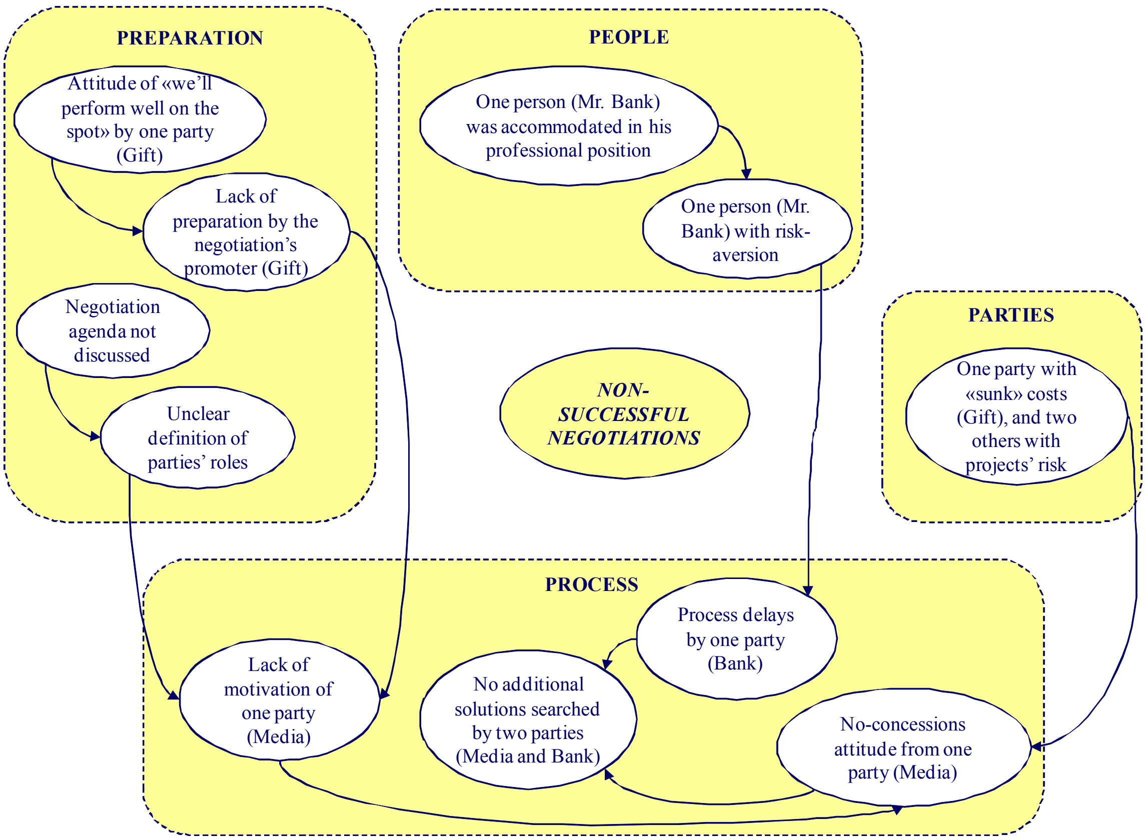

Figure 14. Case 1 interview cognitive map

Parties:

- One party with «sunk» costs, and two others with projects' risk: Gift was the only party that had invested time and money (approximately five thousand Euros), in this project and so it had a strong incentive to push for the project's implementation in order to compensate its previous losses (even being sunk costs); however, the other parties would be facing the project's risk, while Gift would face hardly any risk while getting a secure profit.

People

- One person was accommodated in his professional position: Mr. Bank was a marketing analyst with no career development perspectives, accommodated in his position at Bank;

- One person with risk aversion: As a result of being accommodated in his position, Mr. Bank did not want to run any risks.

Preparation

- Attitude of «we'll perform well on the spot» by one party: Gift assumed that it just needed to have a good idea to be successful, without having to spend time thinking about the details and operational issues, assuming it would respond adequately to all potential questions posed by the other two parties;
- Lack of preparation by the negotiation's promoter: As a result of its «we'll perform well on the spot» attitude, Gift was not well prepared and could not answer adequately to some of the other parties' initial basic questions;
- Negotiation agenda not discussed: No negotiation agenda was set-up by the parties and none of them mentioned that there should be an agenda for the negotiations;
- Unclear definition of parties' roles: Without an agenda, roles were not clearly defined: Bank considered itself the project owner because it was paying for it; Media considered itself the project owner because it was running a major risk of not selling all units produced; Gift considered itself the project owner because it was the one that had the idea.

Process

- Lack of motivation of one party: Gift's lack of preparation and the unclear definition of the parties' roles in the negotiation process led Media to lose motivation in the negotiation;
- Process delays by one party: Mr. Bank's risk-aversion led to Bank's several delays along the process, as it repeatedly asked for new meetings instead of deciding about the issues being discussed at each meeting and took an exaggerated period of time to set the third meeting between the parties;
- No-concessions attitude from one party: As Media was one of the parties with the project's risk and without previous time or money investments on the process, and as it was not motivated, it «anchored» on its initial position on a very relevant negotiation item (number of units to be produced), and did not make any concessions;
- No additional solutions searched by two parties: As Bank was continuously delaying the process which did not allow for any advances in the process and as Media did not make

any concessions, there was no opportunity for the parties to try to find additional solutions for their negotiation.

<u>Case 2:</u>

<u>Interviewed</u>: Ms. Consultant, Mr. Dealer and Mr. Vehicle

<u>Date</u>: June 12th, June 19th and June 21st, 2006

<u>Negotiation focus</u>: Corporate change
<u>Negotiation</u>: Consulting project for sales increase of a vehicle brand in a vehicle dealer

<u>Parties:</u>

- <u>Consultant</u>: a marketing and sales consultancy firm, represented by its CEO and owner Ms. Consultant, forty years old;
- <u>Dealer</u>: a vehicle dealer with sales and repair services for two vehicle brands, represented by Mr. Dealer, Dealer's CEO and partner, fifty years old;
- <u>Vehicle</u>: one of the largest vehicle brands in Portugal, represented by its Network Development Director Mr. Vehicle, forty years old.

<u>Situation:</u>

Vehicle was one of the largest vehicle brands in Portugal, with high brand awareness among consumers, although in strong decline during the last years.

Dealer had a sales volume of approximately fifteen million Euros, which included sales and repair services of two brands. One brand's sales had been stable in the previous years, unlike Vehicle's sales that had been lagging for the last years.

In March 2006, Vehicle hired Consultant for a sales improvement consultancy project in its dealers. The project consisted on placing one salesperson in each one of a set of selected dealers, analyzing his/her performance, identifying problems and finally providing suggestions to solve those problems. It would be mostly a bottom-up change process. After that process, Vehicle could request Consultant to provide consultancy on a project's second phase, more focused on training and on implementation of measures to solve the problems detected. The project was a win-win proposal for the three parties, where Vehicle would sell more vehicles, Consultant would earn fees, and Dealer would sell more vehicles.

In the beginning of April, Consultant started its two-month project at Dealer.

Companies' interests:

Consultant's interests:

- Get a successful project in a new business line (sales force outsourcing);
- Sell the project's potential second phase;
- Sell more projects to a large client (like Vehicle).

Dealer's interests:

- Increase its revenues and decrease its structure costs per sale;
- Learn new sales skills and techniques;
- Have a better relationship with Vehicle.

Vehicle's interests:

- Increase its sales;
- Provide examples to other dealers;
- Learn from the project and disseminate that learning to other dealers.

Personal interests:

- Ms. Consultant: similar to the company's interests;
- Mr. Dealer: although he was Dealer' CEO and partner (other partner was a large vehicle importer and dealer), he did not want others to get the image that his management skills were not good;
- Mr. Vehicle: to try to show initiative to his superiors, as Vehicle was struggling; however, to avoid major risks, because the exposure of lack of success could hurt his job's stability.

Preparation:

The parties had shortfalls in their preparation work as Consultant did not look into the working conditions at Dealer; Dealer did not make a strong effort to prepare itself for the two month project, especially as Vehicle paid the project fees, and did not prepare the necessary working conditions for Consultant salesperson to work adequately; and Vehicle did not make an effort to explain the project and to motivate Dealer.

Negotiation process

Consultant placed a salesperson working at Dealer on April 1st. Previous to this date, the parties seemed to be interested in the project and cooperative, although Vehicle was more absent.

However, since the beginning Dealer did not provide the salesperson with adequate conditions for his work. Whenever Consultant or the salesperson required more support or better working conditions, Dealer refused to accept it, or just accepted it partially. In addition, Dealer's sales director, a friend of Mr. Dealer, did not show a real commitment towards the project and did not accept most of the suggestions made by Consultant. This person was hard and aggressive, which had led several salespeople to leave the company only a few months after they had joined the company. During this period, Vehicle did not interfere and did not try to impose on Dealer the need for change.

When Consultant realized that the conditions were not being given to the salesperson (like phone or fax convenient access and use by the salesperson) and that the project had had no real effects after the initial two weeks, Consultant started pressuring Dealer to make quick and sudden changes, while Vehicle did not interfere.

Consultant framed its suggestions as constructive feedback, mostly trying to make Dealer more sales proactive both in terms of working conditions and human resources. Although Dealer seemed to agree with most of the suggestions, it did not show commitment in their implementation and so most of them were not implemented or adequately implemented. Consultant started to pressure for more change, Dealer started rejecting almost everything Consultant said, and Vehicle became almost totally absent (note: the only difference between Ms. Consultant's and Mr. Vehicle's interview output was the fact that Mr. Vehicle framed his absence as a conscious tactic to not finish the process by over-pressuring Dealer, while Ms. Consultant disagreed with that statement; however, that difference was not relevant for the negotiation process analysis).

At the middle of the project (end of April), the three parties decided to make an effort towards the project's success. Consultant decided to put a more sympathetic and person-oriented manager in charge of the project and to allocate more time to the project than originally planned. Vehicle involved two middle managers in the project. Dealer seemed to accept some suggestions, although it did not implement them afterwards.

Ms. Consultant then realized that the sales director was the main obstacle to change. In fact, Ms. Consultant did not understand why the company had recruited someone with no previous experience one year before. Ms. Consultant demanded that the sales director would be fired, as he was the main obstacle for change. Mr. Dealer agreed with this statement, but said that it would not fire the sales director, who was his friend. Vehicle did not interfere in this discussion as it considered that it was not responsible for Dealer's internal decisions.

At the end of the first phase, Consultant did not manage to make any relevant changes. Regarding the second phase of the project, Consultant initially estimated that it would consist in training Dealer employees, while in fact it would have to consist in providing interim management services after firing the sales director. However, none of the parties really wanted to proceed with the project. In fact, Dealer was not interested in working any longer with Consultant as it believed that Consultant did not have the know-how to offer valuable inputs; Consultant realized that Dealer did not make any efforts to improve; and Vehicle did no want to hurt its relationship with Dealer by pushing forward with additional solutions.

Main actors-related factors that negatively impacted the negotiation between the three parties:

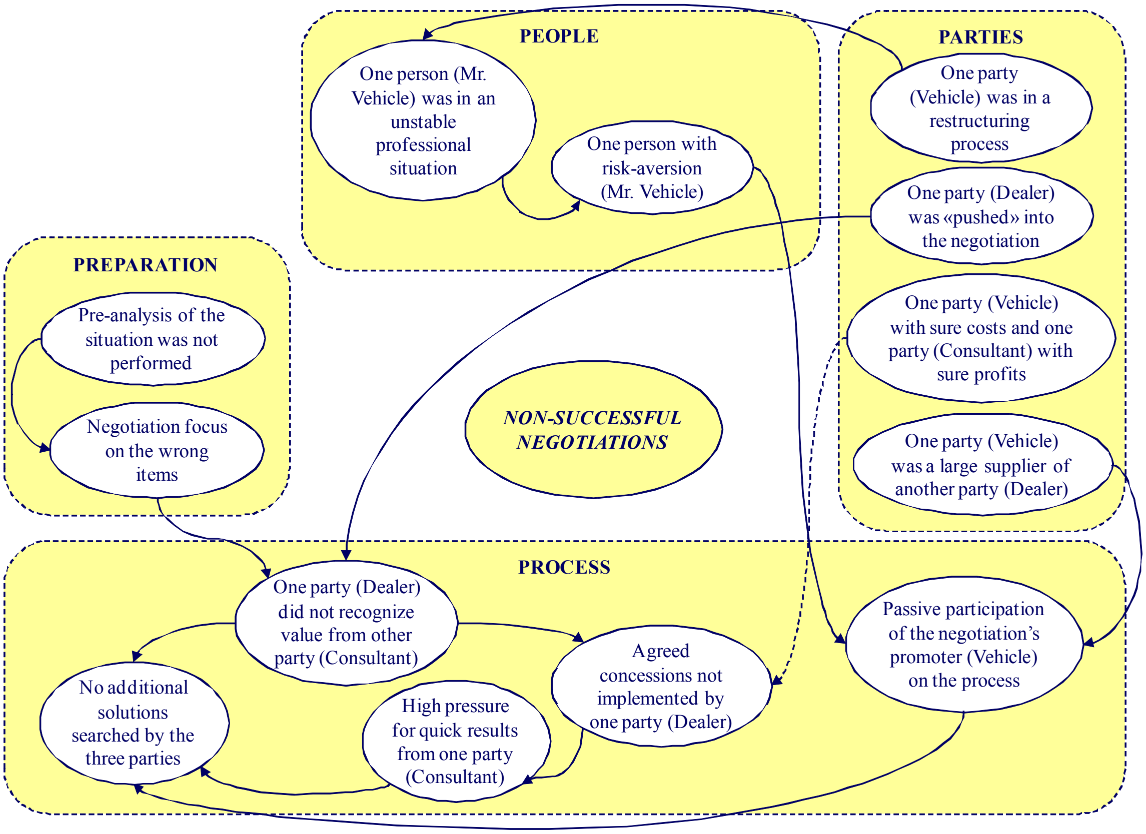

Figure 15. Case 2 interview cognitive map

Parties

- One party with sure costs and one with sure profits: While Vehicle would be paying almost all of the negotiation process costs, Consultant would get a sure profit and Dealer would have just minor administrative costs with the project, the parties' approaches were different;
- One party was «pushed» into the negotiation: Dealer was pushed into the negotiation by Vehicle, as Vehicle was paying for it and had a high influencing power on Dealer as its large supplier;
- One party was a large supplier of another party: Vehicle was one of the only two main Dealer's suppliers;
- One party was in a restructuring process: Vehicle was going through a restructuring process whose outcome was not yet clear for its employees.

People

- One person was in an unstable professional situation: As Vehicle was going through a restructuring process, Mr. Vehicle was in a situation where he could be fired at any moment in the context of one of the potential measures Vehicle may take to try to reduce its losses;
- One person with risk-aversion: Due to the unstable professional situation of Mr. Vehicle, he was risk-averse and avoided to hurt the relationship with Dealer.

Preparation

- Pre-analysis of the situation was not performed: There was a consulting services proposal requested by Vehicle and presented by Consultant for a situation that none had pre-analyzed and that was in fact different than initially expected;
- Negotiation focus on the wrong items: As a result of not performing a pre-analysis of the situation, Consultant's proposal focused on sales approach techniques changes when in fact it should have focused first on creating the working conditions and on analyzing and changing the human resources in order to create the structure required for a good sales performance.

Process

- Passive participation of the negotiation's promoter on the process: Mr. Vehicle's risk-aversion and the fact that Dealer was Vehicle's client, led Vehicle to have a passive posture in most of the negotiating process, including not interfering in the conflict that arose between Consultant and Dealer. As the conflict escalated, the relationship between these two parties became worse;
- One party did not recognize value from other party: The wrong negotiation focus by Consultant and the fact that Dealer was pushed into the negotiation led Dealer to say, near the end of the process, that it had always considered that Consultant did not have the know-how required to offer any valuable inputs to the negotiation process;
- Agreed concessions not implemented by one party: Dealer's no recognition of value from Consultant in addition to the fact that Dealer had no sure costs and/or revenues from this process were responsible for Dealer's no implementation of almost all of the measures that Dealer had agreed to do;

- <u>High pressure for quick results from one party</u>: When Consultant realized that the conditions were not being given to the salesperson and that the already agreed concessions were not being implemented by Dealer, after two weeks into the project Consultant started pressuring Dealer to make quick and sudden changes, while Vehicle did not interfere. A few days after, Consultant started to pressure for more change, Dealer started rejecting almost everything Consultant said, and Vehicle became almost totally absent;
- <u>No additional solutions searched by the three parties</u>: Vehicle's passive participation on the process, and the pressure on Dealer for quick results by Consultant, whose value was not recognized by Dealer, led to an impasse situation in which none of the parties tried to think of other possible solutions for the negotiation.

<u>Case 3:</u>

<u>Interviewed</u>: Mr. Services

<u>Date</u>: June 5th, 2006

<u>Negotiation focus</u>: Services sales

<u>Negotiation</u>: Sale of insurance services to a financial institution through one of its main insurance distributors

<u>Parties:</u>

- <u>Services</u>: a large reinsurance services company, represented by Mr. Services, its recently appointed commercial director, thirty-five years old;
- <u>Insurance</u>: a large insurance company, represented by Ms. Insurance, its *bancassurance* director, fifty-two years old;
- <u>Bank</u>: a large home loans bank, represented by Ms. Bank, its board member, fifty-six years old.

<u>Situation:</u>

Bank was Insurance's largest client, which gave Bank a significant power over Insurance. In beginning of 2006, Services decided to approach Insurance to sell Bank a new insurance associated to home loans products, whereby Insurance would help Bank manage the insurance part of the home loans business. Bank's competitors were planning on including this new insurance on their home loans products. Bank was investing significantly on the home loans business. It was also going through a restructuring process, cutting several types of costs, including laying-off several of its highest-ranking employees.

<u>Companies' interests:</u>

Services' interests:

- Gain dimension in the market;
- Get a reference final client;

- Improve its relationship with Insurance.

Insurance's interests:

- Grow its business;
- Increase its image of innovation and dynamism;
- Strengthen its relationship with Bank.

Bank's interests:

- Increase its portfolio's profitability;
- Get a healthier credit portfolio;
- Be the first in the market with a new service feature.

Personal interests:

- Mr. Services: to show that he was highly qualified for the job; to get an innovative product in a reference client;
- Ms. Insurance: to be seen by Bank as innovative and looking for new ideas to constantly help improving the Bank's service;
- Ms. Bank: to avoid making any decision that may hurt his career in the Bank, as he approached retirement age.

Preparation:

The main preparation flaw was due to the fact that there was not a negotiation agenda proposed by the party who took this project initiative – Services. Although the other parties could have also proposed or asked for one proposal, they did not do it. This led to an unclear definition of the parties' roles, and allowed Insurance to try to look as the project leader, at least in Bank's perspective.

Negotiation process:

Services had contacted Insurance to sell its services to Bank. After an initial meeting between Services and Insurance to discuss the overall proposal to be presented to Bank, Insurance set up a new meeting between the two parties and Bank. In this second meeting, no Bank representative was present and Insurance said that the meeting should take place independently of Bank's absence. This unclear definition of parties' roles made Services lose most of its initial motivation for the project.

At the end of the meeting, when Services mentioned that it should, in conjunction with Insurance, contact Bank in order to involve it more in the project, Insurance rejected that suggestion. Insurance believed that only Insurance itself should contact its major client and if Services interfered in the contacts with Bank this negotiation would not be successful.

A few days later, Insurance told Services that Bank was not interested in the proposal, in its presented terms. Services immediately tried to prepare a new proposal with slightly better conditions for Bank and pressed Insurance to set up a new meeting with Bank as soon as possible. Insurance presented the new proposal to Bank without Services awareness. Bank did not accept it.

Services insisted several times on trying to sell its services to Bank. It continued to make changes in its following proposals and presenting its own success stories in other countries to try to convince Bank to accept a proposal. Insurance continued to contact Bank without Services presence, which made Services slightly suspicious. Bank rejected all proposals, justifying that rejection with different sets of reasons on each occasion a new proposal was presented, including IT-, timing- and product format-related reasons.

After three months of negotiations, Services stopped making any new proposals and ended the negotiation process.

Main actors-related factors that negatively impacted the negotiation between the three parties:

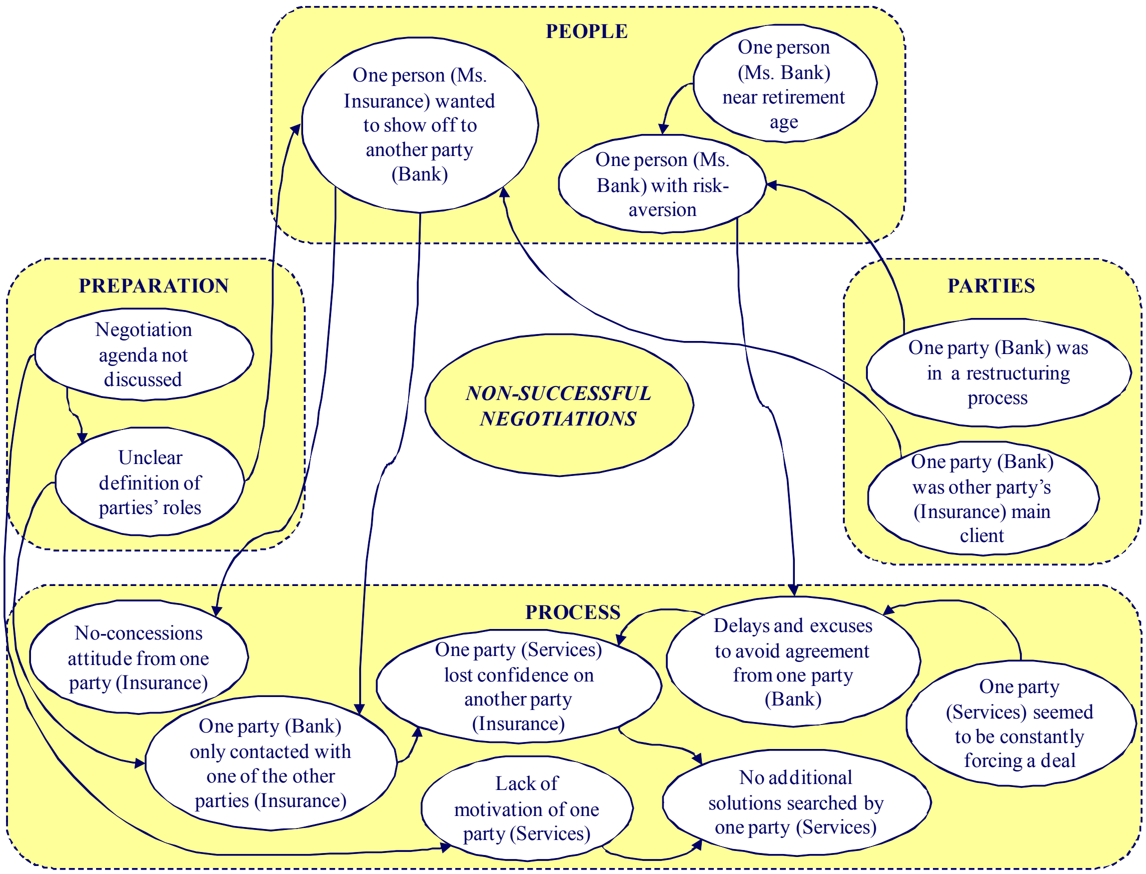

Figure 16. Case 3 interview cognitive map

Parties

- <u>One party was other party's main client</u>: Insurance knew its client Bank very well and had to handle the relationship very skillfully in order to avoid losing any current or future business with its main client;
- <u>One party was in a restructuring process</u>: Bank was in a cost-cutting process, including laying-off several of its top executives.

People

- <u>One person near retirement age</u>: Ms. Bank was close to retiring from her professional life;
- <u>One person with risk-aversion</u>: Ms. Bank near retirement age and the restructuring context of her company led her to avoid risks that could hurt her career;

- One person wanted to show off to another party: Ms. Insurance wanted to be seen by its major client Bank as the negotiation's leader and as a dynamic person who was frequently looking for new opportunities to improve Bank's competitiveness.

Preparation

- Negotiation agenda not discussed: There was not a negotiation agenda definition at the beginning of the negotiations since Services did not propose an agenda and the other parties did not propose or ask for one;
- Unclear definition of parties' roles: As a result of not defining an agenda, there was an unclear definition of the parties' roles, and Insurance took advantage of that fact to try to look as the project leader, at least in Bank's perspective.

Process

- One party only contacted with one of the other parties: As Ms. Insurance wanted to be seen as project leader, she never let Services contact directly with Bank, and therefore Services never had the opportunity to discuss in a direct contact with Bank about its interests and objectives;
- No-concessions attitude from one party: Insurance did not make any concession on the issue of letting Services contact Bank directly, despite Services interest and reasonable arguments to justify the direct contact between both;
- One party lost confidence on another party: As Insurance did not let Services contact Bank directly, Services got the impression that there was a lack of transparency from Insurance and lost its confidence on Insurance;
- One party seemed to be constantly forcing a deal: Services reacted very quickly with changes to its previous proposal every time Bank declined one of its proposals, which gave the impression that Services wanted to force a deal at almost any cost;
- Delays and excuses to avoid agreement from one party: As Services was constantly pushing for a deal, and as Ms. Bank was averse to risk, Bank reacted with different delays and excuses to decline each proposal presented, which made it look like Bank was not really interested in reaching an agreement;
- Lack of motivation of one party: The unclear definition of parties' roles and the Bank's delays and excuses to avoid an agreement led to Services' lack of motivation;

- No additional solutions searched by one party: Services lack of motivation and loss of confidence on Insurance led it to stop making any further efforts to search for additional solutions.

<u>Case 4:</u>

<u>Interviewed</u>: Mr. Leisure

<u>Date</u>: June 30th, 2006

<u>Negotiation focus</u>: Set up of a «one-shot» new project
<u>Negotiation</u>: Development of a leisure area in a shopping center with a real estate fund investment

<u>Parties:</u>

- <u>Leisure</u>: a large leisure services company, represented by its CEO, Mr. Leisure, thirty-four years old;
- <u>ShoppingCenter</u>: a large shopping center owner company, represented by its executive vice-president, Mr. ShoppingCenter, approximately fifty years old;
- <u>Fund</u>: a large real estate fund, represented by its general director, Mr. Fund, approximately forty years old.

<u>Situation:</u>

In mid 2005, ShoppingCenter wanted to have a specific leisure services area in a shopping center it owned. This leisure area should attract additional people to the shopping center and therefore generate a significant amount of additional business for the shopping center's stores. ShoppingCenter contacted Company A, one of the two main market players, but Company A could not accept it. As a result, ShoppingCenter contacted the other main player, which was Leisure, with whom it had never worked before. Leisure and ShoppingCenter started negotiating and decided to include in this negotiation a real estate fund that would inject the necessary cash for the deal to succeed.

<u>Companies' interests:</u>

Leisure's interests:

- Get a regional presence;

- Avoid main competitors' growth in the region;
- Initiate a relationship with ShoppingCenter;
- Maintain its image of tough negotiator.

ShoppingCenter's interests:

- Increase traffic in the shopping center;
- Initiate a relationship with Leisure;
- Maintain its image of tough negotiator.

Fund's interests:

- Get a reference client;
- Diversify its portfolio;
- Invest its fund's excessive capital liquidity.

Personal interests:

- Mr. Leisure: to become the responsible for setting up a relationship with a very important partner (ShoppingCenter);
- Mr. ShoppingCenter: to become the responsible for setting up a relationship with a very important partner (Leisure Group);
- Mr. Fund: to deepen personal contacts with very large companies.

Preparation:

The parties were well prepared in general. However, none of the parties checked a very relevant piece of information for the negotiation success - the town hall («câmara municipal») had already demanded that an entity with real estate interests in the same part of the city would have to create a similar leisure business in that specific area. If any of the three parties would have contacted the town hall mentioning their project and asking for any relevant issues that could have implications on the project, they would have gotten the information about the town hall commitment with the other real estate player.

In addition, Fund could have learnt more about the leisure business before starting the negotiations, since its lack of knowledge could delay and limit the agreement's creativity.

Negotiation process:

ShoppingCenter contacted Leisure and set up an initial meeting to discuss the creation of a leisure area in the shopping center. In this first meeting the two parties agreed on going forward with the negotiation but with the future inclusion of a large real estate fund.

Both parties' attitudes (reflected in their negotiators' attitude) of tough negotiators, since the beginning of the negotiation, led to a long process. None of the parties wanted to make the first offer. The first proposal to be presented was drafted by ShoppingCenter approximately six months after the initial meeting, only after the moment Leisure mentioned that it was looking for another location.

At that moment, ShoppingCenter and Leisure selected a fund that they believed would be in a position to provide them with good financial conditions. As a result, they chose Fund, who was very enthusiastic about getting leisure business related assets and about working with reference clients. The three parties were extremely confident on a successful agreement.

The negotiation concessions from Leisure and ShoppingCenter started at that moment. However, each concession was usually only made several weeks after the last proposal was presented by one of the parties. The concession issues included investment in the equipment, rent's value and format (fixed, variable, mixed), contract duration and exit clauses, and bank guarantees.

During this «concessions-game», the two parties started negotiating with Fund. Surprisingly to the other two parties, Mr. Fund had noticeable difficulties in understanding the leisure business. This delayed even further the process and limited the proposed solutions' scope and creativity.

Almost fifteen months after the initial meeting, a full-agreement was not yet defined. At that moment, Mr. Leisure was surprised by a large outdoor advertising in that specific area that a similar leisure business was going to be open to the public in the short term. Mr. Leisure talked about this situation with Mr. Fund, who was also surprised with the news.

They set up an urgent meeting with Mr. ShoppingCenter and realized that Mr. ShoppingCenter had not been informed by his subordinates about that situation. If an agreement had been reached before, Leisure and Fund would be the parties that would have lost the most.

The competitor's leisure area construction was in a no-point-of-return situation, and could not be cancelled at that time. The new competitor's presence in the area turned unrealistic the business projections that were the basis of the potential deal. The loss of credibility in ShoppingCenter by the other two parties led the latter to immediately stop searching for additional solutions for the potential project.

Main actors-related factors that negatively impacted the negotiation between the three parties:

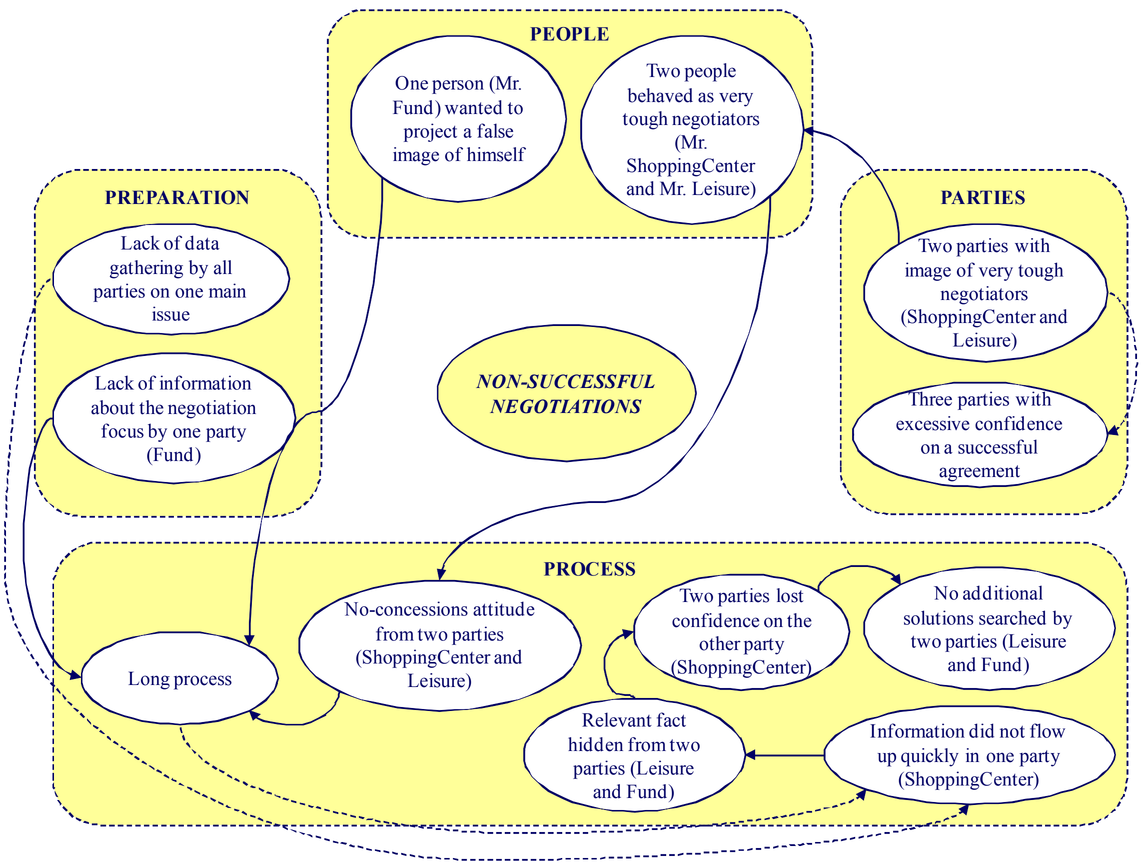

Figure 17. Case 4 interview cognitive map

Parties

- Two parties with image of very tough negotiators: ShoppingCenter and Leisure had a culture of approaching negotiations with an aggressive and winning attitude, which gave them a tough negotiators' image;
- Three parties with excessive confidence on a successful agreement: The two tough parties believed their attitude would lead to a good agreement, while Fund was enthusiastic and highly confident on reaching an agreement with two reference clients.

People

- Two people behaved as very tough negotiators: Taking into account their own companies' cultures, Mr. ShoppingCenter and Mr. Leisure negotiated in an aggressive manner;
- One person wanted to project a false image of himself: Mr. Fund had a very limited know-how on the leisure business, that he tried to hide from the other negotiators unsuccessfully, pretending to have a know-how that in fact he did not have.

Preparation

- Lack of data gathering by all parties on one main issue: None of the parties checked the fact that the town hall had already gotten a commitment from an entity to create a similar leisure business in that specific area;
- Lack of information about the negotiation focus by one party: Fund did not study the leisure business which was essential for understanding part of the negotiation issues and also to help it to be creative in thinking about other potential agreements.

Process

- No-concessions attitude from two parties: Since Mr. ShoppingCenter and Mr. Leisure were tough negotiators, both waited long periods before making any proposals or counter-proposals;
- Long process: This long period before any concessions were made by Mr. ShoppingCenter and Mr. Leisure, in addition to Fund's lack of information about the leisure business, led to a long negotiation process of approximately fifteen months;
- Information did not flow up quickly in one party: When a process is long, the probability of external obstacles to arise is significantly higher than in short processes and

information problems may arise. This is what happened when Mr. ShoppingCenter was not quickly informed by its subordinates that they had recently found out that a competitor was building a leisure area very close to the planned future premises, which none of the three parties were aware of;

- Relevant fact hidden from two parties: As a result of the information not flowing up quickly in ShoppingCenter, Leisure and Fund were not aware of this relevant information that, in case that they had reached an agreement, would have hurt mostly Leisure and Fund;
- Two parties lost confidence on other party: The relevant fact hidden led Mr. Leisure and Mr. Fund to become slightly suspicious of ShoppingCenter and to undergo the level of confidence on that negotiator and on that party that were required to reach a successful agreement;
- No additional solutions searched by two parties: When Leisure and Fund lost their confidence in ShoppingCenter, the two first stopped searching for other potential solutions.

Case 5:

Interviewed: Mr. ComServices

Date: July 25th, 2006

Negotiation focus: Three Companies' Merger
Negotiation: Equity transactions for a merger of three companies of the same industry

Parties:

- ComServices: a communication services company, represented by its partner and manager Mr. ComServices, forty years old;
- Com&IT: a communication and IT services company, represented by its communication services business unit executive board member Mr. Com&IT, fifty-five years old;
- BroadCom: a broad communication services company, represented by its board member Mr. BroadCom, forty-one years old.

Situation:

In mid-2005, ComServices, who was the largest market player in its specific business area, contacted Com&IT to say that it wanted to acquire or merge with Com&IT, after past failed merger negotiations in 2002. The main goal was to merge the two largest Portuguese players in order to create a large Iberian player that would have enough critical mass to expand to Spain and have a relevant position in the Iberian market.

Com&IT had a very large IT business and a smaller communication services business unit which was not core for the IT business. Com&IT was starting a restructuring process that was being interpreted in the market as preparing itself to be sold.

Com&IT suggested including in this negotiation BroadCom, who had also been involved in the past attempt to make a merger between the major players in 2002. Broadcom was a large company that had a business unit in this industry. It was the third largest player in the market but it was not profitable and Broadcom was not interested in having to invest significant amounts of money in this business unit in order to increase its capacity production. ComServices agreed and Com&IT invited BroadCom for a three-party meeting. Mr. BroadCom, who had recently joined the company as board member, accepted the invitation to try to create a new company with sixty-million Euros revenues.

<u>*Companies' interests:*</u>

ComServices's interests:

- Overcome its growth limitations;
- Get one or more reference shareholders;
- Limit the entry of large competitors in the Portuguese market.

Com&IT's interests:

- Have deeper relationships with BroadCom;
- Increase its business unit valuation for a potential future sale of that non-core business;
- Increase focus on its IT core business.

BroadCom's interests:

- Improve its business unit financial and economic situation;
- Avoid making sizable investments in the business unit;
- Increase its influence in a market that was relevant to its overall business, especially in the context of a growing deregulation of the overall business market.

<u>*Personal interests:*</u>

- <u>Mr. ComServices</u>: similar to the company's interests;
- <u>Mr. Com&IT</u>: to try to keep his job since the company considered the business unit as non-core and therefore it could be sold in the near future;
- <u>Mr. BroadCom</u>: to show off in his company as a recent board member.

<u>*Preparation:*</u>

All the parties were well prepared except for the fact that none of them took into consideration that the Competition Authority would have to approve the merger since the combined market share and sales volume of the three merged companies implied an intervention from that authority entity, which could even mean nullifying the merger.

Negotiation process:

The three parties met two weeks later. During that meeting it became clear that BroadCom had a crispy attitude towards ComServices but the latter did not react negatively as it interpreted it as a natural resentment feeling. This resentment attitude was most probably due firstly to the company's culture and image of tough negotiator, which Mr. ComServices had incorporated, that had led to the rejection of the efforts from the other parties to reach an agreement in 2002, and secondly due to the natural reaction of the third player towards the number one player in the market.

The first meeting was successful since all the parties agreed with the idea of a merger of the three entities. They set out the next meeting in two weeks time in order to sign a non-disclosure agreement and to discuss the process that would be followed for the definition of the merger's conditions.

During the following two weeks, Com&IT had several hesitations and delayed the meeting for three more weeks. Eventually, the parties agreed on the non-disclosure agreement by email exchanges and signed it at the middle of the second meeting, after Mr. Com&IT clarified comments and questions that it still wanted to make clear. Then they started discussing the process. Before managing to reach any conclusions, Com&IT suggested that they should reflect more about the process before reaching conclusions and asked for a new meeting. The other parties disagreed but eventually had to accept it.

Three weeks later, they met and despite a strong no-concessions attitude taken by ComServices on the issue of the new company management, they reached the end of the meeting with the draft for a memorandum of understanding that defined the process main guidelines to be validated by each of the parties. These main guidelines consisted of:

- Evaluation of the three companies using the same valuation criteria, based on their current situation;
- Selection of a bank to develop the evaluation work;
- The bank's evaluation conclusions would have to be respected by all the parties;

- Shareholders' equity stakes in the new company would be proportional to the valuation values of each company;
- Future changes in the equity stakes between shareholders would have to be agreed by all parties;
- Executive management of the combined new company would be composed by ComServices current managers, with the other two parties appointing non-executive board members.

In the meanwhile, Mr. BroadCom started making proposals to potential clients with significantly lower prices than the ones charged at that moment by the other two parties, which was understood by the latter as a means to pressure for a deal and a way for Mr. BroadCom to show off among his board members colleagues.

The memorandum of understanding was signed two weeks after, and two months later, the selected bank sent its evaluations' report to the three companies. The report valued the three companies at approximately the same value.

ComServices had twenty-four million Euros of revenues and a net profit of approximately three million Euros. Com&IT had twenty-two million Euros of revenues, one million Euros of profits, and had a high dependency from just one client that represented approximately fifty-percent of its revenues. BroadCom generated approximately ten million Euros of revenues, had negative profits of approximately one million Euros and had a recent client database.

Taking into account these data, Mr. ComServices was very surprised with the evaluation report and reacted harshly, calling the bank and also the other parties and asking for explanations about this report's conclusions. He became highly suspicious of the other parties, taking also into account Broadcom's move of decreasing prices significantly and Com&IT's frequent process delays. He was so disturbed that he denied any meetings and sent a letter to the other two parties cancelling the memorandum of understanding and telling that it would like to continue with the original plan of merging only with Com&IT.

This led to a negative reaction from Broadcom that replied that ComServices should not cancel that memorandum since everything had been done according to the conditions previously agreed by all. However, ComServices took a no-concessions attitude and insisted on cancelling the memorandum of understanding because it said that there were clear and objective reasons to do it as it considered that the evaluation report was wrong.

While Com&IT did not manage to give a clear and straightforward answer to ComServices initial two-party merger proposal, BroadCom insisted on making a three-party merger in the very short term. However, ComServices declined any meeting or any other attempt to continue any negotiations based on the bank's valuation report. As a result, the negotiations were formally ended by ComServices a few days later, which was also justified by ComServices with the fact that the Competition Regulatory Authority would probably not accept the three-party merger.

Main actors-related factors that negatively impacted the negotiation between the three parties:

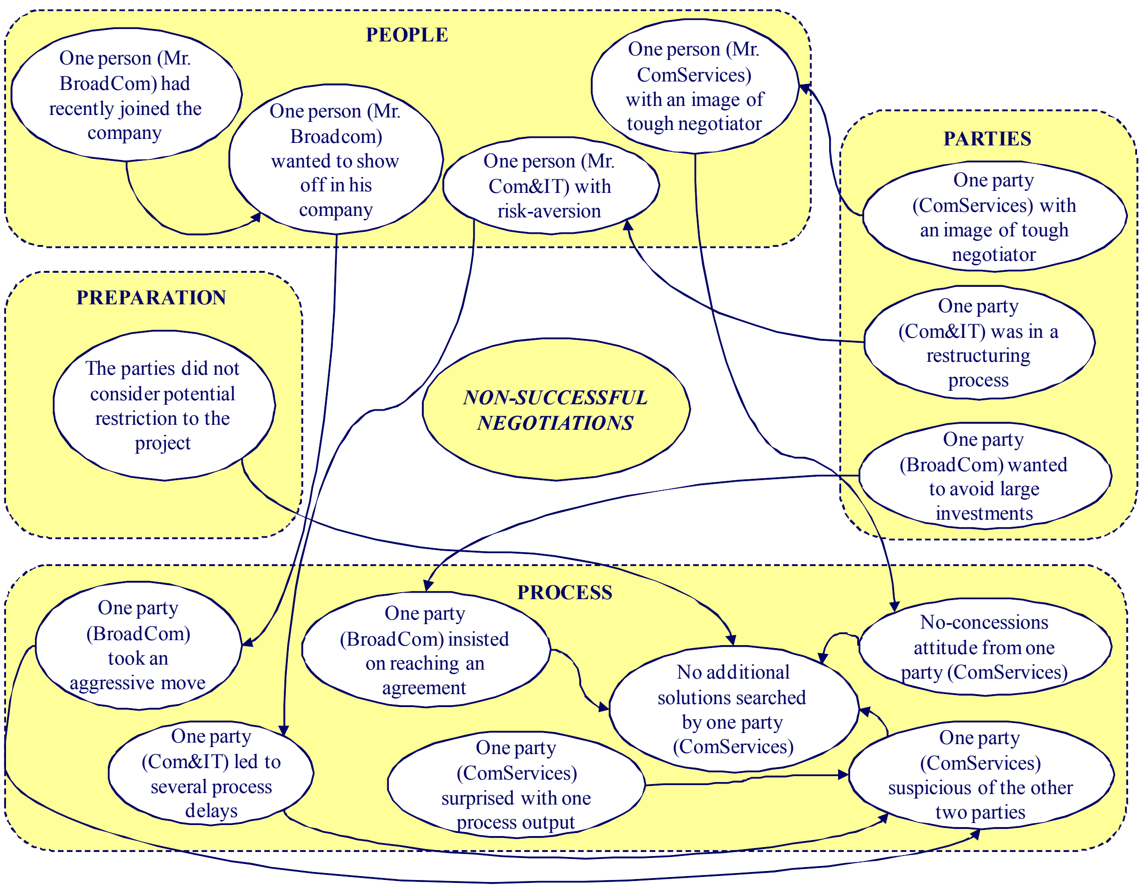

Figure 18. Case 5 interview cognitive map

Parties

- <u>One party wanted to avoid large investments</u>: Broadcom was not interested in having to invest significant amounts of money in its business unit in order to increase its capacity production;
- <u>One party was in a restructuring process</u>: Com&IT was starting a restructuring process that was being interpreted in the market as preparing itself to be sold;
- <u>One party with an image of tough negotiator</u>: ComServices had a culture and image in the market of tough negotiator.

People

- <u>One person with an image of tough negotiator</u>: ComServices' culture and image of tough negotiator was reflected in Mr. ComServices, who also was viewed in the market as a tough negotiator;
- <u>One person with risk-aversion</u>: As Com&IT was in a restructuring process, Mr. Com&IT was acting with risk-aversion ensuring that he clarified any doubts it had or any comments and questions that he wanted to make clear as he was unsure of what could happen to him within his company;
- <u>One person had recently joined the company</u>: Mr. BroadCom had recently joined the company as board member;
- <u>One person wanted to show off in his company</u>: As Mr. BroadCom had recently joined the company, he wanted to quickly show to his colleagues that he could do a good job and to bring significant value for the company.

Preparation

- <u>The parties did not consider potential restriction to the project</u>: None of the parties took into consideration that the Competition Authority would have to approve the merger since the combined market share and sales volume of the three merged companies implied an intervention from that authority entity, which could even mean nullifying the merger.

Process

- <u>One party took an aggressive move</u>: As Mr. BroadCom wanted to show off in his company, one of his show off actions was starting to make proposals to potential clients with significantly lower prices than the ones charged at that moment by the other two parties, as a means to pressure for a deal;

- One party led to several process delays: Mr. Com&IT's risk-aversion led Com&IT to delay the process including a) at the beginning when Com&IT suggested that the parties should reflect more about the process before reaching conclusions, and b) at the end when Com&IT did not manage to give a clear and straightforward answer to ComServices initial two-party merger proposal;
- One party insisted on reaching an agreement: BroadCom wanted to avoid large investments and therefore BroadCom insisted on making a three-party merger in the very short term, or at least with ComServices, in order to use the other parties' production capacity instead of investing on its own production capacity;
- One party surprised with one process output: Mr. ComServices was very surprised with the evaluation report and reacted harshly, calling the bank and also the other parties and asking for explanations about this report's conclusions;
- One party suspicious of the other two parties: BroadCom's aggressive move, Com&IT's process delays and ComServices surprise with the bank report's conclusions that favored the other parties made ComServices suspicious of the other two parties;
- No-concessions attitude from one party: Giving credit to Mr. Comservices' image of tough negotiator, at the end of the negotiation process ComServices took a no-concessions attitude and insisted on cancelling the memorandum of understanding as there were clear and objective reasons to do it since it considered that the evaluation report was wrong;
- No additional solutions searched by one party: ComServices stopped searching for additional solutions due to: the fact that the parties had not considered the potential threat to the project that came from the Competition Regulatory Authority, Broadcom's insistence on reaching an agreement; ComServices' suspicions of the other two parties and its no-concessions attitude at the end of the process.

Case 6:

Interviewed: Mr. Infrastructures_A

Date: July 31st, 2006

Negotiation focus: Creation of a joint-venture

Negotiation: Creation of a joint-venture of three different companies which were present in the same industry

Parties:

- Infrastructures_A: an infrastructures company belonging to a large Construction group, represented by its CEO, Mr. Infrastructures_A, forty-six years old;
- Infrastructures_B: an infrastructures company belonging to a large Construction group, represented by its General Manager in Portugal, Mr. Infrastructures_B, sixty years old;
- DiversifiedGroup: an infrastructures company belonging to a large group present in several activity sectors, represented by one of its board members, Mr. DiversifiedGroup, forty-one years old.

Situation:

There was a growing worldwide concentration trend of companies in the infrastructures industry. Several mergers and acquisitions operations are creating very large players, providing these companies with capital and qualified human resources advantages over smaller competitors.

Three infrastructures companies owned several infrastructures in Portugal, including a few companies in which they are partners, with approximately the same size. These companies decided to analyze the possibility of creating a holding company that would own their infrastructures businesses. This holding would invest worldwide leveraging the highly complementing interests that each party had in different countries.

Companies' interests:

Infrastructures_A's interests:

- Increase its profitability in the infrastructures business;
- Get ownership majority in some infrastructures projects;
- Provide additional business for its construction company.

Infrastructures_B's interests:

- Increase its profitability in the infrastructures concessions management business;
- Provide additional business for its construction company;
- Maintain Country X as the Group's activities core focus.

DiversifiedGroup's interests:

- Increase its profitability in the infrastructures business;
- Get ownership majority in some infrastructures projects;
- Make its construction company viable;
- Provide additional revenues for another of its businesses.

Personal interests:

- Mr. Infrastructures_A: to become more relevant in the Group's structure;
- Mr. Infrastructures_B: to minimize risks to his status and position in the Group's structure as he is almost finishing his professional career;
- Mr. DiversifiedGroup: to become more relevant in the Group's structure by increasing both the infrastructures business and another group's business in which he was a board member.

Preparation:

The three negotiators had a good and strong personal relationship. Taking into account the similarity in most relevant interests, the three parties believed they would reach an agreement even without much preparation and negotiation efforts.

Even though, they prepared themselves for the process, especially Infrastructures_A. This preparation effort included a detailed legal work that was crucial for the creation of a new holding that would incorporate the interests of the three parties in the different countries.

Negotiation process:

Infrastructures_A contacted the other two parties to discuss the possibility of creating a joint venture. The three negotiators had a good relationship and had known each other for several years. Partially as a result, the three parties agreed to meet and were quickly convinced they would reach an agreement. All parties participated in all meetings.

Infrastructures_B was a multinational company with a culture of strong delegation and deep accountability of its countries' general managers, including a significant salary bonus attached to local results. This had proven positive in many circumstances, although also leading occasionally to selfish decisions. Infrastructures_B had a strong presence in country X, where it is one of the main local civil construction companies.

As negotiations started, the companies quickly agreed to allocate the infrastructures' construction work to their own construction companies whenever it would be necessary. At that moment, the three parties seemed to agree with the general approach of replicating the holding shareholder structure in the allocation structure of the construction works to be developed in the different countries where they would be present.

The process was developing quickly based on this pre-defined approach, until Infrastructures_B decided to mention that it could not have the other two parties as partners in the important country X. This statement was based on the fact that there was a tacit agreement between the main country X's civil construction companies that the market should not be open to other players.

Infrastructures_A said that this situation was unexpected and negative, since reciprocity between the parties had been so far the base of this deal. Even though, Infrastructures_A said that it would make the concession of not building directly in country X, accepting instead to participate in a vehicle to be created where the three parties would be responsible for the construction works management and also share its profits.

As Infrastructures_B declined the proposal, Infrastructures_A went further on its concessions and said it accepted to be only virtually present in the above mentioned vehicle, but Infrastructures_B also declined. After these concessions, Infrastructures_B stated that nothing could be done regarding this issue, because any attempts for other companies to benefit from country X's construction work could be known by the market, and Infrastructures_B could not run such a high risk, even with an informal agreement.

Infrastructures_A disagreed with that statement. In addition, it was disappointed with the fact that Infrastructures_B did not reciprocate any concessions made on a crucial item, which was disrespectful in a deal that was being built based upon parties' reciprocity attitudes.

Although DiversifiedGroup would benefit jointly with Infrastructures_A from access to construction in country X, it did not play an active part in this issue conflict, which withdrew some of the pressure from Infrastructures_B to open country X's market for the three parties.

In addition, Infrastructures_A framed country X's issue as a question of principle that could not be disrespected by the other parties.

At that moment in time, the three parties decided to stop searching for additional solutions to the project.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

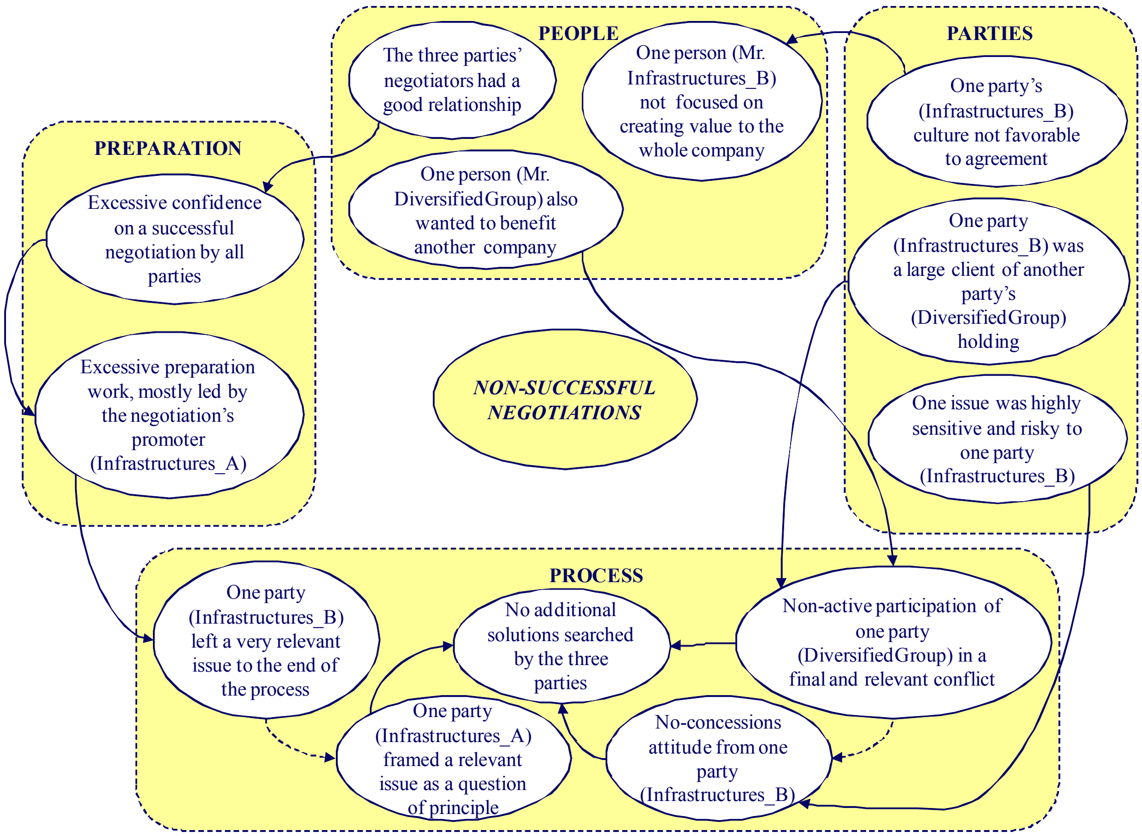

Figure 19. Case 6 interview cognitive map

Parties

- <u>One issue was highly sensitive and risky to one party</u>: Infrastructures_ B had a very strong presence in the important country X, where there was a tacit agreement between all the main country X's entities that the market should not be open to other players, including Infrastructures_A and DiversifiedGroup;
- <u>One party was a large client of another party's holding</u>: Infrastructures_B was a large client of the holding that owned Diversified Group, especially via one of the main businesses that the holding owns;
- <u>One party's culture not favorable to agreement</u>: Infrastructures_B had a culture of strong delegation and deep accountability of its countries' general managers, which limited the company's CEO capability to force joint ventures upon its general managers, as the CEO would struggle to try to make all countries general managers responsible for joint results.

People

- <u>One person not focused on creating value to the whole company</u>: Mr. Infrastructures_B, due to the above mentioned company's culture and to his near-retirement age, was mostly focused on the Portugal business and not on the multinational business;
- <u>One person also wanted to benefit another company</u>: Mr. DiversifiedGroup also wanted to benefit a large business also owned by its holding, where he was a board member;
- <u>The three parties' negotiators had a good relationship</u>: The negotiators had known each other for several years and had a pleasant and friendly relationship with one another.

Preparation

- <u>Excessive confidence on a successful negotiation by all parties</u>: The good relationship between the negotiators and apparently obvious rationale for the joint-venture led to an excessive confidence on reaching an agreement;
- <u>Excessive preparation work, mostly led by the negotiation's promoter</u>: Infrastructures_A, partially due to the above mentioned excessive confidence on an agreement, made an excessive detailed preparation work before the negotiation process effectively started.

Process

- <u>One party left a very relevant issue to the end of the process</u>: Infrastructures_B avoided to raise Country X's issue until the end of the process as the company believed that after the three parties had managed to agree on all issues they would not risk a full agreement only because of one single issue; therefore leaving Country X's issue to the end would increase significantly the probabilities of Infrastructures_B keeping that market only for itself, especially after so much preparation work and confidence on the agreement;
- <u>One party framed a relevant issue as a question of principle</u>: Infrastructures_A framed the three parties' participation in Country X issue as a question of principle that, as all principles, could not be neglected and disrespected, which created a huge roadblock to the agreement;
- <u>Non-active participation of one party in a final and relevant conflict</u>: As Infrastructures_B was a large client of a large business of DiversifiedGroup's holding, which Mr. DiversifiedGroup wanted also to benefit as its board member, DiversifiedGroup had a

passive posture when the Country X discussion took place, and so only Infrastructures_A put pressure on Infrastructures_B to change its position;

- No-concessions attitude from one party: Partially due to the lack of pressure from DiversifiedGroup and also due to the fact that this crucial item was very sensitive to it, Infrastructures_B did not reciprocate the several concessions that the other parties made, especially Infrastructures_A, which made reaching an agreement very difficult in a process in which reciprocity was the basis of the whole project;
- No additional solutions searched by the three parties: As Infrastructures_B did not make concessions on a crucial issue; Infrastructures_A framed that crucial issue as a question of principle; and DiversifiedGroup had a non-active participation in the final part of the process, no additional solutions were searched by the three parties which led to the end of the negotiations.

Case 7:

Interviewed: Mr. Software and Mr. Usability

Date: July 31^{st} and August 2^{nd}, 2006

Negotiation focus: New Product Development

Negotiation: Development of a software application to make a real estate evaluation tool for the mass market

Parties:

- RealEstate: a small real estate evaluation company, represented by one of its partners Mr. RealEstate, forty years old;
- Software: a software development company, represented by its General Director Mr. Software, thirty-five years old;
- Usability: a small software usability company, represented by its owner Mr. Usability, thirty-five years old.

Situation:

A small company called RealEstate, had in the beginning of 2005 a solid real estate evaluation methodology that it was using in a restricted area of three municipalities («concelhos»), with a database of approximately three hundred records. RealEstate had developed a tool based on an excel sheet, which was used by its employees to do real estate evaluations. This tool was being constantly updated with new records, but at a slow rate. The clients were mostly bank agencies from the area, which needed house evaluation services for home loans provision purposes.

Software was mid-sized company that provided IT consulting services. Initially the company was focused on the adaptation of products to Windows platforms and on information systems development, but two years before it had created a new department of software products development. This implied not only the software programming structure but also a new business-to-business and business-to-consumer marketing and sales organizational structure. Software had gotten a capital investment from a bank the previous year that had been mostly used for a company acquisition.

In an informal lunch in July 2005, one of RealEstate's partner and Software's owner had the idea of developing a real estate evaluation tool to be sold to banks and also to the mass market via internet.

RealEstate would provide the real estate evaluation know-how, Software would develop and sell the software product and also identify a software usability company that would assist on the product usability development.

Software's owner selected Usability as the usability services provider. Usability was a small company that had been created two years before by Software's owner's nephew. The company was not well-known in the IT market. Software's owner put the company's general director Mr. Software in charge of the negotiation process.

Companies' interests:

RealEstate's interests:

- Earn money from its know-how;
- Get banks as new clients;
- Grow significantly in the mass market, getting a national presence;
- Get publicity.

Software's interests:

- Leverage existing commercial and marketing structure;
- Increase business with banks (current and new clients);
- Get publicity.

Usability's interests:

- Sell services with minimum risk;
- Acquire experience in partnerships;

- Get publicity.

Personal interests:

- Mr. RealEstate: similar to the company's interests;
- Mr. Software: to promote himself, in the context of the company's potential growth, and also to impress the new shareholder;
- Mr. Usability: similar to the company's interests.

Preparation:

While Software was very well prepared, having developed a technical and financial analysis of the project and Usability was reasonably prepared, having developed a rough estimate of its services time and costs for the project, RealEstate did not make any effort to get an approximate estimate of the time and investments required for this project.

Negotiation process:

At the beginning of the first formal meeting, Mr. Software said that he believed in the project's success, having estimated a project payback period of only two and a half years. It thought that RealEstate's had a solid know-how on real estate, that would be complemented by its software development skills and its mass market sales and marketing recently acquired experience. Mr. Software presented its initial estimate of two-hundred and fifty thousand Euros of investment for the software development, including usability services.

Mr. RealEstate was literally shocked when he heard such a figure. Immediately, he became suspicious that Software was over-charging developing costs so that it would make a profit on the project's development. After this reaction, Software realized that RealEstate did not understand the time and costs involved in platforms and products development and its after-care (maintenance, customer service, new versions launch, among others).

RealEstate stated that it wanted to be a partner but that it would not invest in the company with capital but only with know-how. Software mentioned that it believed in the project but that it would not be the only investor to inject capital and face all of the project's risk. Software suggested investing up to fifty percent of the required capital. Usability did not want to invest capital either. However, each of the three parties wanted a percentage of the products' sales revenues. RealEstate and Usability decided, at the end the first meeting, to think about the project before setting a new meeting.

In spite of Software's pressure for setting a new meeting in the following days, both RealEstate and Usability took approximately one month until accepting.

At the second meeting, RealEstate mentioned that the total investment should be less than fifty thousand Euros and started proposing ways to drastically reduce the financial investment required. It suggested reducing the product's features, but Software declined saying that without the initially defined features the project would not be successful. RealEstate then suggested limiting not only the regional scope but also the scope of the types of real estate to be evaluated. Again, Software declined because it would have a small impact on the investment amount since the development of the platform cost is almost fixed and is the by far the largest investment component.

In terms of the parties' investments, Usability again declined to invest and said that it would accept receiving a fixed fee that covered its direct costs and a success fee as its potential profit margin. RealEstate was also trying to avoid putting in any money on the project and Software wanted the other parties to share at least fifty percent of the investment's risk. RealEstate and Usability again said that they wanted to think about the project before setting a new meeting.

Again, in spite of Software's pressure for setting a new meeting in the following days, both RealEstate and Usability took approximately three weeks until finally accepting as they continuously delayed answers to Software's contacts during that period.

On the third meeting, Software thought about the option of investing all the capital required in exchange for an eighty-ninety percent share of the business. However, it did not propose that option because it feared it would break RealEstate's confidence, especially as it was already suspicious of Software's overcharging development costs. In fact, Software avoided proposing new ideas fearing it would increase RealEstate's suspicions and stifle creativity during the negotiation process.

Another issue that stifled creativity was the fact that RealEstate considered that Mr. Usability could be biased towards his uncle's company, which had invited him into the process. In rational terms, Usability should be interested in reaching a good agreement for all parties, so that the project would be successful and therefore generate current and future positive image and revenues for the company. However, the perception was that it could favor Software in detriment of RealEstate. This perception led Usability to act more as a facilitator and less as an intervening party.

As a result, the parties focused their discussion mostly on investment-cutting options involving the three parties, leaving aside other options like private equity or any other investors. At the end of the third meeting, the three parties decided to stop searching for additional potential solutions.

Main actors-related factors that negatively impacted the negotiation between the three parties:

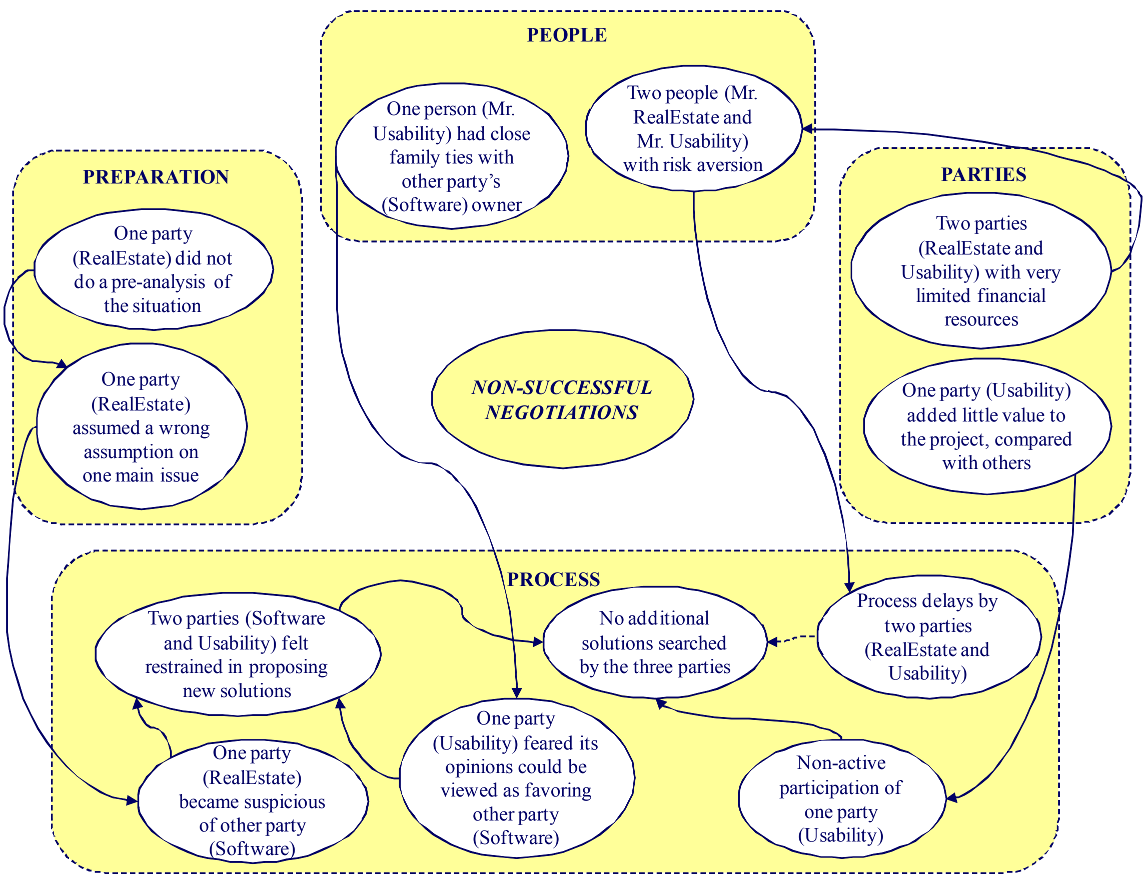

Figure 20. Case 7 interview cognitive map

Parties

- One party added little value to the project, compared with others: While RealEstate had the methodology's know-how and Software had the experience and the sales and marketing structure, Usability provided less value added to the process;
- Two parties with very limited financial resources: The project's required total initial investment corresponded to approximately one-hundred percent of both RealEstate's and Usability's revenues, which was a significant amount for those two companies with such limited financial resources for a project of this dimension.

People

- Two people with risk aversion: As a result of their companies' limited financial resources, Mr. RealEstate and Mr. Usability acted with risk aversion since they were aware that any major mistake could put their companies in a very difficult financial situation;
- One person had close family ties with other party's owner: The fact that Software's owner was Mr. Usability's uncle led to a perception of potential personal and emotional interferences in a professional project.

Preparation

- One party did not do a pre-analysis of the situation: Before the parties formally started the negotiations, RealEstate did not inform itself about the range of the investment and effort required;
- One party assumed a wrong assumption on one main issue: As a result of not performing a pre-analysis, Mr. RealEstate had a significantly misguided estimate of the investment and effort required, which let him become highly surprised and even shocked at the beginning of the negotiation, when Software presented its investment estimate.

Process

- Process delays by two parties: Mr. RealEstate's and Mr. Usability's risk aversion led RealEstate and Usability to delay the process several times, despite Software's insistence on setting up meetings and taking decisions at a much faster pace;
- One party became suspicious of other party: In addition to having different experiences, languages and perspectives, the investment estimate presented by Software was many

times more than RealEstate predicted it, leading RealEstate to become immediately suspicious that Software was inflating significantly the investment value so that Software would make a huge profit even before the project would be commercially launched;

- <u>One party feared its opinions could be viewed as favoring other party</u>: As Usability had been invited to the project by Software's owner, who was Mr. Usability's uncle, Usability felt that, independently of what it did, it could be viewed by RealEstate as supportive of Software;
- <u>Two parties felt restrained in proposing new solutions</u>: As a result of the previous two points, both Software and Usability limited themselves to proposing new ideas and suggestions, stifling creativity in the negotiation;
- <u>Non-active participation of one party</u>: Usability tried to position itself more as a services provider than as a partner, which led it to having a more passive attitude and smaller participation in the negotiation process;
- <u>No additional solutions searched by the three parties</u>: Software's and Usability's self-restraining attitude on new proposals, RealEstate's and Usability's financial limitations and Usability's non-active participation in the process made the three parties focus only on solutions that were low-investment and that only included the three parties, and decided to stop looking for any other potential options to develop the project.

Case 8:

Interviewed: Mr. Drinks and Mr. Distributor

Date: August 31st and September 6th, 2006

Negotiation focus: Cross-Promotion Set-up
Negotiation: Development and implementation of a cross-promotion between two products during one month

Parties:

- Drinks: a drinks seller company, represented by its business unit manager Mr. Drinks, thirty-six years old;
- Food: a food products seller company, represented by its general manager Mr. Food, forty-one years old;
- Distributor: a distribution company, represented by its general director Mr. Distributor, forty years old.

Situation:

Food had a quasi-monopoly position in the Portuguese market. It was very conservative and risk-averse, mostly due to its very strong market position. It sold its products directly to the segment hotels, restaurants and cafes. Food's sales force covered most of the country. Its general manager had recently taken that position, as the company where he worked had been acquired by Food's holding company.

Drinks distributed its products to the segment hotels, restaurants and cafes via company Distributor and also via cash & carry stores, covering most of the country. Drinks had been increasing its market share steadily in the previous years and had gotten a relevant position in the market. Drinks' unit manager had been in the company for more than ten years.

Distributor had an experienced sales force that reached a large network of point-of-sales. Drinks was one of its largest customers as Distributor sold its products to the segment hotels, restaurants and cafes. There was a friendly relationship between Mr. Distributor and Mr. Drinks.

In mid-2005, Drinks decided to contact Food in order to do a cross-promotion during a certain period of time. The idea was to make both companies' sales forces to promote the other company's products and as a result increase market penetration for both companies' products, since some point-of-sales bought Food's products but not Drinks' products and vice-versa.

In addition, there would be an effort to promote products' stockpiling at points-of-sales, in order to limit the points-of-sales' room available and financial capability to acquire competitors' products during some period. The products' validity periods ranged from one to two years, so there would be no risk of products validity problems at the point-of-sales due to stockpiling.

Food's products are bought mostly by impulse and require refrigerators to house the stocks.

<u>*Companies' interests:*</u>

Drink's interests:

- Increase market share;
- Increase margins;
- Block competitors' sales via point-of-sales stockpiling.

Food's interests:

- Test its sales force skills to do cross-selling;
- Acquire new customers;
- Block competitors' sales via point-of-sales stockpiling.

Distributor's interests:

- Provide a good impression on its customer Food;
- Test its sales force skills to do cross-selling;
- Improve its image among its customer points-of-sale.

Personal interests:

- Mr. Drinks: to become well-know for its innovative ideas and dynamism;
- Mr. Food: to ensure that he gets a solid manager's image in the new company; to try to show that he is not conservative and rigid but open to creativity while ensuring that his company products' huge market share is not affected;
- Mr. Distributor: to maintain the good personal relationship with Drinks' unit manager; to learn with this experience.

Preparation:

Drinks had an excessive confidence on a successful negotiation which made it be over-relaxed regarding the efforts required to get the other parties' agreement and to implement the project taking into account its different impacts on the companies' distribution channels and sales forces.

Negotiation process:

There was an initial quick meeting between Drinks and Food. In this meeting, Food enquired Drinks about the need of Distributor being present in the meetings, but Drinks initially disagreed as it considered that it would be easy to get Distributor's agreement and full commitment and also minimizing Distributor's role in the negotiations. However, afterwards in the meeting both parties agreed that Distributor should become directly involved from then on, because its presence was in fact relevant for the negotiations.

As a result, the two parties decided to set up a meeting with the three companies two days later.

On the second meeting, the parties decided to focus the promotions' target on the hotels, restaurants and cafes («horeca») segment. The promotion would last for one-month and would consist on giving the points-of-sale two Food products per each six Drinks products sold, and vice-versa.

Since these points-of-sale could buy Drinks' products from Distributor or from cash & carry stores, Drinks had to continuously try to give Distributor a sufficient margin for it to sell to the «horeca» segment at a price similar to cash & carry stores' price.

However, during this promotion period, the points-of-sale would have difficulty in comparing Distributor's promotional price with the cash & carry prices. As a result, Drinks wanted to make a promotion that increased or at least maintained its margins as price comparisons with cash & carry stores were hard to do. Food did not have this issue, since it did not sell through cash & carry stores.

Mr. Distributor believed it would learn from the experience, support Drinks idea, and sell more in the long term, although risking in the short term reducing its sales. Mr. Drinks believed the promotion would increase its products trial and awareness, allowing it to grow its market share in the future. Mr. Food was enthusiastic at the beginning, since this promotion would provide Food with a more dynamic image and would provide its sales force with a learning experience.

However, Mr. Food's support of the promotion became hesitant, as he was listening to the commercial and the financial directors' opinions, which sometimes presented him with project's advantages and other times with project's roadblocks or disadvantages.

As examples of roadblocks and disadvantages, the directors told Mr. Food that Drinks sales force would be giving Food products to some points-of-sale without refrigerators. Drinks counter-argued that in these exceptional cases, probably the points-of-sale owners would take Food's product home and/or give it to friends. Also, there was the internal opinion that Food should compensate its sales force for potential sales reductions, as Distributor was giving Food products for free.

Mr. Drinks tried to counter-argue Foods negative arguments and to provide incentives for the promotions implementation, especially in the final meeting, and to make a strong effort to show Food that the promotion could be positive for all parties.

Unlike the others, Distributor did not have an active attitude in those final contacts, partially due to the fact that Mr. Distributor felt that he had been put aside from the negotiations, especially at the beginning of the process.

Due to several hesitations and lack of pressure from all parties for a decision, the process was too long and the ideal timing for the implementation passed by. As the parties realized that the earliest they could do the promotion was in July, the project was cancelled on Food's suggestion, since due to the high seasonality of its impulse sales' products, it would have its sales dramatically reduced if there were free products on the market at that time.

Main actors-related factors that negatively impacted the negotiation between the three parties:

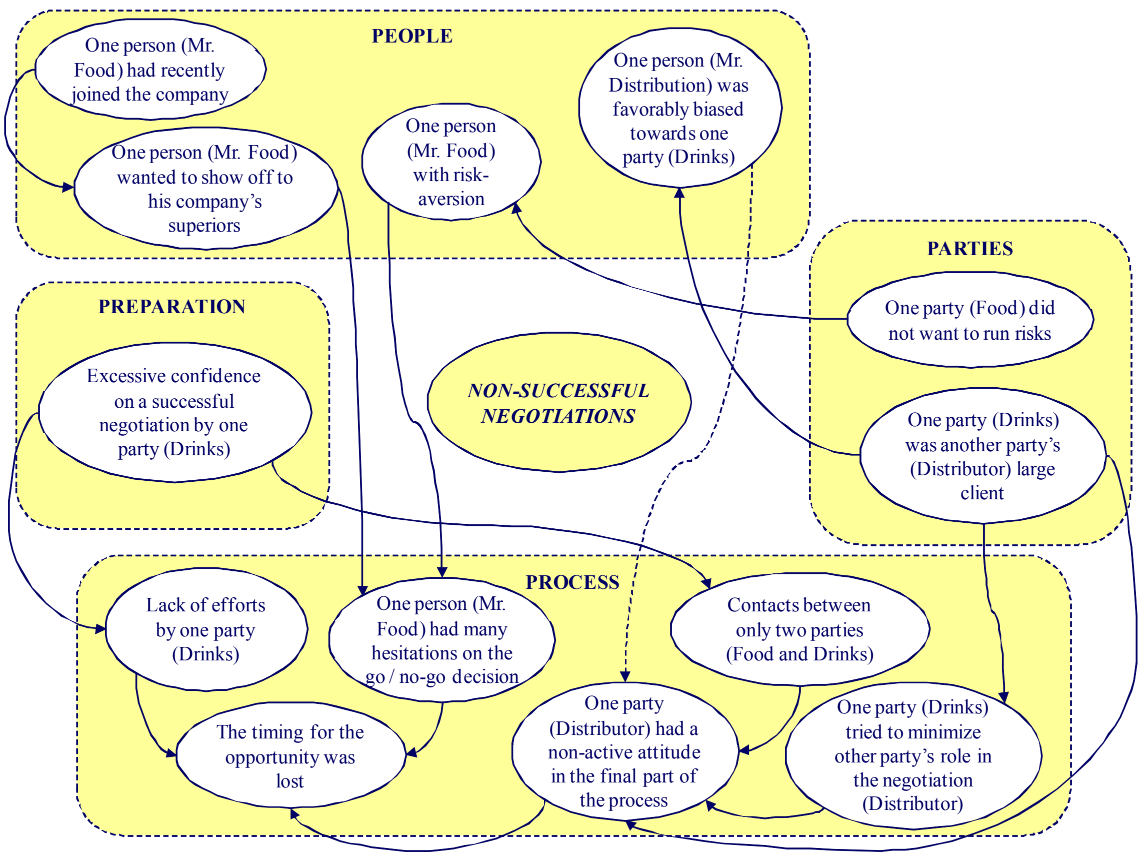

Figure 21. Case 8 interview cognitive map

Parties

- One party did not want to run risks: Food had controlled the market as a quasi-monopoly for many years, and therefore did not have many incentives to change in any aspects including its image of conservative, risk-averse company;

- One party was another party's large client: Drinks was a large Distributor's client as most of Drinks' distribution work in the «horeca» segment was done by Distributor.

People

- One person was favorably biased towards one party: Mr. Distribution had a good relationship with Mr. Drinks and with the company in general, respecting the above-mentioned long client-supplier's relationship between the two companies;
- One person with risk-aversion: Mr. Food was afraid of hurting the long-lasting quasi-monopoly situation of its company and of damaging its sales force performance and motivation;
- One person had recently joined the company: Mr. Food had been recently appointed as Food's general manager after the company where he previously worked was acquired by Food's Group;
- One person wanted to show off to his company's superiors: Due to his new position in the company and as he was coming from an acquired company, Mr. Food wanted to show that he could change the company's image of conservativeness and rigidness.

Preparation

- Excessive confidence on a successful negotiation by one party: Drinks had an excessive confidence on a successful negotiation which made it be over-relaxed regarding the efforts required to get the other parties' agreement and to implement the project taking into account its different impacts on the companies' distribution channels and sales forces.

Process

- Lack of efforts by one party: Drinks did not made the required efforts to try to explain well the advantages for all the parties and to get their commitment and involvement on the project;
- One person had many hesitations on the go / no-go decision: Mr. Food was in a paradoxical situation of being risk-averse but simultaneously wanting to create an image of dynamism and innovation, which led him to many hesitations along the process;

- <u>One party tried to minimize other party's role in the negotiation</u>: Drinks tried to put Distributor aside in most parts of the negotiation, although Distribution was critical for the project's success;
- <u>Contacts between only two parties</u>: Taking into account that Drinks considered that it would be easy to get Distributor's agreement and full commitment, Drinks had several interactions only with Food, leaving aside Distributor;
- <u>One party had a non-active attitude in the final part of the process</u>: Distributor was not active especially in the last part of the negotiation process mainly due to the fact that Mr. Distributor felt that he had been put aside from the negotiations in several occasions, especially by its large client Drinks, that Distributor wanted to maintain as client;
- <u>The timing for the opportunity was lost</u>: The lack of Drinks' full efforts and commitment to involve the other parties combined with Mr. Food's several hesitations and the lack of pressure from Distribution for a decision, delayed the project's start due date up to such a point that the timing for the project was lost.

Case 9:

Interviewed: Mr. Contractor

Date: September 7th, 2006

Negotiation focus: Project Development

Negotiation: Construction of the electrical part of a building

Parties:

- Contractor: a construction company, represented by its contracts director Mr. Contractor, fifty-three years old;
- Subcontractor_1: a subcontractor company, represented by its contracts director Mr. Subcontractor_1, approximately fifty years old;
- Subcontractor_2: a subcontractor company, represented by its commercial director Mr. Subcontractor_2, approximately fifty years old.

Situation:

In the beginning of 2005, Company decided to build a landmark building and initiated the process by designing the project. After, Company decided to contact the main materials suppliers required for the building and negotiated directly with them the prices and quality of the materials that would most probably be used by the selected contractor.

Subsequently, Company contacted several contractors to coordinate all of the construction works. At that moment, the construction sector in Portugal was in crisis. Several contractors presented proposals and company Contractor won the deal.

Contractor signed the contract without knowing that Company had already had tough negotiations with a list of suppliers and managed to get very low materials' prices from them. There was a clause in the contract that Company could veto the materials chosen by Contractor if they were not sold by one of the suppliers included in the list mentioned above.

Usually, contractors got part of their profit from their work and another part from materials' acquisition, as they managed to get lower materials' prices that the ones presented in the proposal presented by the client. However, in this project Contractor was struggling to get an additional margin on materials' acquisition as Company had already negotiated very low prices with the suppliers.

In a specific part of the project that encompassed the installation of electrical appliances, Contractor negotiated prices and conditions with a supplier called Subcontractor_1. Then, it suggested to Company that Subcontractor_1 would work on this specific part of the project. This supplier was not on the list set by Company. This supplier had a reasonable size but was not recognized by the market as a relevant player in its niche. Both Subcontractor_1 and its negotiator were excited and were convinced they would join this landmark project as subcontractors.

However, Company did not accept this supplier and Contractor decided to propose the same supplier but working jointly with Subcontractor_2 that was on that list. The two subcontractor companies were highly complementary and therefore the combination of both companies would be very beneficial to the project. Subcontractor_2 belonged to a Group that owned a company that had sold the products that were going to be installed. Subcontractor_2 did not have Subcontractor_1 in much consideration, and Mr. Subcontractor_2 considered Subcontractor_1 and its negotiator as part of a lower hierarchical level, within the construction sector informal «layered society» and rankings. Company accepted but pressured Contractor to speed up the subcontractors' selection process as there was a risk that the whole project could be delayed.

Contractor wanted to share the burden of this part of the project and decided to start negotiating jointly with the other two parties - Subcontractor_1 and Subcontractor_2.

<u>*Companies' interests:*</u>

Contractor's interests:

- Create a strong relationship with first time customer Company;
- Get a partner with whom it can share the project's responsibility;
- Obtain additional profit margins.

Subcontractor_1's interests:

- Become renowned in their niche market;
- Deepen its relationship with Contractor;
- To get large projects' coordination work experience.

Subcontractor_2's interests:

- Be associated to a landmark building;
- Sell additional products from other companies in its Group;
- Deepen its relationship with Contractor.

Personal interests:

- Mr. Contractor: to ensure this project would run smoothly in order to get recognition in the company that allowed him to grow the department he led;
- Mr. Subcontractor_1: to be the person responsible for getting probably the most important project for its company;
- Mr. Subcontractor_2: to ensure he will not be led by Mr. Subcontractor_1 as that would hurt his image in the market; to generate business for other companies in the group.

Preparation:

All parties were well prepared regarding the project. However, Mr. Subcontractor_1 was convinced he would be a main subcontractor (even if only in a part of the project) and therefore was too relaxed on preparing for the negotiation process.

Negotiation process:

Contractor appointed a meeting with the three parties with the goal of setting up the project team. Contractor mentioned that it was thinking about the possibility of having only one main subcontractor and a sub-subcontractor, because it was very difficult to manage two main subcontractors, especially in an urgent situation like this one.

Subcontractor_1 assumed that it would be the main subcontractor or, in the worst case, it would be one of two main subcontractors. This assumption was based on expectations partially created by Contractor as:

- Subcontractor_1 had been with Contractor since the beginning of the process;
- Contractor knew that being a main subcontractor in such a landmark project would be very important for Subcontractor_1;
- Contractor had been motivating Subcontractor_1's to be a strong partner in this project.

Before the meeting, Subcontractor_2 contacted Contractor three times trying to position itself as the best partner for the whole project. Subcontractor_2 justified its positioning because it had better project coordination capabilities, it belonged to a group that included the company that sold the products that were going to be installed, and it was included in the Company's list of suppliers. Even though Subcontractor_1 had slightly better operational and technical know-how for this project, this advantage was offset by the above-mentioned reasons supporting Subcontractor_2 to be the only company working in the project.

When the meeting started, Contractor said it wanted only one main subcontractor and a sub-subcontractor, because it was very difficult to manage two main subcontractors, especially in such an urgent situation. Then it added that the main subcontractor would be Subcontractor_2.

Subcontractor_1 was highly disappointed when it was informed that it would not be a subcontractor. It did not want to realize that Subcontractor_2 was clearly more suited to be the only subcontractor and to coordinate the project. In fact, Subcontractor_2 had better coordination capabilities, could be more accountable for the project's responsibility, and was included in the Company's list of suppliers. Despite the disappointment, Subcontractor_1 agreed on working in this project with the same pricing conditions defined initially with Contractor, when Subcontractor_1 was proposed as the main subcontractor and rejected by Company.

However, six days after this meeting, when the project was set up to start, Subcontractor_1 informed the other two parties that its prices had increased approximately 15% due to very sudden man work and materials cost increases. Contractor said that it could not work with such prices but only with the prices defined previously. Subcontractor_1 insisted that it could not lower its new prices.

The two subcontractors had characteristics that complemented each other potentially creating a strong team, namely the coordinating capabilities of Subcontractor_2 and the operational skills of Subcontractor_1. But Contractor lost confidence on Subcontractor_1 and could not accept the increased prices. Due to the urgent need for a decision, Subcontractor_1 was excluded from the project.

<u>*Main actors-related factors that negatively impacted the negotiation between the three parties:*</u>

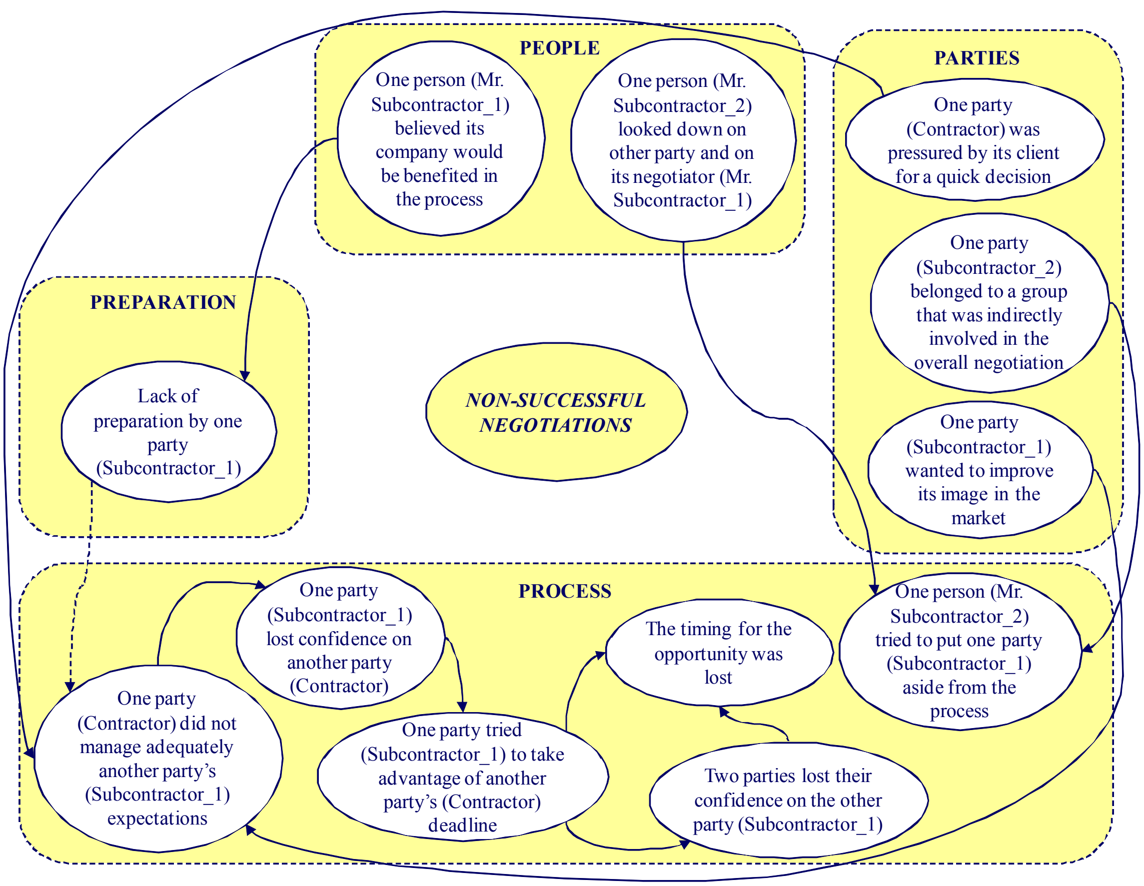

Figure 22. Case 9 interview cognitive map

Parties

- <u>One party was pressured by its client for a quick decision</u>: Contractor was pressured by its client to start the project in the very short term and so could not spend more than a few days preparing the negotiations, listening to the other parties and looking for creative solutions;

- One party belonged to a group that was indirectly involved in the overall negotiation: Subcontractor_2's holding owns a company that was also positioned in the previous link of the value chain, as it was a producer of the products Subcontractor_2 installs;
- One party wanted to improve its image in the market: Subcontractor_1's image was worse than its real performance, size and track record as subcontractor in mid-size constructions, and so it wanted to position itself in the market as a main subcontractor.

People

- One person looked down on other party and on its negotiator: Mr. Subcontractor_2 considered Subcontractor_1 and its negotiator as belonging to a lower level, within the informal construction sector «layered society» and rankings;
- One person believed its company would be benefited in the process: Mr. Subcontractor_1 was convinced that its company would be selected as main contractor and did not value Subcontractor_2's potential role as project coordinators.

Preparation

- Lack of preparation by one party: Since Mr. Subcontractor_1 was convinced its company would be a main subcontractor for the project, he did not do any preparation work for the negotiation.

Process

- One person tried to put one party aside from the process: Subcontractor_2 looked down on Subcontractor_1 and tried to exclude it from the process, although the latter had better operational / technical know-how and could be highly beneficial for the project;
- One party did not manage adequately another party's expectations: Contractor knew it would most probably not meet Subcontractor_1's expectations of improving dramatically its image by becoming a main subcontractor in a large project but, partially due to the project's urgency, did not lower Subcontractor's expectations;

- <u>One party lost confidence on another party</u>: Subcontractor_1 was so surprised by Contractor's decision of not selecting it for main subcontractor, after the expectations created by Contractor of the opposite, that it lost confidence on Contractor;
- <u>One party tried to take advantage of another party's deadline</u>: Subcontractor_1, highly disappointed with Contractor's decision of not selecting it as a main subcontractor, decided to increase significantly its price just before the deadline, leaving Contractor with hardly any reaction possible;
- <u>Two parties lost confidence on the other party</u>: After a huge and unjustified price increase by Subcontractor_1 just before Contract's deadline with Company, both Contract and Subcontractor_2 decided they could not work with the other party as they lost confidence on it;
- <u>The timing for the opportunity was lost</u>: Subcontractor_1's move near the deadline together with the resulting loss of confidence of the other two parties no Subcontractor_1 led to the loss of the timing for the project.

Case 10:

Interviewed: Mr. IT_1

Date: September 13th, 2006

Negotiation focus: New Platform Development
Negotiation: Development by three parties of a new IT platform to be commercialized

Parties:

- IT_1: a small IT company, represented by its pre-sales manager Mr. IT, thirty-two years old;
- B2C: a large business to consumer company, represented by its product X manager Mr. B2C, forty-three years old;
- IT_2: an IT company, represented by its CFO and partner Mr. IT_2, thirty-seven years old.

Situation:

IT_1 was a company with limited resources that provided maintenance services for IT products. In November 2005, IT_1 decided to contact B2C, a large company with an image of tough negotiator, to propose trying to replicate the product X in a new setting based on a new platform to be developed. Mr. B2C thought that it was an interesting project. IT_1 said that it also required the support of a company with a specific know-how on this setting and that IT_2 was the only company with this know-how in Portugal. It suggested inviting IT_2 for the project and B2C agreed. IT_2 was negotiating the sale of an equity stake to an investor on a confidential basis but the other two parties were not aware of that.

Companies' interests:

IT_1's interests:

- Create a platform that B2C would use for several years and that would require IT_1's maintenance services;

- Gain notoriety;
- Acquire know-how in a new business area.

B2C's interests:

- Leverage product X's brand;
- Provide more value-added to its clients;
- Increase its innovation image in its very competitive market.

IT_2's interests:

- Create a platform that B2C would use for several years and that could use several of IT_2's products;
- Gain notoriety;
- Improve its image while dealing with a potential investor.

Personal interests:

- Mr. IT_1: to acquire a major project in a major client to impress his superiors;
- Mr. B2C: to maintain his image of tough negotiator within his company;
- Mr. IT_2: similar to the company's interests.

Preparation:

Only B2C did not prepare well the negotiations as it decided to be reactive to the other two parties' initiatives, questions and suggestions along most of the process, instead of preparing and anticipating in advance most of the issues.

Negotiation process:

The three parties met for the first time at the end of November 2005. B2C told the other parties that it was clearly interested in leveraging its product X's strong brand. It knew well the end customers and had a significant amount of information about the needs and requirements that the customers valued more. The fierce market competition led B2C to try to find ways to provided more value-added to its customers and further differentiate itself from the competitors. The replication of product X in a new setting could be one way to provide more value-added to customers.

As the project had a high value for B2C, IT_1 and IT_2 said that they should not have to invest in the project. IT_1, who had limited resources, even suggested that the new platform could be sold to any party that would like to acquire it, making this project most probably profitable. This would allow IT_1 and IT_2 to try to be financed by B2C giving their share of the revenues as a collateral. B2C replied that the platform should be used only by itself on an exclusivity basis. IT_2, who wanted to make a deal with B2C in order to show off to its potential investors, suddenly feared that the parties could reach an impasse and immediately suggested that although B2C would be the first to use it, they could also sell the platform to other companies in order to try to make a profit. B2C insisted that it wanted to have exclusivity for an indeterminate period. IT_1 said that it would have to think about that suggestion.

Despite pressure mostly from IT_2 to set up a meeting in the very short term, almost one month passed by until IT_1 set a new meeting. At that meeting, IT_1 said that it agreed with the exclusivity clause. The parties then identified the functionalities required, and reached an agreement on the implementation calendar and activities to be developed by each of the three parties. IT_1 and IT_2 estimated their man-hour efforts at a total cost of two hundred and fifty thousand Euros for each of the two companies along the one year development and implementation period.

B2C disagreed with the amount of costs the other parties said they would have to incur in and stated that it could not pay more than four hundred and fifty thousand Euros in total. IT_2 promptly presented detailed justifications of its cost estimates but that, in order to show its commitment and good-faith in the process, it could lower its price to two hundred and twenty five thousand Euros. IT_1 said that it was almost impossible to lower its price and suggested setting up another meeting to discuss the pricing issue.

Only three weeks later, IT_1 set a new meeting and the three parties agreed after a lengthy discussion that B2C would pay four hundred and fifty thousand Euros in total.

At the end of the meeting, Mr. B2C asked them to help him make a presentation of the project to his colleagues at B2C. The other parties agreed.

One week later, they made the project's presentation. The B2C employees that attended the presentation made several criticisms. A few comments related to technical aspects. However, the comments that could become a «deal-breaker» were non-technical, which included, among others, the following:

- the market was not mature enough;
- it could cannibalize other B2C's products;
- product X's strong brand could be hurt by this initiative in case it was not a huge success;
- some areas of the company might not have the adequate resources to support this project.

After the presentation, Mr. B2C told Mr. IT_1 and Mr. IT_2 that he was concerned that the project might have more risks than he initially expected and that the project would have to be adjusted.

IT_1 and IT_2 changed a few technical aspects, according to the feedback gotten during the presentation, but did not pay attention to any of the non-technical comments. However, it soon became clear that the decision was going to be taken mostly based on non-technical issues instead of only technical issues.

IT_2 was more agile and dynamic in identifying issues and trying to solve them. B2C usually followed a more competitive approach and took a no-concessions attitude in several issues. IT_1 usually took too much time to make any decisions, which delayed the process. This made IT_2 pressure IT_1 to make decisions for several times without success and, as a result, the process was much longer than expected.

In addition, Mr. IT_2 tried to pressure B2C to reach an agreement as he considered that the technical solution was extremely good. He insisted on beginning the project on the very short term in order to avoid any obstacle that could come out and also because it could not maintain its best team on-hold waiting for the project's kick-off for many more days. On the other side, IT_1 hesitated frequently and delayed the process.

But B2C ended the negotiations in February 2006. Mr. B2C called the other parties and told them that the negotiation process was finished because the market was not yet mature enough for replicating the business into the new context and also because there were some non-technical related risks that Mr. B2C did not want to run. Therefore, he would have to close the negotiations at that moment without any future prospects.

Main actors-related factors that negatively impacted the negotiation between the three parties:

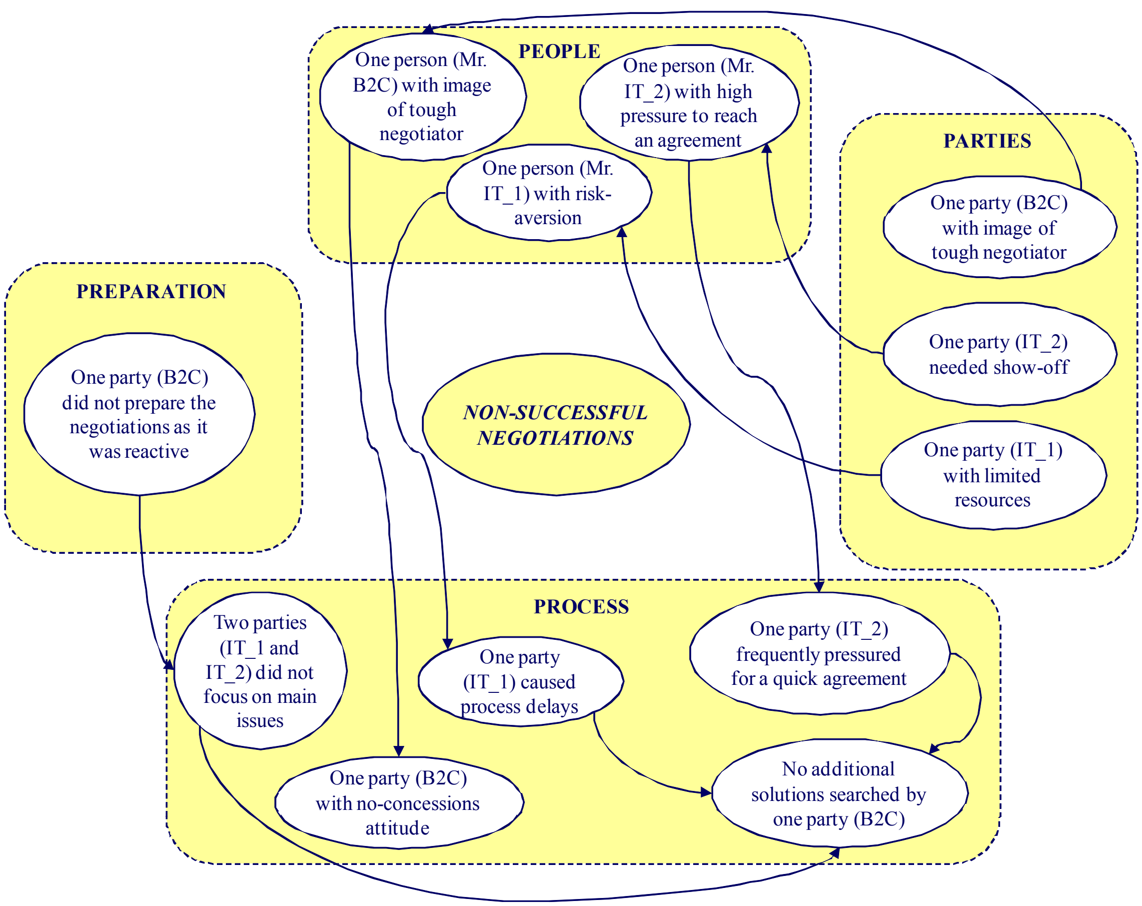

Figure 23. Case 10 interview cognitive map

Parties

- One party with image of tough negotiator: B2C was a company with an image in the market of tough negotiator;
- One party needed show-off: IT_2 was negotiating the sale of an equity stake to an investor on a confidential basis and therefore wanted to show off to that investor, and also to other

potential investors that could come up, providing an image of dynamic company with several large clients and interesting projects, like this one;

- One party with limited resources: IT_1 was a company with limited resources and therefore could not afford to invest significantly in projects.

People

- One person with risk-aversion: The fact that IT_1 had limited resources led Mr. IT_1 to be risk-averse during the negotiation as his company could not afford to lose much time and/or capital resources in a failed project;
- One person with high pressure to reach an agreement: As IT_2 was negotiating the sale of an equity stake to an investor and therefore wanted to show off to that investor, Mr. IT_2 was feeling pressured to reach an agreement as this project would be an important show-off tool for the potential investor;
- One person with image of tough negotiator: As an employee of B2C, Mr. B2C reflected his company's tough negotiator cultural value as he also had an image of tough negotiator.

Preparation

- One party did not prepare the negotiations as it was reactive: B2C did not prepare well the negotiations as it decided to be reactive to the other two parties' initiatives, questions and suggestions along most of the process, instead of preparing and anticipating in advance most of the issues.

Process

- Two parties did not focus on main issues: IT_2 and IT_1 only focused on technical issues and did not help solve the non-technical issues that were the more relevant for B2C to reach an agreement;
- One party with no-concessions attitude: Mr. B2c's image of tough negotiator led B2C to follow a more competitive approach and to take a no-concessions attitude in several issues including the platform exclusivity for an indeterminate period, the amount of costs the other parties said they would have to incur in;

- <u>One party caused process delays</u>: Due to Mr. IT_1's risk-aversion, IT_1 usually took too much time to make any decisions, scheduling new meetings to decide issues that sometimes could be decided on the spot, which delayed the process;
- <u>One party frequently pressured for a quick agreement</u>: Mr. IT_2's high pressure to reach an agreement led IT_2 to pressure IT_1 to make decisions for several times without success and also to pressure B2C to reach an agreement as he considered that the technical solution was extremely good;
- <u>No additional solutions searched by one party</u>: As IT_1 and IT_2 did not focus on the main issues, IT_1 delayed the process several times and IT_2 frequently pressured for a quick agreement led B2C to stop searching for new solutions and to end the negotiation process.

Case 11:

Interviewed: Mr. Vehicle

Date: September 15th, 2006

Negotiation focus: Sales Financing

Negotiation: Financing of additional vehicle dealer's sales through a financial company

Parties:

- Vehicle: a vehicle import company, represented by its commercial director Mr. Vehicle, thirty-three years old;
- Dealer: a dealer that sells Vehicle's products, represented by its managing partner Mr. Dealer, fifty-seven years old;
- Finance: a financial company, represented by its credit director Mr. Finance, thirty-four years old.

Situation:

Vehicle imported vehicles which were sold to final customers in Portugal exclusively through a network of dealers. Although Vehicle was responsible for all the marketing activities and sales efforts to dealers, Vehicle had to negotiate very frequently with Finance, since it sold all vehicles to dealers via this financial company.

In fact, Finance acquired the vehicles from Vehicle and invoiced them to dealers with zero percent interest rate financing for a certain period if it had financial guarantees from the dealers. Finance could also provide credit to end-customers who bought the vehicles.

Dealer is an exclusive medium-large vehicle dealer that had been having declining sales and increasing debts, mostly due to ownership succession problems. The majority-shareholder died and his nephew Mr. Dealer was the company's manager and also owner. However, he was becoming physically and mentally exhausted, having already committed his personal assets to help the company survive and save its employees jobs, while the deceased's daughter was taking succession issues to court and limiting the company's cash utilization. Dealer was located in a mid-size city, where most people were very worried about their privacy and potential gossips about themselves.

In end of June 2006, Dealer was contacted by a potential end-customer to whom it agreed to sell a specific vehicle that was not in stock. Dealer requested that vehicle to Vehicle, who in turn asked Finance to proceed with the sale. However, Dealer had a significant debt to Finance which was not fully guaranteed with collaterals. As a result, Finance denied the vehicle sale. Mr. Vehicle, who needed to sell two additional vehicles to reach his own monthly quota, and Mr. Dealer, who needed money desperately, contacted Mr. Finance, who had recently joined the company, in order to try to ensure that Dealer would take advantage of its «window of opportunity» of buying the vehicle while it still had a potential buyer interested in acquiring it.

Companies' interests:

Vehicle's interests:

- Manage its brand's image;
- Meet monthly vehicle sales quotas;
- Support and develop vehicle dealers' business.

Dealer's interests:

- Increase sales and margins;
- Have a relationship with Vehicle and Finance based on trust;
- Avoid new opportunities for competing dealers.

Finance's interests:

- Increase dealers' credit penetration;
- Increase final customers' credit business, mostly through dealers;
- Maintain a balanced risk portfolio.

Personal interests:

- Mr. Vehicle: to meet his monthly quota; to maintain a good relationship with Finance;

- Mr. Dealer: to earn enough money to help him solve his company's desperate situation and its shareholders' conflicts;
- Mr. Finance: to impress his superiors and to show his skills, as he had just joined the company.

Preparation:

The only person that was not well prepared was Mr. Finance, who did not get detailed information about the Dealer's situation, including the shareholders' conflicts issue. The others were well prepared, although the negotiation did not require a significant load of preparation work.

Negotiation process:

Dealer requested again the vehicle to Finance showing some concern about this situation. However, since Dealer had a significant debt to Finance which was not fully guaranteed with collaterals, Mr. Finance said it would look only into options that would clearly abide to the general procedures as he did not want to run any major risks.

First, Finance asked Dealer if the end-customer would be using credit from Finance, since in that situation Finance would have no Dealer's risk. However, the customer had already gotten credit from his bank and was not open to other alternative credit suppliers, even if their monthly installment would be lower. This was most probably due to the fact that the customer, in a small-city environment, was not interested in providing financial and personal information to a Dealer's commercial.

Then, Mr. Dealer asked Finance to try to think «out-of-the-box» in order to try to identify other solutions besides the more frequently-used ones. However, Mr. Finance continued to provide the most common solutions based on general guidelines with no signs of creativity.

Mr. Finance asked Mr. Dealer to pay with a personal banking check. The latter reacted desperately and harshly to the first's request saying that he did not have more personal money available since all his assets were already committed to helping the business survive. Mr. Finance reacted surprised because he was not aware of this situation.

In the meanwhile, Vehicle became absent from most of the interactions near the end of the process as it realized that this specific negotiation could hurt its relationship with Finance and create negative precedents.

As Vehicle did not pressure Finance, and as Dealer seemed desperate enough to make wrongful acts in its attempt to survive, Mr. Finance became seriously concerned, said he was not open to any other options and denied the vehicle sale.

Main actors-related factors that negatively impacted the negotiation between the three parties:

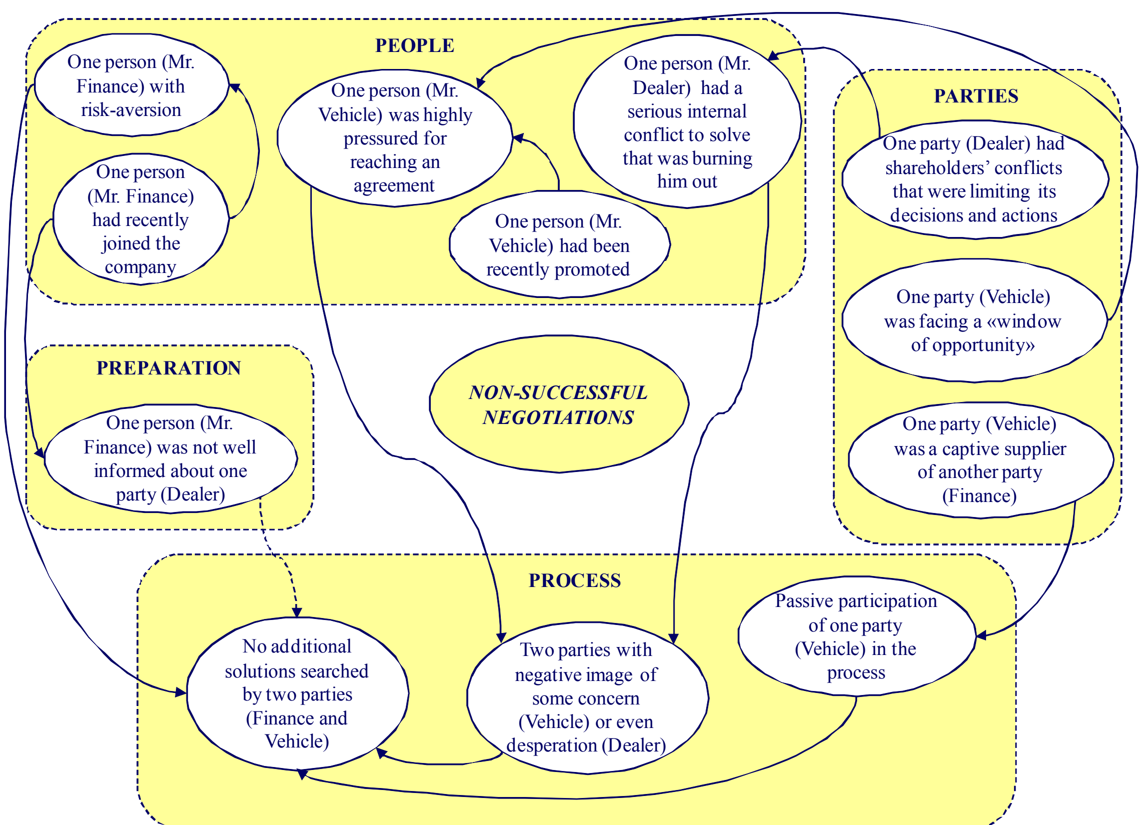

Figure 24. Case 11 interview cognitive map

Parties

- One party was a captive supplier of another party: Vehicle sold all its vehicles to Finance, who then sold them to dealers, and therefore Vehicle was a captive supplier of Vehicle, with recurrent business going on between the parties;

- One party was facing a «window of opportunity»: Vehicle needed two additional vehicle sales to manage to reach its monthly sales quota, which was a relevant target for Vehicle to meet;
- One party had shareholders' conflicts that were limiting its decisions and actions: Dealer was in the middle of a dispute for its shareholder's control, and the court had issued some measures that limited the company's financial resources utilization by its management.

People

- One person had a serious internal conflict to solve that was burning him out: As a result of the shareholders' conflict, Mr. Dealer was becoming highly stressed and tired since he was not being capable to grow the company and save its employees jobs;
- One person had been recently promoted: Mr. Vehicle got additional commercial responsibilities one month before and wanted to show that he could handle his new responsibilities;
- One person was highly pressured for reaching an agreement: Mr. Vehicle wanted to get his monthly bonus, besides wanting to impress his superiors and colleagues, and therefore wanted to sell two more vehicles in order to reach his monthly sales quota;
- One person had recently joined the company: Mr. Finance did not know well the company, his colleagues and the company's procedures as he had been recently hired;
- One person with risk-aversion: Since Mr. Finance was not yet secure in his new workplace, he did not want to take any major risks.

Preparation

- One person was not well informed about one party: Mr. Finance did not dedicate the required time to get detailed information on Dealer, partially because he was spending most of his time knowing as much as possible about the company and his responsibilities.

Process

- Two parties with negative image of some concern or even desperation: Due to its pressure to reaching an agreement, Vehicle was concerned with the negotiation; and Dealer was becoming desperate with its internal situation that needed to be solved;

- Passive participation of one party in the process: Vehicle was somewhat passive because it feared that its active intervention in the process could be seen as pressuring Finance in order to meet short-term goals in detriment of a strong long-lasting relationship with Finance;
- No additional solutions searched by two parties: Since Mr. Finance did not want to run any major risks, and taking into account the concern and desperation of both Vehicle and Dealer, he limited himself to following the main company's general guidelines with no creative thinking involved which; this, in addition to Vehicle's passive attitude, led both parties to stop looking for additional solutions.

<u>Case 12:</u>

<u>Interviewed</u>: Mrs. Media

<u>Date</u>: September 18th, 2006

<u>Negotiation focus</u>: Product Promotion and Sales
<u>Negotiation</u>: Promotion of a company's product via media and its distribution through a distributor company

<u>Parties:</u>

- <u>Media</u>: a large media company, represented by its marketing director Mrs. Media, forty years old;
- <u>Distribution</u>: a large distribution company, represented by its retail director Mrs. Distribution, thirty-five years old;
- <u>Commercial</u>: a small-medium commercial company, represented by one of its managing partners Mr. Commercial, forty-four years old.

<u>Situation:</u>

Commercial was a company with very limited financial resources and therefore with low-capacity to run significant risks. On mid-2005, it decided to try to sell forty-thousand units of one of its products using a media group to heavily promote those sales in exchange for a commission. However, due to the product's size and weight, Commercial realized that it should try to also involve a distribution company as one of the three main parties which would be responsible for the products delivery and maybe also their promotion.

Commercial identified Distribution and Media as the best potential partners and decided to contact them. Media had already gone though similar experiences although they did not work out as initially planned.

Companies' interests:

Media's interests:

- Increase revenues from media's complementary businesses with low risk;
- Correct mistakes from previous similar experiences;
- Deepen relationship with Distribution.

Distribution's interests:

- Demonstrate it could leverage profitably some of its assets;
- Increase revenues from complementary businesses with low risk;
- Deepen relationship with Media.

Commercial's interests:

- Enter a new business;
- Get notoriety in the market;
- Develop relationship with Distribution.

Personal interests:

- Mrs. Media: to become responsible for direct revenues generation, since she only generates direct costs to the company via her marketing activities;
- Mrs. Distribution: to improve her image among her superiors and company's board;
- Mr. Commercial: to impress his partners with a highly notorious project; other interests were similar to the company's interests.

Preparation:

Commercial did not prepare a formal presentation to the other two parties describing the idea and the main guidelines about each party's required inputs and potential benefits.

Mrs. Distribution decided to allocate resources and to ask for board's permission to negotiate this proposal without confirming previously what the project's business model was.

Negotiation process:

Mr. Commercial set up the initial contacts. First, it contacted Mrs. Media, who was somewhat skeptical about the project's success, especially taking into account Commercial's limited financial resources and her previous negative experiences. However, Mrs. Media said she agreed in general with the project's idea.

Then, Mr. Commercial contacted Distribution and later informed Mrs. Media that the project could go ahead. For approximately two weeks Mr. Commercial made a few contacts about some project's implementation details with each of the other two parties independently, never joining the three parties in the same location at the same time. Mrs. Media never looked very active and interested in the process limiting herself to the minimum effort required.

Mr. Commercial only set up a meeting with the three parties together when he realized he needed to have all parties in the same meeting to try to finish the project's operational plan. In the beginning of that meeting, Mrs. Distribution soon realized that, against her expectations, Commercial was counting on Distribution to bear the project's risk by acquiring the forty-thousand units to Commercial at the outset before their sales effort had even started.

The sales would be leveraged by the promotional work to be developed by Media, in return for a commission, and by Commercial, besides Distributor's efforts to sell the products and earn its sales margin.

Mrs. Distribution reacted very negatively, saying that she had never understood Commercial's proposal as placing the project's risk on Distribution. On the other hand, she had only accepted to negotiate because she had assumed her company would get a commission per each item sold without any risk. At that moment, both Mrs. Distribution and Mrs. Media lost their confidence on Commercial.

Mr. Commercial reacted saying that his company would do a very strong effort to sell all the units, trying to minimize Distribution's risk, but without any formal commitment. Mrs. Distribution said that she did not want to go to her superior saying that she had misunderstood the initial proposal. Since she did not have decision power in most of the items to be discussed, she could not accept any other solutions otherwise she would have to tell everything to her superior.

This situation and Mrs. Media's passive attitude during the final meeting led to the end of the negotiations after a few minutes.

Main actors-related factors that negatively impacted the negotiation between the three parties:

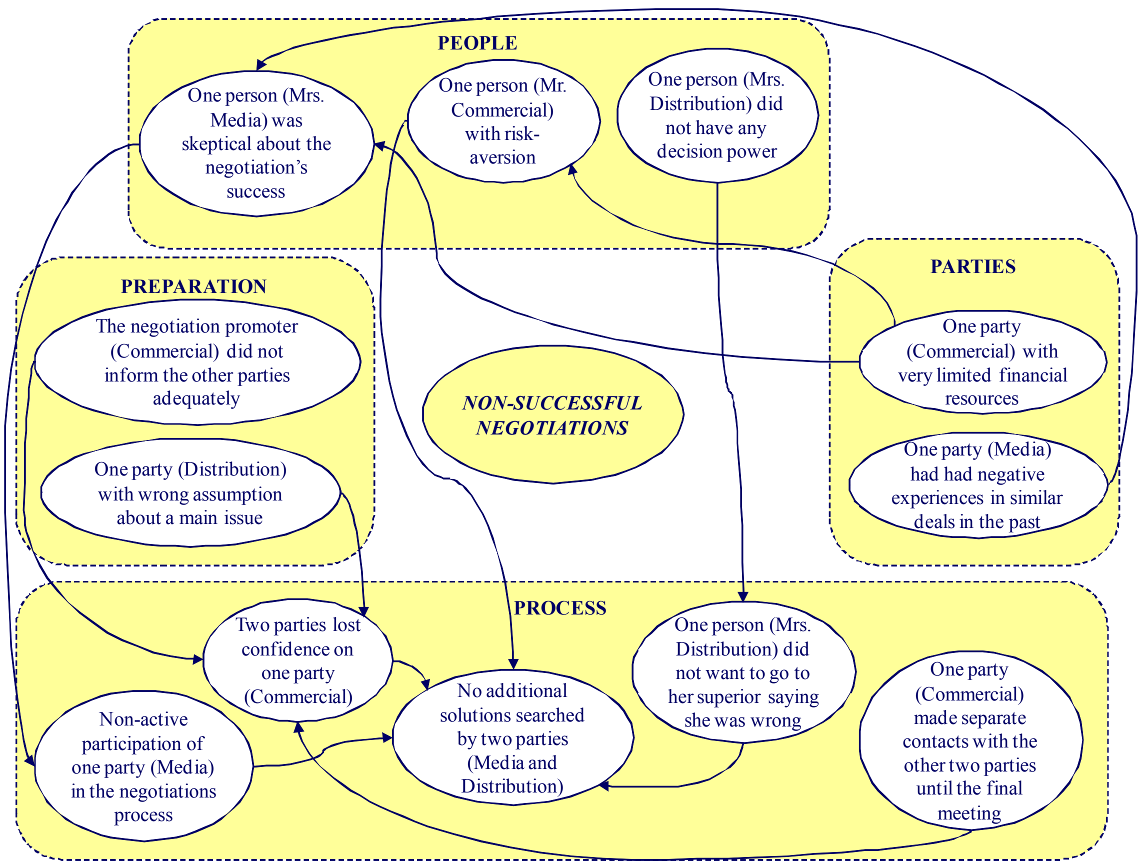

Figure 25. Case 12 interview cognitive map

Parties

- One party had had negative experiences in similar deals in the past: Media had already been involved in similar projects and the outcome of most of the projects had been negative;

- One party with very limited financial resources: Commercial did not have financial backing for any major project.

People

- One person was skeptical about the negotiation's success: Taking into account Commercial's lack of capital and Media's previous negative experiences, Mrs. Media believed that the probability of success in this negotiation was low;
- One person did not have any decision power: Mrs. Distribution could not take any major decisions at the negotiations table since she had to confirm all main conclusions with her superior;
- One person with risk aversion: As Commercial did not have much capital, and Mr. Commercial was Commercial's owner, he did not want to get involved in projects with a significant amount of capital at risk as he could lead the company to bankruptcy in case of the projects' failure.

Preparation

- The negotiation's promoter did not inform the other parties adequately: Commercial did not provide details on the project briefing it provided the other two parties in order to entice them for the negotiation;
- One party with wrong assumption about a main issue: Distribution accepted negotiating this project without enquiring previously Commercial about the costs and revenues sharing model, which was a project's key issue.

Process

- One party made separate contacts with the other two parties until the final meeting: Commercial negotiated separately with Media and Distribution until the expected final meeting scheduled to set up the detailed operational plan;
- Two parties lost confidence on one party: Distribution and Media lost confidence on Commercial when they both suddenly realized that the latter had not informed Distribution that it was supposed to assume the project's risk; this was due to both the weak briefing given by Commercial and also due to the Commercial's strategy of contacting the two parties separately until near the end of the process;

- Non-active participation of one party in the negotiation process: Taking into account that Ms. Media was skeptical about the project's success, Media did not participate actively in the process although it responded to all enquiries/tasks that had been allocated to it;
- One person did not want to go to her superior saying she was wrong: Mrs. Distribution would have to go to her superior in case the negotiation proceeded because she did not have decision power, but that would lead her to recognize her mistake on the information previously given to her superior, which she did not want to do;
- No additional solutions searched by two parties: Due to the three previous points, there was no interest from Media and Distributor to look into any further options.

<u>Case 13:</u>

<u>Interviewed</u>: Mr. Advertiser and Mr. AdAgency

<u>Date</u>: September 21st and September 22nd, 2006

<u>Negotiation focus</u>: Participation in Promotional Event

<u>Negotiation</u>: Promotion of a new product in a set of events targeting teenagers

<u>Parties:</u>

- <u>Advertiser</u>: a large company, represented by its marketing director Mr. Advertiser, thirty-six years old;
- <u>Promoter</u>: an events-management company, represented by its main partner Mr. Promoter, forty years old;
- <u>AdAgency</u>: an advertising agency company, represented by its senior account manager Mr. AdAgency, thirty-five years old.

<u>Situation:</u>

In the summer of 2006, Promoter was preparing to launch a set of five large-scale events targeting mostly youngsters between fifteen and twenty-five years old. Promoter wanted to get sponsors for its events. The sponsorships were given on an exclusivity basis to one player in each of a different set of activity-sectors (for example, one bank, one telecom company, one beer company, among others). As there are no stocks of events, the sponsoring opportunities have a deadline after which they disappear. Besides managing events, Promoter also owned a few media.

AdAgency developed campaigns for Advertiser and also bought media advertising space from Promoter.

Advertiser was about to launch a new product targeting mostly youngsters between fifteen and twenty-five years old. Advertiser asked AdAgency to propose a media plan for the ad campaign. AdAgency suggested Advertiser to be one activity-sector sponsor for the above-mentioned five events. However, AdAgency did not manage to get Advertiser's attention to its sponsorship suggestion for several weeks.

Companies' interests:

Advertiser's interests:

- Launch new product successfully;
- Increase its visibility in the fifteen to twenty-five years old target segment;
- Increase its connection with the events-related businesses.

Promoter' interests:

- Get more notoriety;
- Grow its businesses inside Advertiser's group;
- Leverage its events for additional revenues.

AdAgency's interests:

- Change image of traditional media plans provider;
- Increase Advertiser's marketing budget allocated to AdAgency;
- Develop further relationship with Promoter.

Personal interests:

- Mr. Advertiser: to learn as much as possible from this new experience; to be seen as innovative inside the company;
- Mr. Promoter: to avoid getting the image of failure in the market;
- Mr. AdAgency: to deepen the relationship with a person with a very strong contacts network like Mr. Promoter.

Preparation:

AdAgency did not manage to describe this opportunity as interesting enough to immediately capture Advertiser's attention. As a result, Advertiser took approximately one and a half months before deciding to analyze this negotiation situation.

Negotiation process:

After one month and a half of AdAgency's alerts for this sponsorship opportunity, Advertiser realized that sponsoring the events would be a new experience and it could be a valuable promotion for its new product. Advertiser asked AdAgency to set up a meeting with the three parties.

The first and most relevant of the events was going to take place in two weeks and Advertiser was more interested in sponsoring the set of five events if it included this first one. Promoter had had a conflict with Advertiser's main competitor, who used to sponsor its events, and did not have any other sponsor interested in those events two weeks before their starting due date. AdAgency would have to play a relevant role of integrating the events in the overall new product campaign.

In the first meeting, Mr. Promoter made several valuable suggestions on initiatives that Advertiser could do with and during the events. Mr. Advertiser said he would like to analyze further the options and that he would give Promoter a proposal in a week. Mr. Promoter replied that it was acceptable and did not put any pressure on Advertiser to get the proposal any time sooner. AdAgency was passive during the meeting.

Advertiser spent a very significant amount of time and resources preparing a very detailed proposal to sponsor the five events, with request for several initiatives during the events. This work was coordinated with AdAgency, who was the only entity that could include this events' sponsorship within the overall campaign. However, on the due date, Advertiser realized that it did not have enough time to be adequately present as sponsor of the first and most valuable event.

Although both Promoter and AdAgency believed the deal could still be made, because there were still four events that could be sponsored, Advertiser declined the request to look for additional scenarios and decided not to go forward with the process.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

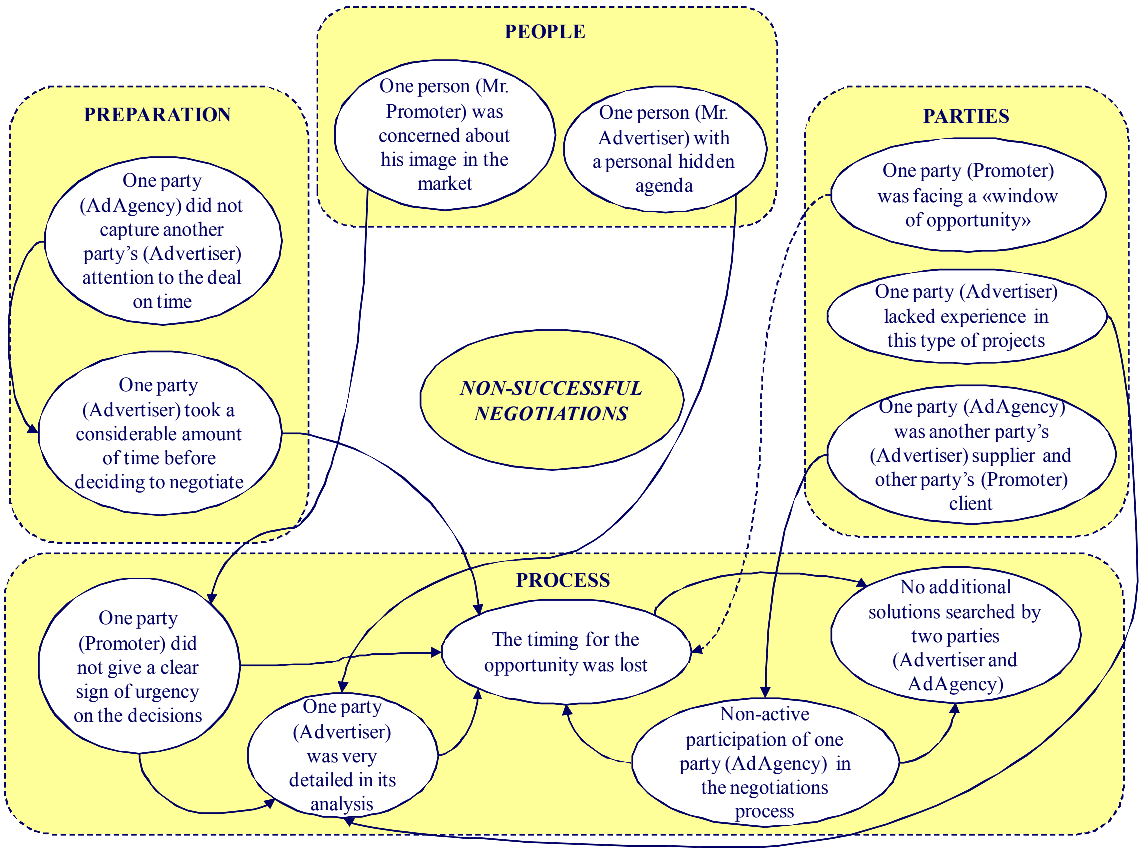

Figure 26. Case 13 interview cognitive map

Parties

- <u>One party was another party's supplier and other party's client</u>: AdAgency was Advertiser's supplier and Promoter's client, placing AdAgency in a delicate position as he wanted to keep a solid relationship with both in the future;
- <u>One party lacked experience in this type of projects</u>: Advertiser had never participated in sponsoring these kind of events and could learn significantly from it;
- <u>One party was facing a «window of opportunity»</u>: Promoter was going to launch the first and most relevant event in the short term and had not been able to get a sponsor up to then. This was aggravated by the fact that several similar events had occurred during the year and that Promoter had had a conflict with Advertiser's main competitor, who used to

sponsor its events. As the first event out of the five was the most relevant, the timing pressure was even larger.

People

- One person was concerned about his image in the market: Mr. Promoter had an image of well-known person in the society and did not want to show any signs of weakness or of a desperate need of any support;
- One person with a personal hidden agenda: Mr. Advertiser had a personal interest in learning from the project under negotiation as he wanted to learn from different initiatives, to break from the daily routine and the usual advertising and promotional campaigns.

Preparation

- One party did not capture another party's attention to the deal on time: AdAgency's presentation of the opportunity was not compelling enough in order to attract Advertiser's attention to the promotion's potential value;
- One party took a considerable amount of time before deciding to negotiate: As a result of AdAgency's weakly compelling presentation, Advertiser took approximately one and a half months before deciding to go forward with the negotiation.

Process

- One party did not give a clear sign of urgency on the decisions: Since Mr. Promoter did not want to give any signs of weakness, he did not emphasized to the other parties the need for urgent action;
- One party was very detailed in its analysis: As Advertiser did not have experience on this kind of project, and Mr. Advertiser wanted to learn from this experience, the company spent a significant amount of time in analyzing the situation and developing a proposal;
- Non-active participation of one party in the negotiation process: AdAgency did not have an active participation in the process and did not try to «push the negotiation forward», especially due to the fact that Advertising was a large client and also, at a minor scale, that Promoter was a supplier;
- The timing for the opportunity was lost: There was not much pressure on a quick decision due to the three above points and to the long time Advertiser took to decide starting to

negotiate, which delayed the process and did not allow time for sponsoring the first and most relevant event;

- No additional solutions searched by two parties: Advertiser wanted to be present in the first event but the timing for that was lost which, together with AdAgency's passiveness, led to a situation in which Advertiser and AdAgency did not look for additional solutions.

Case 14:

Interviewed: Mr. Distributor

Date: September 22nd, 2006

Negotiation focus: Creation of a new company
Negotiation: Creation of a new distribution company with three partners

Parties:

- Distribution: a small food distribution company, represented by its CEO Mr. Distribution, forty years old;
- Producer_A: a large agricultural products company, represented by its owner Mr. Producer_A, fifty years old;
- Producer_B: a large agricultural products company, represented by its general director Mr. Producer_B, forty-one years old.

Situation:

In the beginning of 2005, an internationally-imposed restructuring forced the Portuguese subsidiary of a well-know multinational to replace its CEO, Mr. Distributor. When he left his market-recognized job, Mr. Distributor decided to create a small food distribution company.

In December 2005, Mr. Distribution found out that a large company called Company X needed a new distributor for its agricultural branded products, since the distributor it was working with at the moment was going to close in four months. Distribution thought this would be an excellent opportunity to create a new mid-size company for distribution of specific agricultural branded products, which would be larger than Distribution itself, as the new company would start working already with a reasonable revenues size. However, Distribution believed that it would need strong partners to provide the market recognition required to become distributor of Company X's products.

In this market, distributors usually commercialized products from several producers at the same time. In the previous years, there had been a general tendency for agricultural producers to invest in distributors, in order to first get a better know-how of the distribution channels and its competitors, and second to grab part of the distributor's margins.

Taking these two points into account, Distribution considered that the best way to create a new company that could ensure the distribution of Company X's products would be through a partnership with large producers, as these would give the new company recognition and a solid image. There should be more than just one producer as partners in order to give the new company a clear independent image. Otherwise, partnering with just one producer could give the company an image of distributor arm of that producer.

Distribution decided to contact two companies that were planning to get a new distributor for their products and that were from two different geographical regions. In fact, it contacted Producer_A that was beginning to think about working with another distributor, and Producer_B that was thinking about working with a distributor, at least in one business unit it had acquired six months earlier. Producer_A was a ten million Euros revenues company with declining sales, owned and managed by a very busy entrepreneur focused on daily activities with no clear strategic vision. Producer_B was a twenty million Euros revenues company with products from another geographical region, with a professional management team with multinational working experience.

<u>Companies' interests:</u>

Distribution's interests:

- Participate actively in a new medium-size company with high growth potential;
- Get market notoriety;
- Attract young talents.

Producer_A's interests:

- Know the market better;
- Revert its declining sales;
- Work with a better distributor.

Producer_B's interests:

- Know the market better;
- Improve its innovative image;
- Work with a better distributor.

Personal interests:

- Mr. Distribution: to become recognized in the market again;
- Mr. Producer_A: similar to the company's interests;
- Mr. Producer_B: to show his shareholders that he can grow significantly their business.

Preparation:

Distribution prepared a detailed project business plan to the other parties in a PowerPoint format, with a very technical perspective and jargon, similar to the documents produced by large multinational companies. Mr. Producer_A did not analyze carefully the project and did not try to understand its technicalities and potential impacts. Mr. Producer_B analyzed the project very carefully and understood it as he was used to reading documents similar to this one in his previous work at a multinational company.

Negotiation process:

Distribution started meeting separately with the other two parties in order to get their initial feedback, in what regards comments to the business plan presented and also their potential interest in investing.

After two weeks, Distribution managed to set up a meeting with the three parties. However, on the day of the meeting, Mr. Producer_A called Mr. Distribution to let him know that he could not attend it. During the whole process, there were three more attempts to set up a meeting with all parties but it was never successful, only due to Mr. Producer_A's unavailability to meet personally on those occasions.

Mr. Distribution had to contact both parties separately, becoming the connection point of the three parties' interests and positions. Mr. Distribution talked and met more often with Mr. Producer_B, as the latter had more availability, used the same jargon and provided more valuable inputs to the project. Mr. Distribution talked and met less often with Mr. Producer_A, not only for the opposite reasons but also due to the fact that the first had the impression that the latter did not understand most of the ideas presented.

The only inputs coming from Mr. Producer_A were related with his concerns about project's risks and financial resources required, and he continuously questioned data and assumptions, delaying the process. This fact, together with his unavailability for meetings, made Producer_B very suspicious of Producer_A's real interest and commitment to the project.

Another aspect that delayed the process was the initial quick acceptance of some issues by Mr. Producer_B that were later rejected by him. These changes of opinion were due to an initial lack of analysis due to the urgency of the process. However, since all the work was being developed based upon assumptions that were being defined by the parties, the rejection of some of the previously accepted assumptions broke some of the pillars that sustained the project. As a result, most of what had been previously agreed had to be discussed again, which delayed the process even more.

All the delays led to a loss of the adequate timing to become Company X's distributor, as Company X got another distributor. When the parties found out that they had lost this opportunity, the project fell apart and the negotiations ended at that moment.

Main actors-related factors that negatively impacted the negotiation between the three parties:

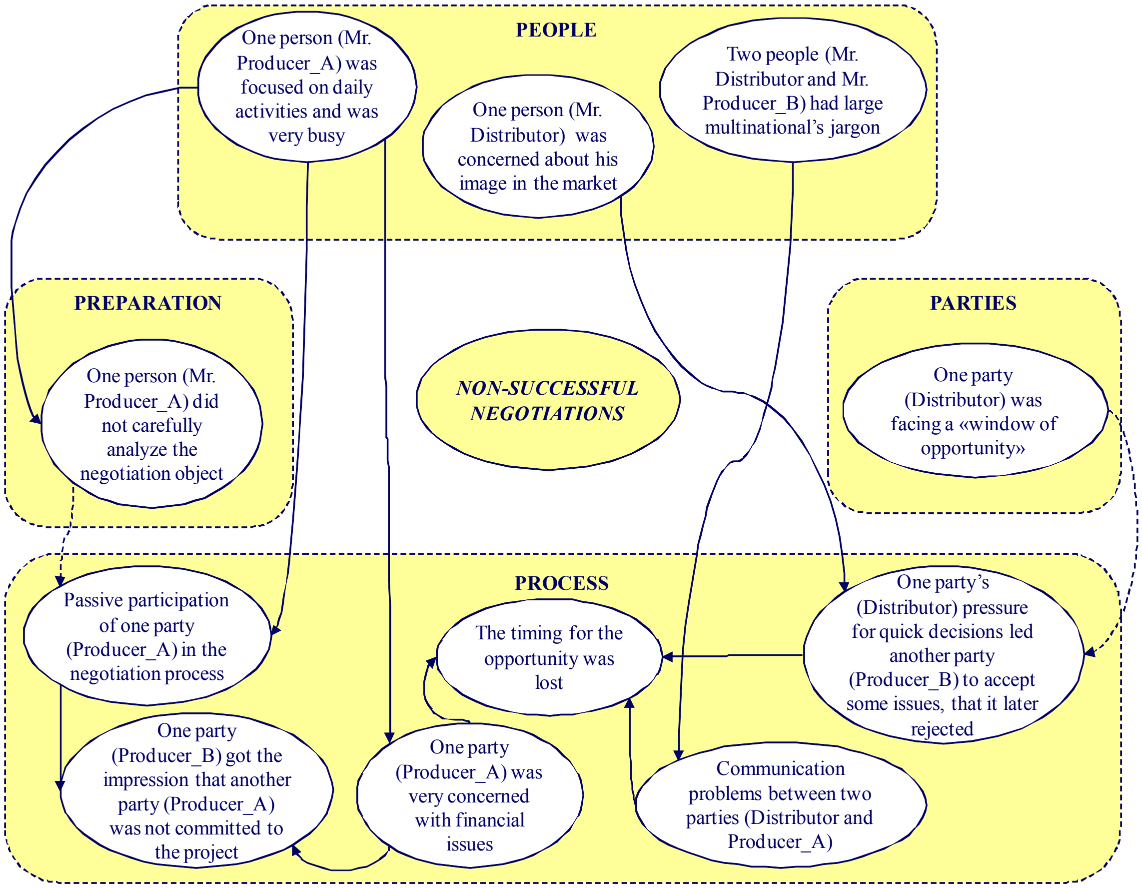

Figure 27. Case 14 interview cognitive map

Parties

- One party was facing a «window of opportunity»: Distributor aimed to grow significantly its small company and found out a temporary opportunity to create a mid-size company.

People

- Two people had large multinational's jargon: Mr. Distributor and Mr. Producer_B had previously worked in large multinationals and used the same kind of language, presentation documents and business analysis methodologies;
- One person was concerned about his image in the market: Mr. Distributor had had the usual notoriety and recognition of a CEO of a Portuguese office of a large multinational

up to almost one year before, which he now wanted to recover, at least partially, so that he would become recognized in the market again;

- <u>One person was focused on daily activities and was very busy</u>: Mr. Producer_A spent most of his time in operational tasks and almost never found the time to think about strategic issues relevant to his company.

Preparation

- <u>One person did not carefully analyze the negotiation object</u>: Due to Mr. Producer_A's focus on daily activities and lack of availability, he did not look into the project with the required attention and interest.

Process

- <u>Communication problems between two parties</u>: Mr. Distributor, the project's promoter, communicated his ideas using his large multinational's jargon, with a language and format that was not clearly understood by Producer_A;
- <u>Passive participation of one party in the negotiation process</u>: Mr. Producer_A never found the time to meet simultaneously with the other two parties;
- <u>One party was very concerned with financial issues</u>: Producer_A's only inputs were related with his concerns about financial resources required and risks, continuously questioning data and assumptions, which delayed the process;
- <u>One party got the impression that another party was not committed to the project</u>: Taking into account that Producer_A was delaying the process with continuous enquiries only about financial data and assumptions, and that it never found the time to meet with Producer_B, the latter assumed that the first was not interested in the project;
- <u>One party's pressure for quick decisions led another party to accept some issues, that it later rejected:</u> Distributor's urgency in taking advantage of this opportunity and Mr. Distributor's eagerness to improve his image in the market led Producer_B to agree with some decisions along the negotiation process, without analyzing them carefully, that it later disagreed with, delaying the process;
- <u>The timing for the opportunity was lost</u>: The communication problems, Producer_A's enquiries and Producer_B's opinion changes led to process delays which made the parties lose the opportunity to obtain Company X's distribution responsibility and therefore failed to get the planned key advantage to create a new company.

<u>Case 15:</u>

<u>Interviewed</u>: Mr. IT_1

<u>Date</u>: September 26th, 2006

<u>Negotiation focus</u>: Project set-up

<u>Negotiation</u>: Set up of a project by two companies for a company's mainframe outsourcing

<u>Parties:</u>

- <u>Finance</u>: a multinational financial services company, represented by its general director Mr. Finance, sixty years old;
- <u>IT_1</u>: an IT company, represented by its consulting commercial director Mr. IT_1, forty years old;
- <u>IT_2</u>: an IT company, represented by its commercial director Mr. IT_2, forty-five years old.

<u>Situation:</u>

On September 2006, Mr. Finance found out that his company's mainframe infra-structure could be moved from Portugal to Germany or Spain, taking some power away from him. Although he was reaching his retirement age, he wanted to stay in the company for several more years and therefore he was worried with this potential loss of power. As a result, he decided to try to develop a project for the mainframe infra-structure outsourcing in Portugal.

Although Finance did not have any know-how on these issues and it decided not to get any external consultancy on this project, at least it got well informed about whom to contact. It contacted IT_1 and IT_2 to try to help it maintain the mainframe infra-structure in Portugal, as they were the only two entities that could do it working together as a team, because their combined know-how at the moment was almost sufficient to do the entire project. However, there was a part of the project where they did not have a solid know-how. This project could be very relevant for both parties as it would allow both to get deeper into a new business area.

IT_1 was a commercial IT services company with several customers in different areas of expertise. IT_2 already had experience in companies' mainframe outsourcing but with a lower critical level than the one required by Finance. It had experience of almost only providing this kind of services to its only shareholder, and as a result it was not used to dealing and serving external clients.

Finance requested a proposal from both parties and a meeting to analyze and discuss it.

Companies' interests:

Finance's interests:

- Reduce costs;
- Decrease or maintain risks;
- Acquire outsourcing experience and know-how.

IT_1's interests:

- Increase its business volume in its client Finance;
- Develop a new business area;
- Leverage existing infra-structures.

IT_2's interests:

- Develop a new business area;
- Acquire experience in external clients projects;
- Get a reference client.

Personal interests:

- Mr. Finance: to avoid risks and try to keep his power as he wanted to continue working for several more years;
- Mr. IT_1: to be seen as the person who developed this new business area;
- Mr. IT_2: to be recognized by the shareholder as a key person to get external clients.

Preparation:

IT_1 and IT_2 worked significantly in order to develop a high-quality proposal to kick-off the negotiation process. Both used a significant amount of resources to work on the proposal especially in the few areas where none of the parties had a solid know-how. The proposal took much longer than expected and was extremely detailed especially in the above-mentioned areas where the parties had less know-how.

Negotiation process:

Finance told the two companies that its main goal was to reduce the mainframe infra-structure's costs without increasing its risk and that outsourcing could be the solution. It also mentioned what was the minimum cost reduction it wanted assuming risk would not increase.

On the interactions between the parties, Finance was frequently showing its concern about the solution's risk, while IT_2 was very rigid regarding new approaches and solutions, as it continuously used standard ways of thinking and executing. These two factors limited the innovation and the search for other solutions. IT_1 tried several times to make IT_2 more flexible and open to other perspectives, but it didn't succeed.

Due to the huge preparation work and efforts, both IT_1 and IT_2 had created high expectations and were anxious about the negotiations outcome. They continued to detail the areas where Finance showed more concern during the meetings and contacts with them. But as they had the feeling that they were not being able to reduce Finance's risk concern, they insisted on detailing even more those areas of concern.

However, this had the opposite effect as it made Finance even more concerned. In fact, Finance assumed as a sign of lack of know-how the fact that the other two parties were trying to offset their lack of innovation and new solutions with an increasingly amount of detail provided on the areas of concern.

This overall context, led Finance to have several hesitations regarding if and how the project should proceed. These hesitations became clear to the other parties at some points in time during the negotiation.

Two weeks after their last meeting, Finance found out that the mainframe infra-structure would not go abroad as initially expected. This information led to a change of tone and demanding attitude from Finance as Finance's main project driver became strong costs-reduction instead of the initial driver of keeping the mainframe infra-structure in Portugal. In fact, that same day Finance contacted both parties mentioning that it wanted to derive even more cost-savings from the project than the cost-savings value initially aimed by itself.

This argument led to mistrust from the other parties in Finance's real interest in going forward with this project. The other two parties realized it would be impossible to meet Finance's new demands and two weeks later informed Finance that they had stopped looking for further solution alternatives and therefore ended the negotiation process.

Main actors-related factors that negatively impacted the negotiation between the three parties:

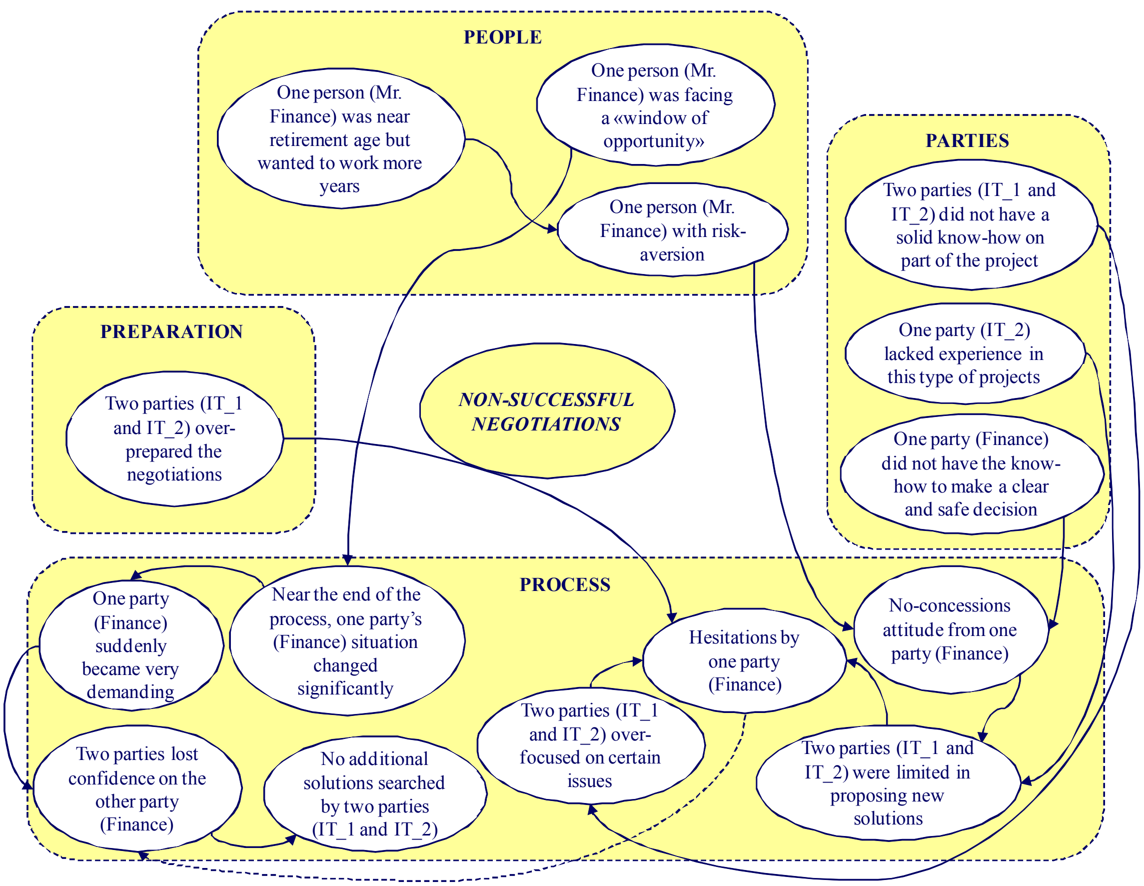

Figure 28. Case 15 interview cognitive map

Parties

- <u>One party lacked experience in this type of projects</u>: IT_2 had worked mostly to its previous shareholder and did not have the experience of having to acquire and managing an external customer who is not captive;
- <u>Two parties did not have a solid know-how on part of the project</u>: IT_1 and IT_2 had a strong know-how on the vast majority of the project but also had some lack of know-how and experience in certain project areas;
- <u>One party did not have the know-how to make a clear and safe decision</u>: Finance was aware that it did not have the full knowledge to decide what could be best for the company.

People

- <u>One person was near retirement age but wanted to work more years</u>: Mr. Finance felt that he could continue working in the company for several more years, although he was reaching his retirement age;
- <u>One person with risk-aversion</u>: Mr. Finance did not want to take significant risks in order to avoid creating any issues that would deny him the possibility of extending his work life beyond retirement age at his company;
- <u>One person was facing a «window of opportunity»</u>: Mr. Finance believed that the probable short-term moving of the company's mainframe infra-structure abroad would take some power away from him and therefore he wanted to avoid that possibility.

Preparation

- <u>Two parties over-prepared the negotiations</u>: IT_1 and IT_2 worked extremely hard on the proposal to Finance and as a result created too much expectations and anxiety about the project's success.

Process

- <u>No-concessions attitude from one party</u>: As Finance did not have the know-how to make a clear and safe decision and as Mr. Finance did not want to risk the possibility of extending his working life at the company, Finance did not make concessions on any major issues that could increase the solution's risk;

- Two parties were limited in proposing new solutions: Since Finance was not open to many options due to the fear of risk increases and as IT_2 was not open to different solutions from the standard, IT_1 and IT_2 felt limited in the scope of the approaches, methodologies and solutions to propose;
- Two parties over-focused on certain issues: As IT_1 and IT_2 did not have a solid know-how on a part of the project, they decided to work very hard and to be very detailed on the parts of the proposal that focused on their weakest knowledge areas;
- Hesitations by one party: As IT_1 and IT_2 did not show innovative risk-reducing approaches, methodologies and/or solutions; as they became too anxious after over-preparing the negotiations; and as they over-worked and over-focused on certain issues, they were not capable of reducing Finance's main concern with the project's outcome. This overall context, led Finance to have several hesitations regarding if and how the project should proceed;
- One party's situation changed significantly near the end of the process: At a certain moment in time the situation was altered when Finance found out that the company's mainframe infra-structure was going to remain in Portugal;
- One party suddenly became very demanding: As Finance's mainframe infra-structure was going to stay in Portugal, it became more demanding with the other parties and mainly focused on cost-reductions, asking them for further cost-savings than the ones originally set by itself;
- Two parties lost confidence on the other party: when Finance suddenly became very demanding, the other parties lost confidence on Finance as they doubted of its real interest in going forward with this project;
- No additional solutions searched by two parties: As IT_1 and IT_2 lost their confidence on Finance, they decided to end the negotiation process.

<u>Case 16:</u>

<u>Interviewed</u>: Mr. Retailer

<u>Date</u>: September 28th, 2006

<u>Negotiation focus</u>: Cross-Promotion Development
<u>Negotiation</u>: Development of a cross-promotion between two companies' products in a retailer chain

<u>Parties:</u>

- <u>Retailer</u>: a retailer chain company, represented by its IT category manager Mr. Retailer, thirty-three years old;
- <u>IT</u>: a large IT company, represented by its key account Mr. IT, thirty-five years old;
- <u>NewService</u>: a small and recent business unit belonging to a large communications services company, represented by its key account Mr. NewService, thirty-three years old.

<u>Situation:</u>

In mid-2005, NewService had recently launched a new product and wanted to promote it in order to increase its product's visibility in the market. Retailer had a large chain of retail stores and had a strong culture of cost-minimization and negotiation toughness. NewService decided to contact Retailer to make an exclusive short-duration in-store promotion that would imply occupying part of the stores' area with a stand and a stock of products. The latter said it would charge the first the regular rate for first-time customers. NewService said that it did not want to pay anything because it was a new product and it could not afford the cost. However, it would include Retailer's name on the promotional material it was going to develop. Retailer did not accept it.

Approximately three months later, the large Retailer's supplier IT set up a meeting with Retailer to discuss a promotion of one IT product. It consisted on an exclusive promotion offering a certain number of free hours of NewService's usage to every buyer of its IT product for one month. On one hand, IT would pay the promotional material and maintain its product's price during the promotional period. On the other hand, NewService would place an employee in the store to support the potential customers and get their personal data form filled-in which was a requirement to get the free hours of usage. NewService had been the idea promoter who had contacted IT. NewService was an interesting potential partner for IT as their products were partially complementary and they targeted the same market segment.

Companies' interests:

Retailer's interests:

- Differentiate itself from competitors in terms of promotions with top brands;
- Leverage available areas in the stores;
- Increase its innovation image.

IT's interests:

- Differentiate itself from competitors;
- Give a boost to its slightly declining sales;
- Associate its brand to new products and services.

NewService's interests:

- Promote its new service;
- Acquire a database of potential clients;
- Associate its service to a top IT brand.

Personal interests:

- Mr. Retailer: to maintain its tough negotiator image and coherence in his speech;
- Mr. IT: to be seen by the company's board as promoter of a reference project;
- Mr. NewService: to be responsible for a successful launch of a new business unit in its company.

Preparation:

On the overall, the parties were reasonably prepared. However, NewService did not think in detail about the operational implementation of several tasks it would like to perform in the stores, like, for example, the way it would explain the service and the process to get personal data from the IT product's buyers.

<u>Negotiation process:</u>

The first meeting took place between IT and Retailer. After the brief description of the idea, Retailer asked for exclusivity but IT said that it was not possible. It was even going to do institutional advertising of the promotion and therefore needed to be present in several retailer store chains.

Retailer mentioned that NewService had contacted them before and had already gotten a pricing rate for the promotion. Although IT could get a lower rate usually given to large suppliers on other situations, in this case the rate charged was going to be the same as the one provided to NewService in its first contact. IT said that it was too expensive and that it was going to ask NewService to pay part of the cost.

As IT did not manage to get NewService to pay Retailer part of the promotion cost, the first decided to set up a meeting with the three parties. On that meeting, NewService's lack of preparation became clear for the other parties, which led to an immediate lack of motivation in the process by Retailer, since NewService was the negotiation's initial promoter.

In addition, both NewService and Retailer «anchored» on their positions presented three months ago, with the same price asked by the latter and with the first restating that it would not pay anything. Then, Retailer said that it did not want to spend much time with this negotiation and suggested that IT would pay the difference between the rate asked and the rate that IT would normally get as a large supplier. NewService said that it would not pay anything. Mr. NewService adopted a posture of a very powerful person since his company was owned by a large holding company. On the other hand, Mr. IT took a very passive posture, which led the other two parties to assume that it agreed with paying the large supplier rate.

One week later, the three parties met again and NewService re-confirmed that it did not want to pay anything. IT said that it wanted to pay less than the large supplier rate because it was going to have additional costs with this promotion. Retailer kept his initial no-concessions attitude and did not want to accept any of these rates because they could create precedents in the commercial relationship between the parties. In addition, Retailer had an opportunity cost as it could most probably get other companies to pay the same rate for other promotions during that period. Based on these assumptions, Retailer said that the time was running out and that the other parties had two days to accept the rate requested by it, or Retailer would run out of time to still have the opportunity to rent the promotional area to another company.

After two days, no new offers were made by any of the parties and the timing for the opportunity was lost. As a result, the negotiations ended with an email note sent by Retailer to the other two parties finishing the process.

Main actors-related factors that negatively impacted the negotiation between the three parties:

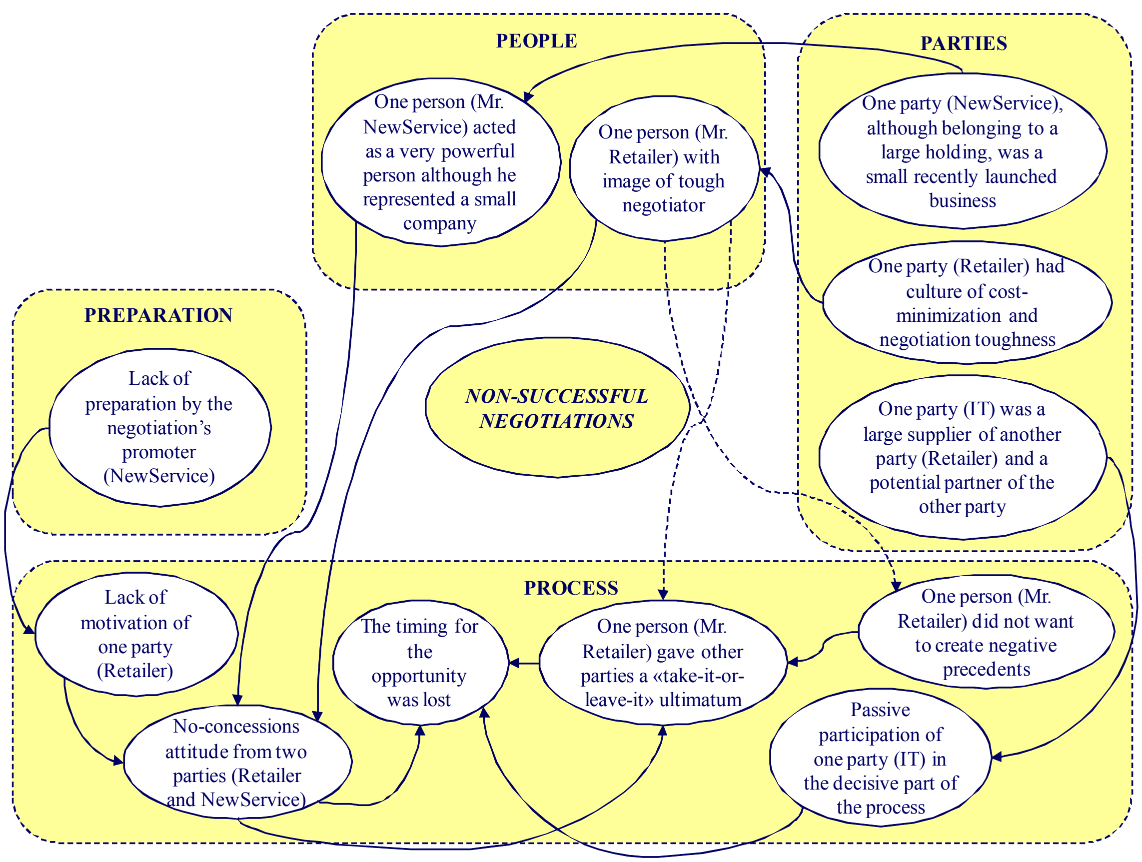

Figure 29. Case 16 interview cognitive map

Parties

- <u>One party was a large supplier of another party and a potential partner of the other party</u>: IT was a large supplier of Retailer and a potential NewService's partner, placing it in a potentially difficult situation between the other two parties;
- <u>One party, although belonging to a large holding, was a small recently launched business</u>: NewService was created within a large company holding but was still a recent small business, with low notoriety in the market and with a meaningless weight in the holding's revenues and profits, creating a perceived image of low negotiating power;
- <u>One party had culture of cost-minimization and negotiation toughness</u>: Retailer's culture put a strong focus on efficiency and cost-cutting throughout the organization with a resulting negotiation toughness approach with all the entities the company dealt with.

People

- <u>One person with image of tough negotiator</u>: Mr. Retailer, taking into account his company's culture, also had an image of tough negotiator when dealing with others and acted accordingly with that image;
- <u>One person acted as a very powerful person although he represented a small company</u>: Mr. NewService had a posture of a powerful negotiator when in fact his power only came from the company he represented which in fact did not have a perceived powerful image.

Preparation

- <u>Lack of preparation by the negotiation's promoter</u>: NewService did not prepare the operational implementation of several tasks it would like to perform in the stores, like, for example, the way it would explain the service to potential buyers and the way to get personal data from IT product's buyers.

Process

- <u>Lack of motivation of one party</u>: Retailer lost motivation for the negotiation when it realized that the negotiation's promoter was not well prepared;
- <u>One person did not want to create negative precedents</u>: On one hand, Mr. Retailer did not want to create company precedents of allowing for discounted prices in the commercial

relationship with suppliers; on the other hand, he did not want to create personal precedents as a negotiator that was not tough and that would easily make concessions to other parties;

- Passive participation of one party in the decisive part of the process: As IT was a large supplier of Retailer and a potential NewService's partner, it decided not to participate actively in the decisive conflict between the other two parties during the final meeting in order to try to maintain a good relationship with both in the future;
- No-concessions attitude from two parties: Mr. Retailer's tough negotiator image and Retailer's lack of motivation together with Mr. NewService's feeling of power led both negotiators to «anchor» on the same positions they had «anchored» in their first negotiation;
- One person gave other parties a «take-it-or-leave-it» ultimatum: Mr. Retailer's negotiation toughness, together with the concern of creating negative precedents and with the running out of time for Retailer to still find another company that would rent the promotional area to other parties for a higher rate, led him to give the other parties an ultimatum;
- The timing for the opportunity was lost: Retailer's ultimatum and Retailer's and NewService's «anchoring» strategies together with IT's passive participation in the final part of the process led for a loss of the timing for the opportunity.

<u>Case 17:</u>

<u>Interviewed</u>: Mr. Web and Mr. Advertiser

<u>Date</u>: September 29th and October 2nd, 2006

<u>Negotiation focus</u>: New Product Development
<u>Negotiation</u>: Creation of a partnership between three parties to develop a new product

<u>Parties:</u>

- <u>Web</u>: a mid-size web services company belonging to a large company, represented by its general director Mr. Web, thirty-four years old;
- <u>Software</u>: a software company, represented by its partner Mr. Software, thirty-five years old;
- <u>Advertiser</u>: a mid-size web services company with large shareholders, represented by its general director Mr. Advertiser, thirty-four years old.

<u>Situation:</u>

Web is a web services company that is present in a «winner-takes-all» market. Its strategy included developing partnerships to grow fast into new areas of its business. One of the partnerships it wanted to develop was a portal with top functionalities on a specific business area Y that would complement its services and would allow it to do cross-selling with its current customers. The portal would be connected to the Y business agents around the country.

Software had already developed an initial version of a software product with several complex functionalities for that kind of portal for business area Y. This company was in economic and financial distress.

Advertiser had spent a significant amount of money building a portal on this business area Y but it only had basic functionalities. However, Advertiser had the potential to attract advertising for a portal especially due to the fact that it had large shareholders, which had been putting in significant amounts of cash into the company to keep it afloat. Advertiser had just recruited a new general director, in order to try to dramatically improve the situation of the company.

Software decided to contact the other two parties and set up a meeting.

Companies' interests:

Web's interests:

- Be the leader in its «winner-gets-all» market;
- Develop partnerships with important players;
- Have an image of innovation.

Software's interests:

- Avoid bankruptcy;
- Leverage its existing portal software for area Y;
- Develop partnerships with important players.

Advertiser's interests:

- Develop its lagging Y business;
- Complement and support its shareholders' businesses;
- Acquire know-how on software and client attraction and retention.

Personal interests:

- Mr. Web: to extend the company's life as long as possible, since he was the original founder of the company and considered it an excellent project as he was still emotionally attached to it;
- Mr. Software: to try to avoid getting an image of failed entrepreneur in the market, in addition to the company's interests as he was its owner;
- Mr. Advertiser: to show his superiors that, although he had just begun his job, he was already actively trying to develop new partnerships whose advantages would benefit mostly his company; to try to improve one of its shareholders' businesses.

Preparation:

Software was the idea promoter. However, before the negotiation process it had not thought in detail about several issues, like the other parties' and its own benefits, competencies required, functionalities to be developed and new services to be leveraged on the portal. The other parties were well prepared, taking into account that they were not the idea promoters.

Negotiation process:

On the first meeting, Mr. Software presented its overall idea to the other parties. They enquired Software about some issues and details like the business model, the parties' direct and indirect benefits, the competencies required, the functionalities to be developed and the new services to be leveraged on the portal. However, Software did not have an adequate answer to them. Mr. Software's lack of preparation as the negotiation promoter led Mr. Web to clearly denote a loss of motivation for the project.

After several interactions during the meeting mostly between Advertiser and Software, Web turned to a certain posture of arrogance and said that his company could rescue the other parties from the difficult situations they were in, as one company was struggling to survive and the other company was a flop in which the shareholders had to frequently inject cash. He suggested a business model that included the three parties - Web would have a stronger focus on acquiring consumer customers, Software on the software development and on acquiring business customers and Advertiser on getting ads' revenues. Web would receive seventy percent of consumer customers' revenues, Software would receive seventy percent of business customers' revenues and Advertiser would receive seventy percent of advertising revenues. On each of the revenue streams, the remaining thirty percent were equally shared by the other two parties. In addition, Software would be paid for the portal's maintenance and updating works at an hourly market rate to be defined by the three parties.

On one hand, Advertiser immediately and firmly said that it could not accept to earn less than forty-five percent of all revenues, with the main justification that it had to remunerate large shareholders and therefore should be entitled to the largest share of the business (note: the main difference between Mr. Advertiser's and Mr. Web's interview output was the fact that Mr. Advertiser also considered that Advertiser should have a higher revenues' share also due to the higher credibility and brand recognition it could bring to the project, while Mr. Web disagreed with that statement; however, that difference was not relevant for the negotiation process analysis). Mr. Advertiser wanted to show his company's shareholders that his party would benefit the most from this partnership and hopefully would no longer need additional cash from its shareholders. On the other hand, Software did not have a clear position but gave the impression that it agreed in general with the original proposal. The meeting ended with no conclusions and no date set for the next meeting.

After the meeting, Advertiser and Software had several contacts and a meeting only between them, excluding Mr. Web on purpose due to both his arrogance and lack of motivation. As a result of this get-together, they decided to set a meeting between the three parties and make a joint proposal with forty-five percent of all revenues for Advertiser and thirty percent for Software.

The three parties met three weeks after the initial meeting. Advertiser took the process lead and presented Web with the new proposal previously jointly defined by Advertiser and Software. Web reacted surprised and felt neglected in the process. From that moment on, Mr. Web became passive. It reacted simply by saying that it disagreed with the model of sharing all revenues sources equally and also with the revenues allocation to the parties. Even though, the meeting continued as they discussed operational issues, although Mr. Web had a passive attitude throughout the meeting. After many issues discussed, a third meeting with the three parties was set.

On that third meeting, Software suddenly became very demanding. It said that it had managed to get a significant equity investment from a company. As a result, it would only make an agreement if it would get a much larger share of the partnership revenues since it was no longer in a near bankruptcy situation. The other two parties reacted surprised and both immediately said that the negotiations were over, because they no longer believed that the partners would have a solid relationship in such a project.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

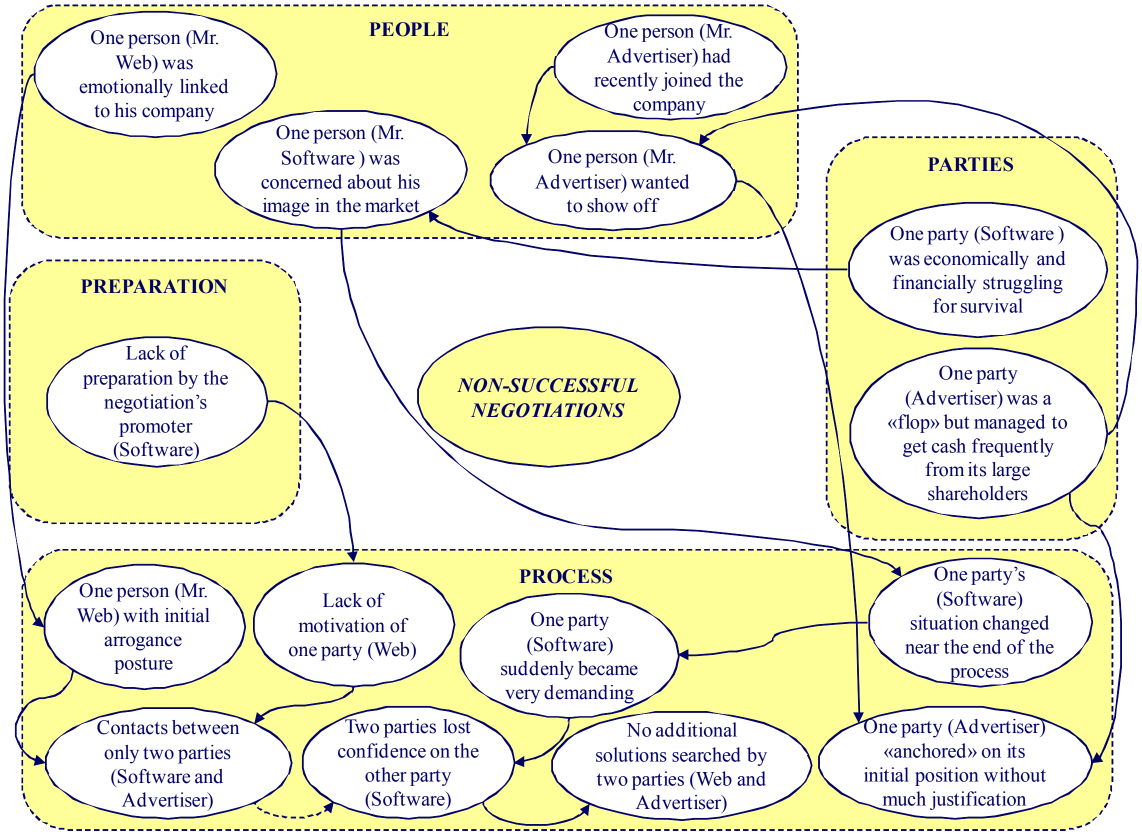

Figure 30. Case 17 interview cognitive map

Parties

- <u>One party was a «flop» but managed to get cash frequently from its large shareholders</u>: Advertiser had been highly unsuccessful up to that moment but it had managed to survive until then due to considerable cash injections from its shareholders that could end at any moment;
- <u>One party was economically and financially struggling for survival</u>: Software was having serious economic problems and was also running out of cash, which could lead it to bankruptcy in the short-term.

People

- One person had recently joined the company: Mr. Advertiser had been recently hired as new general manager, whose main goal was to try to significantly improve the company's situation;
- One person wanted to show off: As the new general manager of a company that had been highly unsuccessful up to that moment, Mr. Advertiser wanted to show the company's shareholders that he was taking immediate action to try to significantly improve the company's situation;
- One person was concerned about his image in the market: Mr. Software was desperately trying to avoid the image of failed entrepreneur that he feared he would get if his company would go bankrupt;
- One person was emotionally linked to his company: Mr. Web had founded Web which later sold to a holding company, continuing as its general manager; as a founder, he viewed the company in a more emotional perspective, considering it as clearly much better and relevant in the market than the company really was.

Preparation

- Lack of preparation by the negotiation's promoter: Before the negotiation process, Software's lack of preparation regarding several issues came across when the other parties enquired it about issues like its own and the other parties' benefits, competencies required, functionalities to be developed and new services to be leveraged on the portal.

Process

- Lack of motivation of one party: Due to Software's clear lack of preparation, Web loss motivation for the project as it realized the idea and its implementation had not been carefully thought;
- One person with initial arrogance posture: As Mr. Web believed his company to be better and more powerful than it was in fact, which was a natural belief from one of the company's founders, and as he had lost the motivation for the process, he suddenly acted with an arrogant attitude towards the others;

- Contacts between only two parties: Due to Web's arrogance and lack of motivation, Software and Advertiser decided to have interactions between only themselves in order to try to reach an agreement on the project's business model;
- One party «anchored» on its initial position without much justification: As Advertiser managed to get cash frequently from its shareholders and as Mr. Advertiser wanted to show off, Advertiser presented the share of the revenues it wanted and mentioned that it would not change its position;
- One party's situation changed near the end of the process: Near the end of the process, Software managed to change its financial situation dramatically with a capital injection from an investor after a huge effort from Mr. Software to find an investor that would save his company and his potential image of failed entrepreneur;
- One party suddenly became very demanding: After becoming financially strong, Software became very demanding as it no longer needed the other partners to survive, and therefore changed its previous position and followed a more aggressive approach;
- Two parties lost confidence on the other party: As Software suddenly became very demanding and had a more aggressive posture, the other parties lost their confidence on Software's real intentions in a fair agreement and closed the negotiation process, especially Web who had already been put aside in some of the previous interactions between the other parties;
- No additional solutions searched by two parties: When they lost their confidence on Software, Web and Advertiser stopped looking for any additional solutions.

Case 18:

Interviewed: Mr. Investor

Date: October 10th, 2006

Negotiation focus: Joint-venture Development

Negotiation: Development of a joint-venture between three parties for the development of an agricultural, real estate and tourism project

Parties:

- Developer: a minerals extraction and real estate development company, represented by its largest shareholder and manager Mr. Developer, fifty-four years old;
- Bank: a bank, represented by its board member Mr. Bank, sixty-five years old;
- Investor: a holding company, represented by its main partner Mr. Investor, fifty-one years old.

Situation:

Developer acquired in 1990 a large plot of land in the interior of Portugal, with a forty-year concession period for mineral extraction purposes in most of the land. After extracting all the minerals from a part of the land, any developer is obliged to eliminate the environmental rupture created with the extraction activity through «environmental recovery» works. While Mr. Developer was continuing to extract minerals, it decided to create a golf academy and a restaurant in the meanwhile already «recovered» parts of the land. Between 1990 and 1999, Developer acquired land adjacent to the original plot.

In 1999, the responsible state entity took the concession away from Developer, although only nine years had passed from the concession grant. The justification for this act was unclear and dubious. Developer prosecuted the State to get his concession back and won his action getting the concession back. However, Developer also prosecuted the State demanding a compensation of twenty million Euros for business damages. All the judicial decisions had been favorable to Developer up to that moment and the final court decision should be taken in mid-2007.

In mid-2006, Developer had not been extracting minerals since 1999, owed Bank approximately ten million Euros, an amount that was increasing since the monthly golf academy and restaurant cash inflows were less than the cash outflows generated. Developer had the license to build a set of houses and was trying to get a license for other real estate projects in the adjacent land it had acquired since 1990 and was planning to build a golf course. Mr. Developer had invested almost all of its personal fortune in this project.

Bank was becoming increasingly worried with the growing Developer's debt and with Mr. Developer's lack of management skills for this specific situation. Bank had a mortgage only on the land and the factory which were worth almost nothing without the concession attached to them.

Investor was a small holding company that was looking for opportunities to invest in other companies, although it had limited financial resources. Mr. Investor had a solid know-how on real estate, leisure and golf businesses.

In mid-2006 Bank contacted Investor to propose a joint-venture to try to implement Developer's project.

Companies' interests:

Developer's interests:

- Create a large real estate and tourism project;
- Avoid bankruptcy;
- Make a solid return to invest in the same or in other projects.

Bank's interests:

- Recover from Developer as much of its credits as possible;
- Sell additional products to Developer;
- Increase its penetration among that region's entrepreneurs.

Investor's interests:

- Acquire troubled companies with a potential for turn-around;
- Have a solid financial partner in its investments;
- Leverage the investment as much as possible without increasing the risk significantly.

Personal interests:

- Mr. Developer: to become highly recognized by the local community and even at a national level, besides the company's interests;
- Mr. Bank: to be recognized as the person who managed to solve a very difficult credit-recovery problem;
- Mr. Investor: the same as the company's interests.

Preparation:

All the parties were well prepared, although Developer did not have any feasibility studies on the real estate and golf course areas of the project.

Negotiation process:

Bank met with Investor and presented Developer's situation. Bank wanted Investor to co-invest in a joint-venture with Developer to try to grow the existing businesses and also to create a large real estate and tourism project. Investor replied that it would look into the project and talk with Developer.

Investor contacted only a month after Developer and met a week later. Throughout the following four weeks Developer obtained most of the information required. In the meanwhile, there were several contacts between these two parties and Developer started becoming interested in having Investor as a partner. Developer saw this joint-venture as a way to increase its equity and start investing immediately in the project without having to wait one year to get the twenty million Euros that Mr. Developer believed it would receive from the State.

Investor sent an email to the other parties with a proposal to join the project providing management and equity but with the assumption that Developer would negotiate a deal with the State whereby it would quit its prosecution in exchange for:

- An extension of the concession period, and/or
- Additional building licenses, and/or
- A unique state owned entity as the only contact between Developer and the State, preferably API – Agência Portuguesa para o Investimento (Portuguese Agency for Investment) whose purpose is to promote the conditions for implementing large investment projects.

The other companies agreed with the general approach and decided to set up a meeting with the three parties. In this meeting, Developer asked ten million Euros for fifty percent ownership of the company, out of which five million Euros would be immediately injected in the company.

Bank agreed with injecting five million Euros in Developer but proposed acquiring jointly with Investor two thirds of the company for ten million Euros, with the remaining five million Euros being used to reduce Developer's debt to Bank.

Investor declined to make any comments and told the other parties to look for a decision on that issue in a following meeting. The other parties wanted to discuss the issue further on that meeting but ended up abiding to Investor's insistence on the delay.

Investor only accepted a meeting three weeks later. In that meeting, Investor hesitatingly agreed with the five million Euros injection in the company, but wanted to have the possibility of acquiring one third of the company's equity within five years through a bonus and stock options incentive system without investing any capital.

Mr. Developer said that he would not sell any company's equity without him receiving personally at least five million Euros. The meeting ended at that moment.

The other two parties disagreed with Mr. Developer's proposal and decided not to react. However, as Bank started to become suspicious of Developer's real intentions and began to fear losing its ten million Euros of loans from Developer, it decided one month later to stop providing additional credit to Developer which, as a result, forced it to delay its salaries and suppliers' payments.

After two additional months, Bank and Investor told Developer that it should re-start working immediately on the minerals' extraction activity since it was a cash-flow generator. Developer replied saying that it needed two million Euros to repair the machinery and that it preferred to use that amount of capital to invest in an already-licensed real estate project comprising a set of houses.

As Investor believed that this plan for a real estate project would be unsuccessful, it suggested paying experts to do a feasibility analysis of the project. Developer replied that it was sure the project would be successful and therefore paying for studies would be a waste of money and time. Investor disagreed and said that the strategy to be followed should be to focus first on the minerals' extraction activity and later on real estate projects development. Especially, because the concession could be withdrawn by the State in case it was not used for a long period. But Developer disagreed as it was sure that it would not face the risk of losing the concession. Bank believed that both real estate and minerals extraction activities should start simultaneously and as soon as possible.

One more month passed by and only then did Investor present a new proposal similar to its initial proposal except for the fact that Mr. Developer would be entitled to the amount above fifteen million Euros that his company could get from the State prosecution. However, Developer immediately declined that proposal and told the other parties that it had stopped searching for any further potential solutions, and therefore the negotiations were finished.

Main actors-related factors that negatively impacted the negotiation between the three parties:

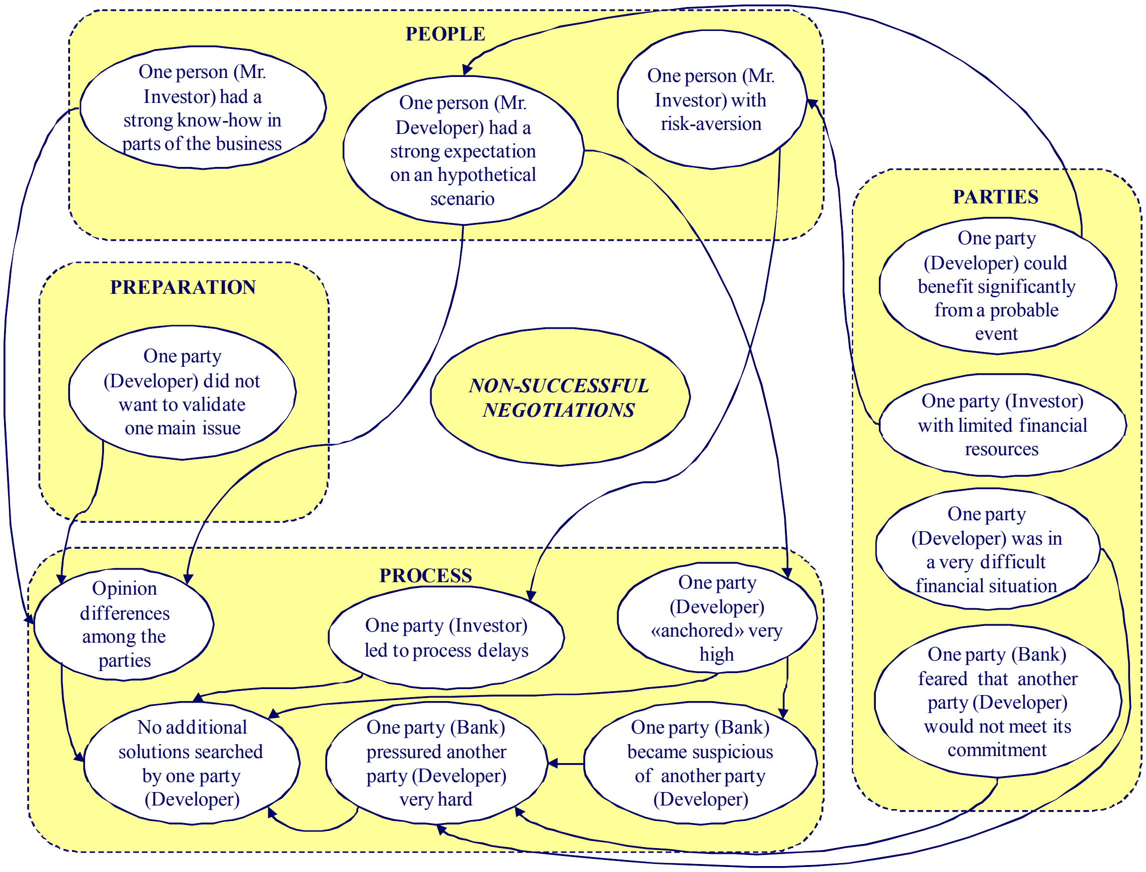

Figure 31. Case 18 interview cognitive map

Parties

- One party feared that another party would not meet its commitment: Although having some collaterals, Bank was afraid that it wouldn't receive the ten million Euros it had loaned to Developer, since the first did not believe in the second's capability to achieve a «turn-around»;
- One party with limited financial resources: Investor could not invest a significant amount of capital in a project due to its limited financial resources;
- One party was in a very difficult financial situation: Developer was in a very fragile financial and economic situation and could run out of the necessary cash to continue its daily operations at any moment;

- One party could benefit significantly from a probable event: Developer believed it would receive twenty million Euros from a dispute it had in court and that should reach an end in less than one year.

People

- One person had a strong expectation on an hypothetical scenario: Mr. Developer knew that a favorable court decision would probably solve all his company's difficulties which, together with the court process favorable developments, made him strongly believe that his company would receive twenty million Euros in the court case;
- One person had a strong know-how in parts of the business: Mr. Investor had a strong know-how on real estate and golf businesses, which were one relevant component of Developer's project;
- One person with risk-aversion: Investor's limited financial resources led Mr. Investor to be risk-averse in this negotiation because he could not invest much capital in the project and he wanted to minimize risks as much as possible.

Preparation

- One party did not want to validate one main issue: Developer did not have feasibility studies on the real estate and golf parts of the project, which were highly relevant for the overall project's success, and it did not want to spend the required money and wait the required time.

Process

- Opinion differences among the parties: Mr. Developer's court decision expectations, Investor's know-how, and the lack of studies on the real estate and golf parts of the project led to clear opinion differences between the parties on the business development strategies to follow and also on the probability and on the value to be paid by court decision;
- One party led to process delays: as Mr. Investor was acting with risk-aversion, Investor caused several delays to the process when it postponed decisions at certain meetings, and when it took an exaggerated time to set up new meetings;

- One party «anchored» very high: As Developer was convinced it would receive twenty million Euros from the court, it accepted to negotiate but demanded an extremely high price for the company's equity;
- One party became suspicious of another party: Bank became suspicious of Developer, especially when it inferred that Developer was only trying to earn a significant amount of money from this negotiation process instead of trying to reach a favorable agreement to all parties;
- One party pressured another party very hard: As Bank started to become suspicious of Developer and to fear it would not receive its ten million Euros, and taking into account that Developer was in a very difficult financial situation, Bank decided to stop providing additional credit to Developer which, as a result, forced it to delay its salaries and suppliers' payments;
- No additional solutions searched by one party: Opinion differences between the parties, Bank's pressure on Developer, Developer's only focus on its own interests and Investor's delays on the process led Developer to a point in which it decided to stop looking for other negotiation solutions.

<u>Case 19:</u>

<u>Interviewed</u>: Mr. Finance and Mr. IT

<u>Date</u>: October 9th and October 20th, 2006

<u>Negotiation focus</u>: Service Promotion

<u>Negotiation</u>: Promotion of a service through another company's sales channel including a gift from a third company

<u>Parties:</u>

- <u>Finance</u>: a financial services company, represented by its marketing director Mr. Finance, thirty-three years old;
- <u>CarSeller</u>: a car sales company, represented by its general director Mr. B, thirty-five years old;
- <u>IT</u>: an IT services company, represented by its board member and shareholder Mr. IT, thirty-eight years old.

<u>Situation:</u>

There was an increasing margin reduction trend on Finance's services market which had been mostly due to a fierce competition based mostly on price. As a result, Finance wanted to grow its penetration in the segment of consumer and micro-enterprises, who usually acquired their cars on a car stand. In addition, it wanted to become known as a multi-brand company that worked with all car brands in the national market. Finance did a focus group analysis and decided to make a promotion of its service in car stands of a specific car brand that would offer an electronic / IT product to the car buyer that would acquired the service.

Finance decided to contact CarSeller and IT to set up a meeting. CarSeller had a large sales force that was not used to selling proactively and that had much more difficulty in explaining and selling Finance's services vis-à-vis other similar products. CarSeller wanted to sell out its stocks of one of its top models because it was about to be replaced by a new version. IT also wanted to sell out its stocks of one of its top models because it was about to be replaced by a new version.

Companies' interests:

Finance's interests:

- Increase penetration in the segment of consumer and micro-enterprises;
- Associate its brand to other prestige brands;
- Position itself as a multi car brand services provider.

CarSeller's interests:

- Sell out its stocks of one of its top models because it was about to be replaced by a new version;
- Have a proactive image among its sales force;
- Test a promotional approach that may be successfully replicated in the future.

IT's interests:

- Sell out its stocks of one of its top models because it was about to be replaced by a new version;
- Associate its brand to other prestige brands;
- Promote its products and its company's name.

Personal interests:

- Mr. Finance: to promote itself in the company by doing a different type of marketing action;
- Mr. CarSeller: to improve his image among its company's sales force and dealers;
- Mr. IT: to maintain his image of dynamic and «new-project-oriented» person among his work colleagues and shareholders.

Preparation:

Finance did almost all of the preparation work by its own initiative, including a focus group, analysis and selection of potential partners, and identification of the media planning and ad agency to develop the campaign. As a result, the other parties did not have much preparation work to do.

Negotiation process:

On the first meeting, Finance presented the idea of giving an IT's electronic gadget to all the CarSeller's models' buyers that would also buy Finance's service. This promotion would be advertised on the radio in Greater Lisbon and Greater Porto, where the vast majority of the targeted buyers are.

The parties liked the idea and immediately made proposals to benefit its implementation. CarSeller could lower its car prices, Finance could reduce its interest rate charge and IT could sell the gadgets at a discount. However, even though the other parties strongly insisted, IT declined to accept that if the old gadget's stocks ran out, it would have to give the new gadget model to the car buyers without charging the price difference.

On the following meeting, one week later, Finance presented the proposals for the promotional materials suggested by the ad agency. The parties were excited with the materials' quality and impact, and only a few minor changes were suggested.

Only on the following meeting where Finance presented the final proposal with the promotional materials' prototypes, did the parties decide to analyze the budget and the costs to be allocated to each of them.

When Finance presented the value of the total campaign cost, the other parties were surprised with a much higher amount than the one they believed they had been led to expect. They immediately lost their growing enthusiasm for the project.

With the other two parties still shocked by the total amount to be paid, Finance said that they should also discuss the budget allocation. Since it was difficult to identify the resulting gains for each of the parties involved, Finance suggested that the costs budget would be equally split by the three companies. The costs included the promotional materials in all car stands in Portugal and the ads on the radio.

IT reacted immediately saying that it had mentioned at the beginning of the negotiation process that it would not pay for promotional materials given to car stands outside Greater Lisbon and Greater Porto because those car stands were not located in its target segment (note: the only difference between Mr. Finance's and Mr. IT's interview output was the fact that Mr. IT said that it had mentioned at the beginning of the negotiation process that it would not pay for promotional materials given to car stands outside Greater Lisbon and Greater Porto, while Mr. Finance said that Mr. IT did not mention this point at the beginning of the process, but only at this moment; however, both agreed on the existence of communication problems between the parties, which was taken into account in our negotiation process analysis). CarSeller replied that the promotion had to be present in all car stands in Portugal because it could not treat some car stands differently from the others. Finance agreed with CarSeller. However, IT did not make any concessions on the issue of paying the materials for the other car stands.

Then, CarSeller and IT asked Finance for exclusivity on any type of promotions that included car brands, and electronic/IT products, respectively. This would increase the project's value for them and therefore allow them to pay more than estimated for this first promotion. But Finance could not accept it since it was positioning itself as a multi-car-brand service provider. After that reply, CarSeller and especially IT began wondering up to which point Finance would be the one to benefit most from this project and later replicate it with other companies at a lesser cost and a higher effectiveness, after this learning experience.

Two days after, the negotiations were formally ended by IT as it was not interested in searching for other potential agreement solutions.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

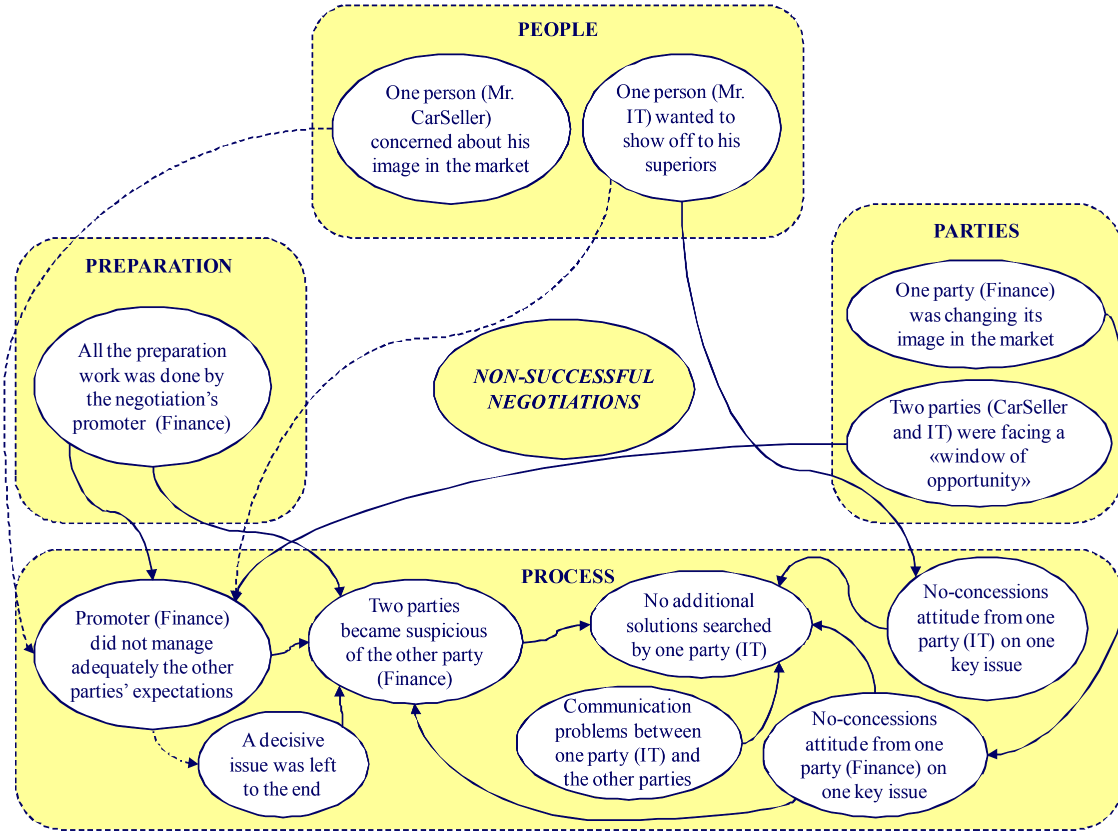

Figure 32. Case 19 interview cognitive map

Parties

- <u>One party was changing its image in the market</u>: Finance was making a strong effort to change its image in the market from a single-brand to a multi-brand financial services company;
- <u>Two parties were facing a «window of opportunity»</u>: CarSeller and IT had urgency in selling specific products that were about to become outdated by new models that were about to be launched in the market.

People

- One person wanted to show off to his superiors: Mr. IT wanted to continue to feed his image of highly dynamic and «new-project-oriented» person among his superiors and shareholders, and this project fitted into that image;
- One person concerned about his image in the market: Mr. CarSeller was worried about being criticized by car dealers and sales-people as someone who couldn't manage to make his subordinates more sales-proactive.

Preparation

- All the preparation work was done by the negotiation's promoter: Finance was very dynamic in doing all the preparation work required for the project but it did not disclose any information along the process to the other parties.

Process

- No-concessions attitude from one party: As Mr. IT wanted to show off to his superiors, IT immediately took since the beginning a no-concessions attitude on issues like the replacement of the old by the new version at the same price and the payment of the materials for car stands outside Greater Lisbon and Greater Porto;
- Promoter did not manage adequately the other parties' expectations: By having all the preparation work without informing the others periodically, especially about budget estimates, Finance managed to generate a strong enthusiasm in the other parties for being able to take advantage of the «window of opportunity» and in their negotiators for their personal benefit;
- A decisive issue was left to the end: Finance let the budget allocation negotiation to the end of the process, which was the main issue for this project's implementation;
- No-concessions attitude from one party on one key issue: CarSeller and IT wanted to be the car and IT exclusive partners, respectively, in future similar projects since they were the «guinea-pigs» of an initiative that could become extremely successful; Finance vehemently rejected this demand as it wanted to change its image to a multi-brand financial services company, which was incompatible with giving CarSeller exclusivity;

- <u>Communication problems between one party and the other parties</u>: IT believed it was clear that it had mentioned at the beginning of the process that it would only be present in Greater Lisbon and Greater Porto, while the other parties disagreed;
- <u>Two parties became suspicious of the other party</u>: The fact that Finance had controlled all the preparation work, had not managed well the other parties expectations, had left a decisive issue to the end of the process and had not made concessions on the exclusivity issue led the other parties to become suspicious of Finance, especially IT;
- <u>No additional solutions searched by one party</u>: CarSeller's and especially IT's suspicions of Finance, Finance's and IT's no-concessions attitudes and the communications problems between IT and the others created an environment in which IT suddenly decided to stop trying to find additional solutions for the project.

<u>Case 20:</u>

<u>Interviewed</u>: Mr. Bank_2

<u>Date</u>: October 10th, 2006

<u>Negotiation focus</u>: Commercial Partnership Development

<u>Negotiation</u>: Development of a commercial partnership for selling financial services through a new channel

<u>Parties:</u>

- <u>Reseller</u>: a financial intermediation company, represented by its main partner Mr. Reseller, forty-five years old;
- <u>Bank_1</u>: a bank, represented by its assistant to the board Mr. Bank_1, thirty-five years old;
- <u>Bank_2</u>: a bank, represented by its board member Mr. Bank_2, thirty-three years old.

<u>Situation:</u>

Reseller was a financial products re-seller, acquiring them from banks and selling them to consumers. It packaged its products in such a format different from the banks' format in order to make the comparison with the banks' products difficult for the consumer. Although sometimes its products had slightly different interest rates from the banks' similar products, its main value added was in helping end-customers to deal with the administrative work related with the financial products. Reseller was not supervised or controlled by any regulator or independent entity and it did not have any code of conduct to abide to.

Bank_1 had created a financial products' sales channel that worked in a similar manner as Reseller. However, its system was clearly less sophisticated and less practical than Reseller's which made it very difficult to implement successfully. The number of products sold via this channel had been significantly low, making this system unprofitable. Bank_1 believed that financial intermediation was going to grow significantly in Portugal.

Bank_2 was specialized in this type of financial products. It had a partnership with Bank_1 in which it operated most of Bank_1 products' back-office activities, through a specialized back-office and products management platform. Bank_2 had invested a significant amount of money in this platform and now wanted to leverage it as much as possible. In this partnership, the costs and revenues sharing model was based on both parties' inputs, namely Bank_1's strong commercial inputs and Bank_2's strong back-office and products management inputs. Mr. Bank_2 had been recently promoted from commercial director to board member, obtaining a huge increase in the level and scope of his work responsibilities that he had never faced before.

In order to avoid excessive supplier dependency, Reseller usually had partnerships with two or three banks for each type of financial products that it sold. In this context, Reseller contacted Bank_1 in the beginning of 2006 for a meeting to discuss a potential partnership in one specific product. Bank_1 said that it worked in that area in partnership with Bank_2, who as a result should also be invited for the initial meeting. Reseller was very surprised as it did not know about this partnership, although this partnership was well-known among the market players. Even though, Reseller agreed with the inclusion of Bank_2 in the negotiation process.

Companies' interests:

Reseller's interests:

- Diversify its suppliers' dependency;
- Reduce the number of important partners available to work with competitors;
- Get additional revenue streams.

Bank_1's interests:

- Enter new business areas with high potential;
- Increase the number of current account holders;
- Get additional sales' know-how.

Bank_2's interests:

- Leverage its existing back-office and products management platform;
- Maintain a solid relationship with Bank_1;

- Increase its number of clients.

Personal interests:

- Mr. Reseller: similar to the company's interests;
- Mr. Bank_1: after having convinced his board that this new business area was very promising, he wanted to make the first deal in this area as soon as possible;
- Mr. Bank_2: as a new board member, to show dynamism to the board and shareholders.

Preparation:

Even though it was the project's promoter, Reseller was not well prepared. It did not know about the bank's partnership, it did not provide clear reasons for selecting Bank_1 and it did not have business volume estimates for the initial years. The two banks were well prepared in general.

Negotiation process:

As an introductory note, the use of a financial intermediating company to sell a bank's products usually provides an advantage for the bank as it gets a controlled and variable client acquisition cost, allowing it to easily compare it with the client's acquisition cost of other sales channels. However, one of the risks is that the potential client information provided by the intermediating company to the bank may not be totally correct, making the bank accept higher risks than it should and/or making it spend more time than it should analyzing the potential client's data. Another risk is that the bank may have to analyze a significant high number of proposals only to get a significant low number of clients.

On the initial meeting, Reseller told the other parties that it wanted to commercialize a specific type of product and would like to acquire it from Bank_1. When asked why it selected Bank_1's product, the answer was neither detailed nor straightforward. Then, Bank_2 asked Reseller what was its business volume estimates for the initial years. Reseller replied that it had no estimates at that moment but that it would develop its estimates for the initial five years and send them by email in the very short-term. Bank_2 was surprised with the lack of preparation by the negotiation's promoter and lost motivation for the project as Reseller's image of commitment and professionalism became negatively affected by its lack of preparation. However, the two banks said that they would think about the proposal after receiving the email, which they received a week later, with high-growth revenues estimates for the initial five years.

Bank_1 and Bank_2 met one week after receiving the email to discuss this offer and especially Bank_1 was initially enthusiastic about the fact that the amount of potential business generated by Reseller only in the first year would be equivalent to the current business of the two banks' partnership, which would be a significant increase in the partnership's revenues. However, the two banks were concerned about Reseller's real interest and motivation in this project, taking into account the initial contact with Reseller. This led them both to refrain from dedicating many resources to this negotiation and to take a more competitive stance.

In addition, Mr. Bank_2 did not believe in the possibility of reaching an agreement that could satisfy the three parties, but let the negotiation process run due to its important relationship with Bank_1. After this discussion, Bank_2 suggested setting up a new meeting with the three parties, which gave the other two parties expectations of a possible agreement.

In that meeting, Reseller proposed that its revenues should derive from:

- Fixed fees received from each potential client as a requirement to open the application process, even if the potential client did not end up acquiring the financial product;
- Variable fees corresponding to a percentage of the interests paid;
- Success fees paid by the two banks if Reseller's sales portfolio would fall within certain criteria.

Bank_2 immediately replied that the fact that Reseller would receive fixed fees from each potential client's application process opened, it would be an incentive for Reseller to accept as many processes as possible, overloading Bank_2's proposals' screening and analysis work.

Bank_1 agreed and added that it wanted all clients generated by Reseller's to open a current account in its institution as a requisite to subscribe the financial product and later on support its expenses. This would allow Bank_1 to get new clients to whom it could sell other products.

Reseller then replied that it should receive a fixed fee to be paid by Bank_1 for each current account opened at the bank.

Bank_2 mentioned that the creation of a current account at Bank_1 in order to subscribe the financial products and support its expenses could hurt the products sales, because most people only had one current account from which they would pay most of their bills. In addition, Bank_1 would most probably not benefit significantly from those clients because the account managers did not have any information or relationship with them.

The meeting was inconclusive and Bank_2 proposed to keep up their efforts and to schedule another meeting for two weeks later, fuelling expectations of its interest in reaching a deal.

On the third meeting, the parties quickly realized that they were not open to change their position on some of the issues that had generated more discussion on the previous meeting, namely:

- Reseller wanted to received a fixed fee from each potential client that opened an application process, even if the potential client did not end up acquiring the financial product;
- Bank_1 wanted all clients generated by Reseller's to open a current account in its institution as a requisite to subscribe the financial product and later on support its expenses.

As a result, the meeting was brief and ended up with the three parties unsure of the project's feasibility. They decided to talk again in two weeks time.

Bank_2 had been hesitant from the beginning. Its hesitating attitude had started to be detected by the other bank, which made Bank_1 suspicious of Bank_2's real intentions and openness to its partner. In reality, with such a strong effort and commitment from Bank_1 for this project, Bank_2 wanted to justify its go / no-go decision in solid basis and in detail in order to try to avoid hurting their partnership. Only after the third and last meeting did Bank_2 have solid justifications to tell its partner that it was not interested in this project.

Bank_2 decided to meet with Bank_1 and told it that it was not interested in this project for several reasons, besides the two disagreement points discussed on the last meeting. One reason was that it had the idea that most of the clients acquired by Reseller did not fit the profile of clients acquired by the two banks' partnership, which could hurt the partnership's performance of that moment. The other reason was that it feared that the clients' proposals' acceptance level by Bank_1 and Bank_2 would be very low, leading Reseller to either start pressuring the two banks to increase the number of proposals accepted and possibly generate conflicts with them, or to start sending most of the clients' proposals to other banks.

Bank_1 made an ultimatum to its partner that their partnership would finish if it did not accept this project with Reseller until the end of the following week. Bank_2 was very surprised with this ultimatum, and replied that Bank_1 and Bank_2 together have the capability of selling more financial products with less risk than separate due to the diversification effect of a larger business volume. As a result, the partnership had been and could continue to be beneficial for both parties. Bank_2 also said that it would like to double its business volume in the short-term in a profitable manner, but this project with Reseller would not achieve that goal. Bank_1 maintained its ultimatum on that meeting.

However, two days later Bank_1 contacted Bank_2 to say that their partnership would continue and both parties agreed on stopping the negotiation with Reseller. Bank_1 informed Reseller of this decision on that same day.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

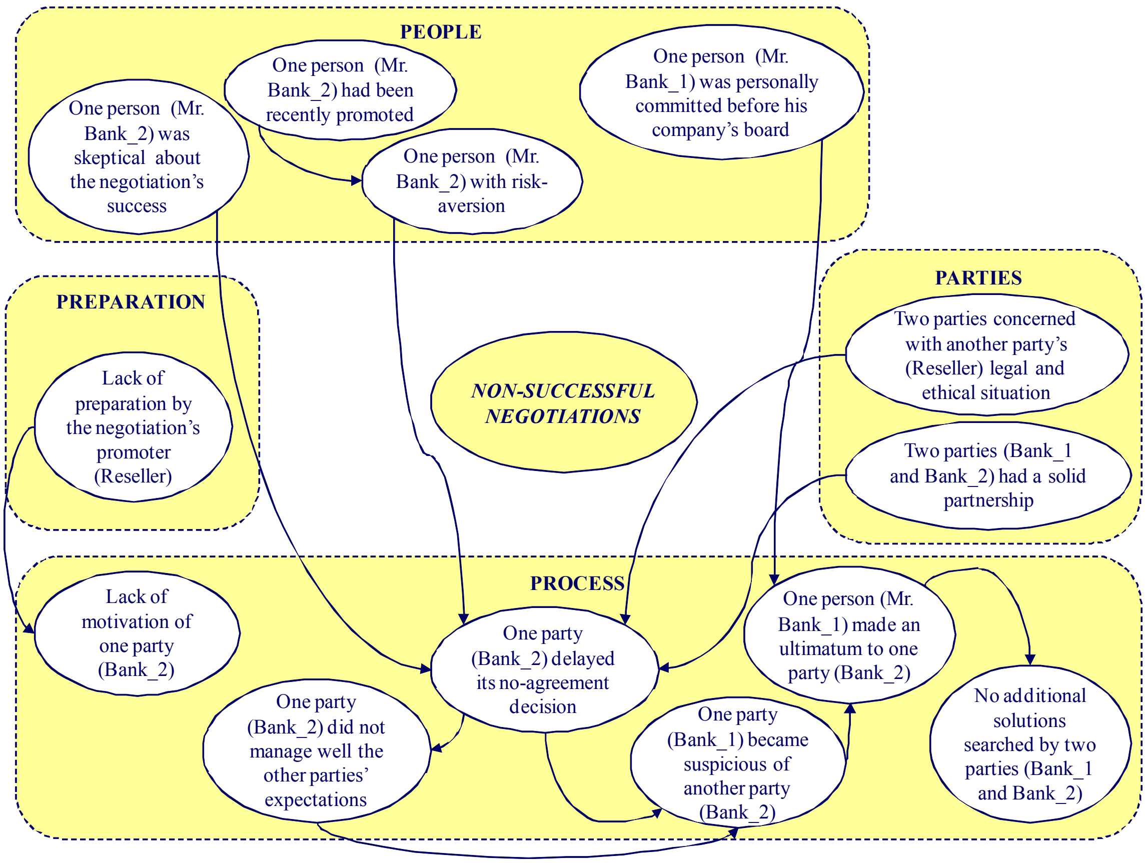

Figure 33. Case 20 interview cognitive map

Parties

- <u>Two parties had a solid partnership</u>: Bank_1 and Bank_2 had a solid partnership in which Bank_2 operated most of Bank_1 products' back-office activities, through a specialized back-office and products management platform;
- <u>Two parties concerned with another party's legal and ethical situation</u>: Reseller was not subject to any kind of supervision, which made the two banks uncomfortable since they were used to working under very strict guidelines and control by a regulatory authority.

People

- One person had been recently promoted: Mr. Bank_2 had been recently promoted from commercial director to board member, which implied an increasing level of work responsibilities that he had never faced before;
- One person with risk-aversion: Overwhelmed with the recent significant increase in his responsibilities, Mr. Bank_2 did not want to run any major risks that could affect his promising career;
- One person was personally committed before his company's board: Mr. Bank_1 had convinced his company's board that financial intermediation was a very promising business area, and therefore he wanted to do everything he could to prove it;
- One person was skeptical about the negotiation's success: Mr. Bank_2 did not believe in the possibility of reaching an agreement due to several contextual and Reseller's characteristics.

Preparation

- Lack of preparation by the negotiation's promoter: Reseller decided to contact Bank_1 to develop a new project but it was not prepared in advance for the negotiation process, which became clear on the initial meeting, as it did not know about the bank's partnership, it did not provide clear reasons for selecting Bank_1 and it had not developed business volume estimates for the initial years.

Process

- Lack of motivation of one party: Reseller's lack of preparation had a strong impact on Bank_2's loss of motivation for the project;
- One party delayed its no-agreement decision: Mr. Bank_2's risk aversion led him to avoid risky projects and to avoid risking his current partnership with Bank_1, especially in a context where the two banks were concerned with Reseller's legal and ethical situation; in addition, although he had been skeptical about the project since the beginning, he let the process continue for a long time;
- One party did not manage well the other parties' expectations: The fact that Bank_2 seemed to be interested in the project when in fact it was not led Reseller and Bank_1 to become convinced that there was a high probability of agreement;

- One party became suspicious of another party: As Bank_2's hesitating attitude along the process started to be detected by Bank_1, the latter became suspicions of Bank_2's real intentions and openness to its own partner in this process;
- One person made an ultimatum to one party: As Mr. Bank_1 wanted to grow this new business area in order to impress his company's board and as it was suspicious of Bank_2, he made an ultimatum to Bank_2 in a desperate move to reach an agreement;
- No additional solutions searched by two parties: Bank_1 withdrew the ultimatum two days after and decided, jointly with Bank_2, to stop searching for additional solutions.

<u>Case 21:</u>

<u>Interviewed</u>: Mr. Consultant and Mr. Drinks

<u>Date</u>: October 10th and October 11th, 2006

<u>Negotiation focus</u>: New Product Promotion

<u>Negotiation</u>: Promotion of a new product in an event at a nightclub

<u>Parties:</u>

- <u>Consultant</u>: a marketing consulting company, represented by its managing partner Mr. Consultant, thirty-three years old;
- <u>Drinks</u>: a drinks producer and seller company, represented by its partner Mr. Drinks, forty-one years old;
- <u>Disco</u>: a large bars and nightclubs owner and management company, represented by its division manager Mr. Disco, thirty-three years old.

<u>Situation:</u>

Drinks produced and sold drinks in Portugal. It had two main products, including one called «D» and was targeted to women. Both products were at that moment only commercialized in hotels, restaurants and cafes. The company had low financial resources and had set a philosophy of working with low fixed costs and as a result outsourced a significant part of the management activities. One of these examples was its supplier Consultant, which managed Drinks' (a medium-sized client) marketing and part of the commercial non-operational activities.

Consultant did not have much mass products' marketing experience and, as a result, could not provide a high-quality service to Drinks. However, Consultant could learn and get operational expertise from this specific project, which would help it to get more mass market clients in the future. As Drinks did not have a strong financial situation, it accepted to hire Consultant based only on a success fee remuneration, in case of a successful development of Drinks, without the payment of any monthly fees.

Disco was a large drinks seller to consumers in its bars and nightclubs. Besides, all its leisure sites had an environment that was extremely favorable and appealing for promoting drinks among its cosmopolitan, status-oriented client base. As a result, Disco usually managed to get good deals from drinks seller companies.

Disco was going to host in one of its nightclubs a very large event X for a strong brand that targeted mostly women. This event was very appealing to Drinks, as it wanted to promote its products in large events, and to Consultant, as it wanted to get operational experience from those types of projects. In addition, Drinks wanted to start selling its products on bars and nightclubs, and Disco provided an excellent opportunity for Drink's entry in this segment. Drinks contacted Disco for a meeting on Monday and said it would also invite its marketing strategy advisor Consultant. Mr. Disco, recently hired, would be Disco's negotiator. The event would take place on Friday.

<u>*Companies' interests:*</u>

Drinks' interests:

- Promote its products;
- Enter into a new sales channel of bars and nightclubs;
- Associate its name to a strong brand.

Consultant's interests:

- Acquire mass-products marketing expertise;
- Get events' management expertise;
- Get notoriety from its indirect presence in a large event.

Disco's interests:

- Provide a better service to its clients;
- Host more events;
- Leverage its position of large drinks seller to end-consumers.

Personal interests:

- Mr. Drinks: similar to the company's interests;
- Mr. Consultant: similar to the company's interests;
- Mr. Disco: to show off to his superiors as a recently hired employee; to get personal exposure and notoriety as top events' host.

Preparation:

Drinks had not previously thought about the maximum price to be paid for the promotion, in cash and/or with products. This was determinant in a negotiation that had to be closed in four days, since it could lead to delays that would make an agreement impossible in such short period.

Negotiation process:

On the Monday meeting, Mr. Drinks enquired Mr. Disco about the possibility of having a Drinks' promotion on event X, to which Mr. Disco replied that it could be possible. Mr. Drinks said that it would like its promotion to consist on offering a glass of its drink «D» to all women for tasting purposes, besides having «D» as a regular drink sold at the nightclub at least temporarily.

Mr. Disco asked how much would Drinks pay for the promotion. Mr. Disco hesitantly assumed he had not though about it and asked Mr. Disco to make a first offer on the conditions for this promotion. On a different tone, Mr. Consultant said he had in fact thought about the conditions but that it should in fact be Disco to make the first offer. Mr. Drink's reaction showed surprise and uncomfortable with this comment while Mr. Disco seemed confused with the two parties' different comments but agreed to make the first offer.

On Tuesday, Disco sent an email asking for a price of thirty thousand Euros for the promotion. Drinks replied that it could not afford meeting such a proposal and that it would make a counter-proposal during that same day. Immediately after, Mr. Consultant called Mr. Drinks and suggested that it should only make a counter- proposal on the following day in order to see what would be Disco's reaction to the delay. Drinks agreed.

On Wednesday early morning, Mr. Disco contacted Mr. Drinks asking for the counter-proposal. Mr. Drinks said that it had had an urgent situation to solve and as a result it did not have the time to prepare the proposal and deliver it on the previous day as agreed. He added that he would send the proposal in the afternoon.

In the early afternoon, Mr. Drinks contacted Mr. Consultant saying that it had not thought about the counter-proposal and that it needed help on preparing it. Mr. Consultant admitted that it also had not thought about it. Mr. Consultant decided to go to Drinks' office to meet with Mr. Drinks and develop the counter-proposal.

On the afternoon, they sent Disco a proposal in which Drinks would provide fifty cases of «D» for tasting purposes and three hundred cases for Disco to sell at regular price at the nightclub, in addition to one small bottle and a flower to be given to all women on their exit. One hour later, Mr. Disco called Mr. Drinks, who told him that his company would also have to receive money besides receiving the products. Mr. Drinks replied it could not pay any money and said that, as a result, they most probably could not reach an agreement.

Later in the afternoon, Mr. Consultant contacted Mr. Disco to enquire him about his reaction to Drinks' proposal. Mr. Disco said that he had already told Mr. Drinks that the proposal should also include a money payment. Mr. Consultant said that they would make a new proposal that would include a money payment in that same day. Mr. Disco was surprised and confused and replied that he did not understand Drinks' and Consultant's different roles in the negotiation. Mr. Consultant replied that Mr. Disco should not be concerned about the two parties' relationship but that they should all focus on trying to reach an agreement. Mr. Consultant asked for a counter-proposal from Mr. Disco, who hesitantly agreed to do although he did not seem motivated to continue with this process.

On Thursday morning, Mr. Disco sent a very brief email asking for ten thousand Euros, fifty cases of «D» for tasting purposes, two hundred and fifty cases for Disco to sell at regular price at the nightclub, and one small bottle and a flower to be given to all women on their exit. He also mentioned that he would call them in the afternoon in order to get a straight «accept / not accept» response.

Drinks met during the morning with Consultant. The first told the latter that it declined to pay any money and considered the proposal's price higher than the expected promotion's benefits. In addition, the cases that would be left over from the tasting event would be given to Disco.

However, Consultant pressured Drinks to accept Disco's proposal since this would be an excellent opportunity for Drinks to get exposure and associate its brand to a top event. Drinks replied that Consultant wanted Drinks to accept the offer as Consultant would not pay anything but would benefit from an excellent learning opportunity and from the event's exposure.

Consultant reacted harshly to Drinks' comment saying that it had so far been working for free and that it only wanted the best for Drinks, in order to increase its probability of earning the success fee agreed between both. Besides, this promotion would have to be supported and framed by Consultant within the marketing strategy it was developing for Drinks.

Drinks said that it would think about Disco's offer and make a decision during the afternoon. Consultant said that it would also decide during the afternoon if it would manage the promotion. None of the two parties talked with one another during that day. In addition, Mr. Disco did not call them in the afternoon as he had said he would do.

At approximately noon Friday, Mr. Drinks called Mr. Disco, who finished the negotiation process by saying that he had already lost more time than he should have lost with this project, in addition to the fact that the timing for a deal had been lost, since there was no time to prepare anything related to the promotion.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

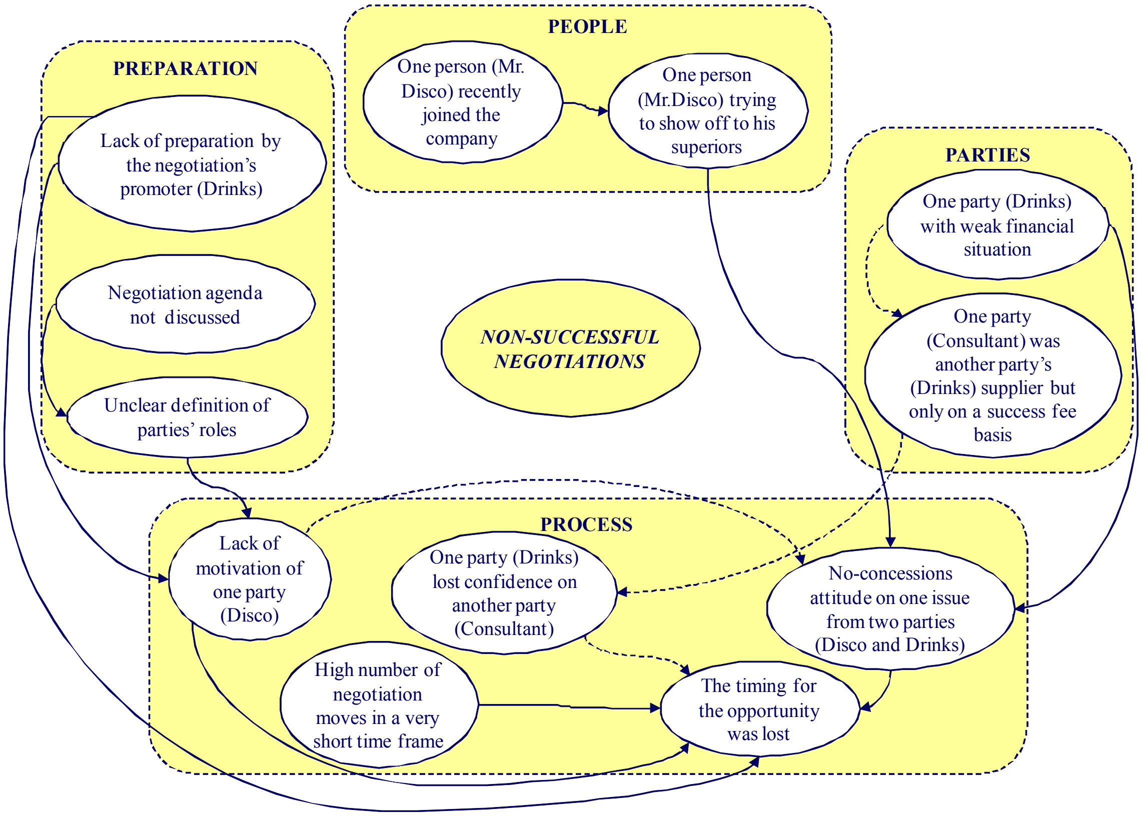

Figure 34. Case 21 interview cognitive map

Parties

- <u>One party with weak financial situation</u>: Drinks was a low-capitalized company that decided to follow a low-fixed costs strategy through outsourcing most management activities;
- <u>One party was another party's supplier but only on a success fee basis</u>: In the context of Drinks' above-mentioned strategy, Consultant was Drinks' supplier remunerated only on a success fee basis.

People

- <u>One person recently joined the company</u>: Mr. Disco had been recently hired by Disco to manage its nightclubs division;

- One person trying to show off to his superiors: As a recent employee, Mr. Disco wanted to naturally try to impress his superiors as a good manager of their nightclubs.

Preparation

- Lack of preparation by the negotiation's promoter: Drinks had not thought about how much it was willing to pay for the promotion, even after Disco made its initial offer;
- Negotiation agenda not discussed: No negotiation agenda was set-up by the parties and none of them mentioned that there should be an agenda for the negotiations;
- Unclear definition of parties' roles: Disco was not clear about Drinks' and Consultant's interests and responsibilities in the negotiation process, which was aggravated by certain contradictory attitudes from both.

Process

- Lack of motivation of one party: Disco was not motivated by the project, especially due to Drinks' lack of preparation and to the other two parties' unclear roles along the negotiation process;
- High number of negotiation moves in a very short time frame: there were several negotiation tactical moves that reduced the already short negotiation timeframe especially as most of those moves involved delaying the process;
- One party lost confidence on another party: Drinks lost confidence on Consultant when the latter pressured the first to accept Disco's proposal saying it would be an excellent opportunity for Drinks to get exposure and associate its brand to a top event; however, Drinks considered that Consultant had this opinion because it would not pay anything but would benefit from an excellent learning opportunity and from the event's exposure; as a result, Drinks lost confidence on Consultant;
- No-concessions attitude on one issue from two parties: on one hand, Drinks declined any agreement that involved any cash payment due to its weak financial condition; on the other hand, Mr. Disco insisted on receiving a cash payment as he wanted to show off to his superiors that he could get a «cash deal», in addition to the fact that Disco was not very motivated to reach an agreement;
- The timing for the opportunity was lost: due to almost all the factors mentioned above, an agreement could not be reached in the short timeframe available.

<u>Case 22:</u>

<u>Interviewed</u>: Mr. Media

<u>Date</u>: October 11th, 2006

<u>Negotiation focus</u>: Promotion Set-up
<u>Negotiation</u>: Sale of a product with a signature as a magazine's promotional item

<u>Parties:</u>

- <u>Media</u>: a media company, represented by its commercial director Mr. Media, thirty-seven years old;
- <u>Kitchen</u>: a kitchen materials company, represented by its marketing director Mrs. Kitchen, thirty-six years old;
- <u>Designer</u>: a designer company, represented by its partner Mrs. Designer, forty-eight years old.

<u>Situation:</u>

In mid-2005, Media was having decreasing revenue sources for several years in some of its magazines. This situation made it look for additional revenues sources, besides advertising and media sales revenues. At that moment, Media decided to sell other products at a significant discount price together with its magazines.

Kitchen was also having decreasing sales. Imported kitchen materials were gaining market share in Portugal leading Kitchen to look for differentiation strategies and innovative initiatives. These would allow it to get more clients, have more loyal customers and avoid lowering its products prices as a competing tool. Kitchen was very conscious of the importance of its brand image and was very concerned with any activities that could hurt its brand. However, its brand awareness was lower than its brand reputation.

Designer was becoming increasingly notorious as a designer of a specific line of products, but mostly only among higher social-economic classes. Its signature could add significant value to certain products where design was a relevant buying decision criterion.

Media scheduled a meeting with Kitchen in order to try to have one Kitchen product to be sold together with one of its magazines at a significant discount price.

Companies' interests:

Media's interests:

- Get additional revenues sources;
- Reach the sales ranking top in order to become more appealing for advertisers;
- Provide additional incentives to its distribution channels.

Kitchen's interests:

- Reverse its declining sales trend;
- Maintain its strong brand image with increasing awareness;
- Differentiate itself from its lower-price competitors.

Designer's interests:

- Increase the awareness of its top designer's image;
- Leverage its design skills to more types of products;
- Associate itself to top brands.

Personal interests:

- Mr. Media: to ensure that the magazine could be profitable as otherwise it could be shut down and he would lose some of his power and remuneration;
- Mrs. Kitchen: to show to the board that she can create innovative actions to increase brand awareness and differentiate the company from competitors;
- Mrs. Designer: similar to the company's interests.

Preparation:

Media was the initiative promoter and did most of the preparation work. However, Media was not cautious about the confidentiality management of all the information related with the project and the possibility that one of the other parties could use all that information with other third parties.

Negotiation process:

On the initial meeting, Media told Kitchen that it wanted to sell products with a strong brand, with outsourced logistics, that would generate a profit margin to Media. In that context, Media proposed making a promotion with one Kitchen product that would be sold together with one of its magazines at a significant discount price. This promotion would be advertised in printed media. The magazine targeted women and had a strong brand name and Media believed that the company that had the best fit with the magazine buyers was Kitchen.

In terms of the business model, Media proposed that it would buy from Kitchen a significant number of units of its product at a significant discount and that it would also pay all media advertising and the points-of-sale products delivery costs.

Kitchen said that it was very concerned with its brand image, which was its biggest asset, and therefore wanted to think about this proposal for a few days. The parties did not talk about any confidentiality issues nor discussed the possibility of signing any confidentiality agreements.

Three days after, Kitchen contacted Media suggesting that the Kitchen product would be «signed» by a designer. This would increase the product's perceived value and also give the magazine buyers the possibility of buying a unique product that could not be bought at Kitchen's stores. Media reacted positively and said that it would do a market analysis to select the designer. Kitchen responded that it had already contacted Designer, who had accepted it.

Media decided not to question the designer's selection process in order to move the process forward quickly. In addition, Media felt so excited with this idea that it decided to also include television ads in the promotion's media campaign.

One week later, there was a meeting with the three parties. Designer seemed initially cautious about this project. On one hand, Designer would give the promotion a uniqueness characteristic and would add its brand to the promotion. On the other hand, it would get a large media exposure, increasing its still low awareness in the global national market. In addition, this project would prove that Designer's signature could be extended to several types of products, therefore enlarging Designer's scope of potential clients.

Media decided to discuss operational items. First, it asked how Designer would fit in the previously defined business model. Kitchen immediately answered that it would pay for Designer's services. Media asked who would pay for the units that would not be sold on the promotion and the parties agreed that Media would pay for all units produced. Then, Media proceeded talking about other issues including number of units to be produced, who would pay for products stolen and broken, among others. After several interactions, there was an agreement in all issues discussed at that meeting.

Media was assigned to write a draft agreement including all the items discussed on the meeting and send it to the other parties by email two days later. On the new meeting scheduled to discuss the draft agreement, the three parties managed to reach a full agreement and the negotiators seemed to have created a solid relationship between them, although Mrs. Designer had a passive posture.

The contract signature was set at Kitchen's premises a week later. When Mr. Media arrived at Kitchen's premises, he realized that Mrs. Designer was not there and he was immediately informed that Mrs. Kitchen could not talk with him. Surprised, he went back to his company and tried to contact Mrs. Kitchen and Mrs. Designer throughout the day without any success.

The following day, Mrs. Kitchen called Mr. Media saying that she was very sorry but that, against her opinion, the company's board had decided to contact other media companies to try to get better conditions for this project. Mr. Media was very surprised because it had had the project's idea and initiative to contact Kitchen. Mr. Media told Mrs. Kitchen that the agreement should be signed as Media did not expect that Kitchen would use Media's idea and know-how to its benefit and also to Media's competitors' benefit. Mrs. Kitchen said that she would give that information to the company's board.

One day after, Mrs. Kitchen called Mr. Media saying that the board decided to continue contacting other media companies with this project's proposal. Media lost its confidence on Kitchen, and became suspicious of Designer, who had joined the project by Kitchen's recommendation and that had been passive throughout most of the negotiation process.

Two days later, Kitchen contacted Media asking on one hand for a small increase in the product's price to be paid by Media but on the other hand Media would benefit from not having to pay for the units that would not be sold in the promotion. Media reacted aggressively declining any change to what had been agreed on their last meeting.

Four days later, Mrs. Kitchen contacted Mr. Media saying that, according to a Kitchen's board decision, it would sign a similar contract with another media company. Media was very disappointed with the situation and later sent a letter to Kitchen's board showing its regret. In addition, Mr. Media decided to get more information on the other two parties and found out a few days later that Mrs. Designer was married with one Kitchen's partner.

Main actors-related factors that negatively impacted the negotiation between the three parties:

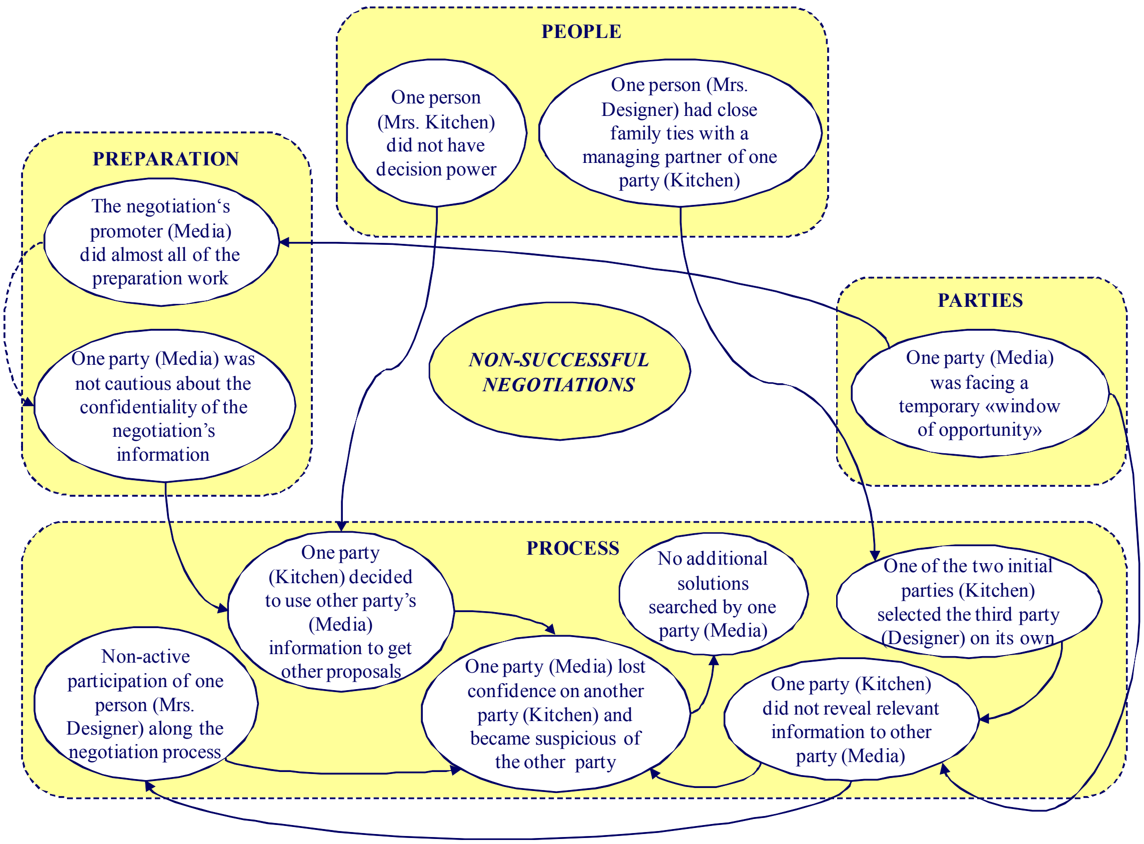

Figure 35. Case 22 interview cognitive map

Parties

- One party was facing a «window of opportunity»: Media faced an excellent opportunity to increase its revenues by becoming the first magazine company to do this type of promotions with the natural advantage of selecting the products it wanted and receiving the benefits of being innovator in the market.

People

- One person had close family ties with a managing partner of one party: Mrs. Designer was married to one Kitchen's managing partner, with the resulting emotional links attached to it;

- <u>One person did not have decision power</u>: Mrs. Kitchen did not have the power to make the most important decisions on this negotiation.

Preparation

- <u>The negotiation's promoter did almost all of the preparation work</u>: Media decided to do almost all of the required work before and also during the negotiation process in order to speed up the process, as it was looking forward to getting this opportunity;
- <u>One party was not cautious about the confidentiality of the negotiation's information</u>: In part due to its anxiety in speeding up the process, Media did not have major concerns about the project's confidentiality.

Process

- <u>One of the two initial parties selected the third party on its own</u>: at the beginning, when only Kitchen and Media were negotiating, Kitchen decided to contact and informally invite Designer to join the negotiation without consulting Media previously;
- <u>One party did not reveal relevant information to other party</u>: On one hand, Kitchen did not give Media relevant information about how it made Designer join the process namely Designer's remuneration and the fact that Mrs. Designer was the wife of one Kitchen's managing partner; on the other hand, Media did not ask Kitchen how Designer got involved and it did not have any suspicions about it as it was mostly focused on moving on the negotiations as quickly as possible;
- <u>Non-active participation of one person along the negotiation process</u>: Mrs. Designer did not seem comfortable with the way she had joined the negotiation and Media's lack of information and therefore did not participate actively in the negotiation process;
- <u>One party decided to use other party's information to get other proposals</u>: As Media was not cautious about the confidentiality of the negotiation's information and Mrs. Kitchen had no real decision power, Kitchen's board of administration decided to use Media's ideas and information to contact other media companies in order to try to get the best conditions for a similar promotion, without the approval of Mrs. Kitchen;
- <u>One party lost confidence on another party and became suspicious of the other party</u>: Media lost confidence on Kitchen when it found out that Kitchen had hidden information and that Kitchen was looking for other media partners to replace Media in this promotion;

in addition, Media became suspicious of Designer’s inclusion in the negotiation and of its non-active participation in the process;

- No additional solutions searched by one party: after losing confidence on Kitchen and becoming suspicious of Designer, Media did not accept any additional changes to the initial agreement basis and declined to search for any other solutions.

Case 23:

Interviewed: Mr. Communications

Date: November 2nd, 2006

Negotiation focus: New Product Trial Development

Negotiation: Development of a trial of communications based on a different technology

Parties:

- Communications: a communications company, represented by its Innovation Special Projects manager Mr. Communications, thirty-three years old;
- Hardware: a hardware producer company, represented by its multimedia director Mr. Hardware, approximately forty-three years old;
- Contents: a contents manager company, represented by its Chief Technical Officer Mr. Contents, thirty-six years old.

Situation:

In the end of 2005, Communications applied for a new communications technology operation pre-license and should develop a trial test in order to be well positioned to get the full-license. Communications decided to get two partners for the trial test, one with contents and a contents' platform and another with hardware.

Communications approached Contents to become a partner because it had valuable contents and owned an expensive specific infra-structure that was highly relevant for the project. Contents agreed to join the partnership.

Communications contacted several hardware firms but wanted to make the partnership with a company that was being restructured called Hardware, because it had the hardware and the characteristics that had the best fit with the project's needs.

Companies' interests:

Communications' interests:

- Improve its innovation image;
- Develop new technologies;
- Deepen relationships with top companies.

Hardware's interests:

- Sell additional products leveraged on the operation resulting from the partnership;
- Position itself as a company with a widespread portfolio of products;
- Acquire know-how that can also be used in other markets.

Contents' interests:

- Leverage a specific infra-structure that had been expensive to built and was expensive to maintain;
- Acquire know-how on a new business area;
- Differentiate its products from its main competitors.

Personal interests:

- Mr. Communications: to ensure that his personal strong support to the decision of applying for a new communications technology operation full-license is successful;
- Mr. Hardware: to have an innovative and dynamic image in order to maintain or improve his professional situation within a company that was being restructured;
- Mr. Contents: to lead its company towards more technological based projects, where his position as CTO can become more visible and relevant for his company.

Preparation:

The negotiation process started without a previous clear definition of each party's roles in the process, which later led to some loss of time from the parties in the process and motivation from Hardware.

Negotiation process:

The process kick-off was in January 2006. The three companies decided to make a project plan, trying to incorporate all parties' interests and requirements. At the end of the meeting, they could not decide anything as they felt limited by the fact that none of them had really understood which roles and responsibilities each party was supposed to have. Hardware loss some motivation to the project when it realized that there were some basic negotiation issues that were not yet clear.

After some phone calls and emails interchanges, they had another meeting two weeks later. At the end of that meeting, they defined the project plan overall guidelines. Interacting via email, the parties managed to elaborate the project plan's first draft.

Since Hardware did not seem to be very interested in becoming a partner at the beginning of the process, Communications and Content considered that it would have a secondary role in this process, as the less motivated and less valuable part of the process.

Mr. Contents and Mr. Communications, who had been a strong supporter of Communications' decision to apply for a new communications technology operation full-license, discussed and set a common project approach. This was reflected in the fact that both decided to make exactly the same presentation with the overall project description and status to each respective company's board. The approval of the plan by both boards led to a confidence increase from both companies on the project's success and also on one another.

On the following meeting, Communications and Contents realized that there were three main critical areas that should be owned by one of them. One area was immediately allocated to Communications and another was immediately allocated to Contents, taking into account each one's know-how and skills. However, it was not clear which of them should own the third critical area.

They both discussed the third area's ownership and shared the opinion that the owner of this area would have dominance over the other. Even though, they reached an agreement that Contents would be this area's owner. The already existing confidence on each other was further increased with this agreement.

Besides keeping Communications frequently updated on the third critical area developments and actions, Contents also decided to compensate Communications for this concession, in situations where Communications was not expecting it. This made the relationship between the two parties even more solid.

In the meanwhile, Mr. Hardware started to become pressured to go to work in Spain by his own company as it was being restructured. Even though he was assuming similar responsibilities in Spain, he continued responsible for this project in Portugal.

From then on, the process started to develop at a lower pace. At a certain moment, Mr. Hardware placed legal and administrative questions that he knew beforehand would take several weeks to be answered. Also, he told the other parties on one occasion that he had sent emails with important questions to be answered by the other parties that both negotiators claimed not having received. These were negatively leveraged by Mr. Hardware's lack of availability to meet with the other parties to discuss this project. Communications and Content asked Mr. Hardware several times to put another colleague responsible for this project, but he always declined that request.

All these situations led to a loss of confidence between the negotiators and suspicions of loss of good faith on the negotiation process. However, Communications and Content had such a good relationship that they frequently blamed Hardware for everything that was not going well in the process.

Six months after the process begun, Communications realized that it would no longer have the required time to implement a trial with these partners and, as a result, it informed the other two parties that the negotiation process between the three parties was finished.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

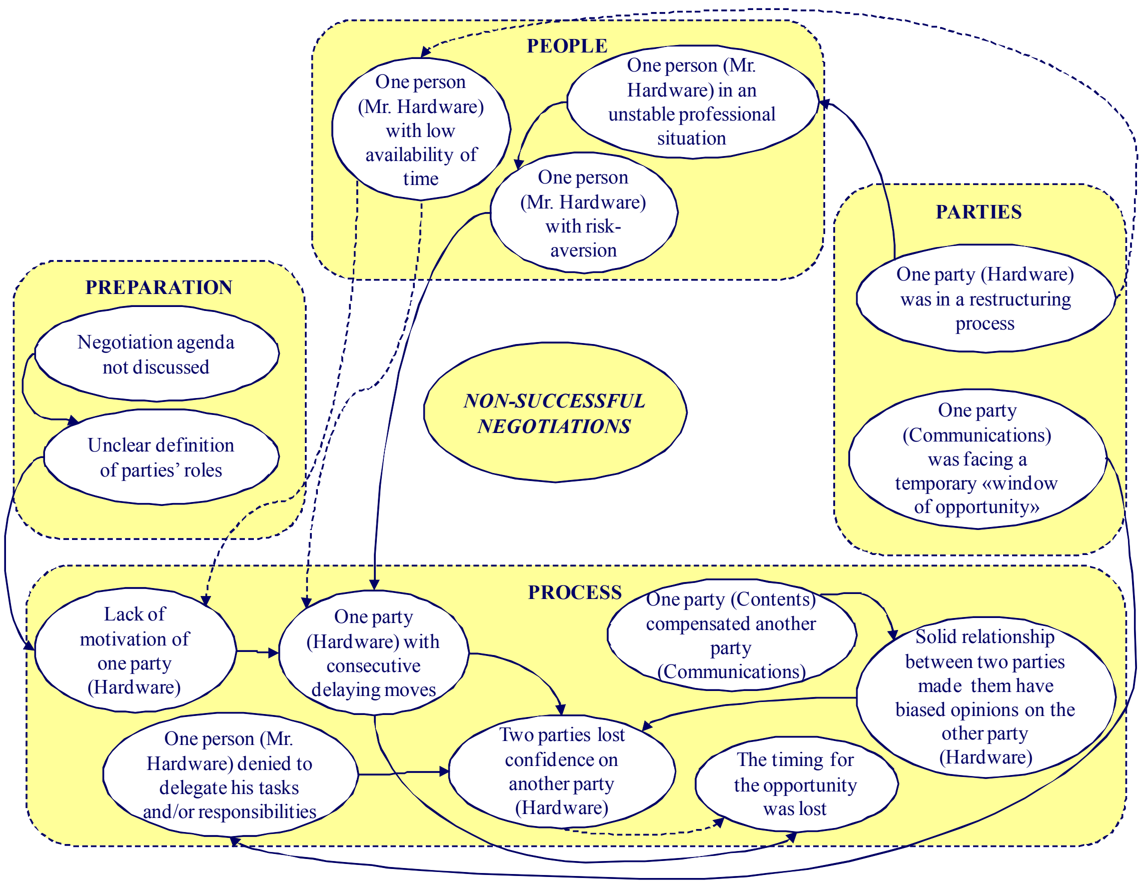

Figure 36. Case 23 interview cognitive map

Parties

- <u>One party was in a restructuring process</u>: Hardware was going through a restructuring process and its employees were not aware of what would happen in the future in the company;
- <u>One party was facing a «window of opportunity»</u>: Communications got a technology pre-license and needed to do several tasks in a short timeframe in order to try to get the full-license.

People

- One person in an unstable professional situation: Due to his company's restructuring process, Mr. Hardware was not sure what would happen to him in the short-medium term at a professional level;
- One person with risk-aversion: Due to his professional instability, Mr. Hardware was very careful in order to avoid running any major risks;
- One person with low availability of time: Due to the company's restructuring process, Mr. Hardware, in addition to the responsibilities in Portugal, had to assume similar responsibilities in Spain, which made him a very busy person.

Preparation

- Negotiation agenda not discussed: the parties started negotiating without discussing the negotiation agenda;
- Unclear definition of parties' roles: the lack of agenda in this situation led the parties to act without being sure of their responsibilities.

Process

- Lack of motivation of one party: The unclear definition of parties' roles that led to initial misunderstandings in a context of Mr. Hardware's low availability of time led to Hardware's loss of motivation at the beginning of the process;
- One party with consecutive delaying moves: Mr. Hardware's lack of time, lack of motivation and his concern about his position led Hardware to take consecutive actions which delayed the process even more and led to a certain lack of motivation on the other two parties;
- One party compensated another party: After Communications gave Content the responsibility of the third critical area, Contents decided to compensate Communications for this concession, in situations where Communications was not expecting, which led to more trust between the two parties;
- Solid relationship between two parties made them have biased opinions on the other party: Communications and Content solid relationship and trust led them to have a negatively biased opinion regarding some actions taken by Hardware, blaming it for the problems that were arising along the process;

- <u>One person denied to delegate his tasks and/or responsibilities</u>: Mr. Hardware did not want to accept the other parties requests to delegate his tasks and/or responsibilities in order to speed up the process and therefore increase Communications probability to get the full-license;
- <u>Two parties lost confidence on another party</u>: Communications and Contents lost confidence on Hardware due to Mr. Hardware's several delaying moves and denial to delegate his tasks and/or responsibilities after a long process, in addition to both parties having negative biased opinions towards Hardware's actions;
- <u>The timing for the opportunity was lost</u>: After Hardware's consecutive delays moves, Communications no longer had the required time to implement a trial with these partners and, as a result, Communications informed the other two parties that the negotiation process between the three parties was finished.

Case 24:

Interviewed: Mr. FundManager

Date: November 21st, 2006

Negotiation focus: New Structure Creation

Negotiation: Creation of a real estate vehicle that would allow for a real estate transaction

Parties:

- FundManager: a real estate fund manager company, represented by its partner Mr. FundManager, forty-three years old;
- Seller: a real estate owner company, represented by its main partner's son Mr. Seller, approximately fifty years old;
- Buyer: a real estate owner company, represented by its main partner's son Mr. Buyer, approximately fifty years old.

Situation:

In September 2005, FundManager had contacted Seller in order to convince it to sell hotel X for the price of eight million Euros, but Seller did not agree to sell at that moment.

In March 2006, FundManager needed to create a fund including at least a hotel in order to become pre-qualified for a large project that was due in approximately six months. As a result, it decided to contact Seller again to try to convince it to sell that same hotel.

Seller replied that it would only sell it packaged with the other commercial areas it owned in the hotel's block but that were occupied by tenants, as it had been trying to sell those commercial areas for some time without success. FundManager said that it would try to create a real estate fund that would acquire all the assets.

Buyer was interested in buying hotels. FundManager contacted Buyer to ask it if it was interested in hotel X that could be acquired via a real estate fund created by FundManager. The latter replied that it could be interested.

Companies' interests:

FundManager's interests:

- Create additional real estate funds;
- Improve its market image by increasing its clients' track record;
- Get certain projects that allowed it to become pre-qualified for several top projects.

Seller's interests:

- Make a profit;
- Sell commercial areas occupied by tenants that it was struggling to sell for a long time;
- Improve its image in the market.

Buyer's interests:

- Grow its hotel chain;
- Block competitors from entering in a top geographical area;
- Acquire a landmark hotel.

Personal interests:

- Mr. FundManager: similar to the company's interests;
- Mr. Seller: to impress his father and company owner;
- Mr. Buyer: to convince his father and company owner to go forward with a hotel large expansion strategy.

Preparation:

FundManager was very well prepared as it had a solid knowledge of the real estate assets involved and as it had already reflected on options to create the transaction structure that could best fit the three parties' interests in the operation. Buyer was only focused on the hotel and did not think about the other assets that would be involved in the transaction. Besides, it did not have know-how on real estate funds structures and did not study it neither tried to get informed about it. Seller was well prepared.

Negotiation process:

FundManager met with Buyer and showed the details about the real estate involved, namely hotel X and the other commercial areas owned by Seller in the hotel's block but that were occupied by tenants. Mr. Buyer said that it was interested in the hotel for a maximum price of fifteen million Euros. FundManager said that it could set up a real estate fund that would acquire all the assets and allow Buyer to get the hotel.

Mr. Buyer added that Seller had a negative reputation in the market with an unethical management and also considered Mr. Seller as someone of a lower social level. However, as Mr. Buyer wanted to convince his father (who was Buyer's owner and had full-control of all company's activities and decisions) to start a hotel chain expansion strategy, he agreed on continuing with this process as it could be the trigger for his desired business growth strategy.

Two days later, FundManager met with Seller. It said that it could create a fund that would acquire all the assets although it allowed the ultimate hotel owner to be Buyer, who had offered fourteen million Euros for the hotel. Seller looked suspicious about such a price increase from the offer made six months before and, from his reaction, he seemed to believe that Buyer could offer even more. Seller replied that it would not accept any proposals below twenty five million Euros for all the assets. FundManager replied that since the other assets were worth approximately nine million Euros, Seller was valuing the hotel in approximately sixteen million Euros, which was extremely high. However, it would talk with Buyer before giving a formal response.

Later in that same day, Mr. FundManager contacted Mr. Buyer saying that he had offered fourteen million Euros for the hotel and that Seller wanted twenty five million Euros for all the assets, valuing the hotel in approximately sixteen million Euros. Mr. Buyer said that price was extremely high and told Mr. FundManager to offer fourteen and a half million Euros.

Mr. FundManager contacted Mr. Seller offering fourteen and a half million Euros for the hotel. Two days later, he replied that he could only accept fifteen and a half million Euros.

However, on that same day, Mr. Buyer had contacted Mr. FundManager very awkwardly saying that Buyer had only approved an offer of fourteen million Euros for the hotel and not fifteen million Euros as he had said before.

After receiving this surprising change of price limit, Mr. FundManager set a meeting with Mr. Seller on the next day and told him that Seller would have to lower even more its price in order to make the fund viable. Seller replied that it was Buyer's turn to make a concession, but FundManager said that Mr. Buyer's price offer had not been accepted by his company and that it could not offer more than fourteen million Euros for the hotel.

Seller said that it was not going to be the only one to make price concessions. In addition, it said that it required the full-payment to be done on the transaction date. When Mr. FundManager told Mr. Buyer about this condition on the following day, Mr. Buyer replied that it did not care about Mr. Seller's demands and, in case of reaching an agreement on the price, he would only pay one third of the value agreed on the transaction date, while the remaining two thirds would be paid in equal parts after one and two years, respectively. Seller later agreed.

One week later, Mr. Seller asked for a one-year call option on the acquisition of two of the several assets on sale. When Mr. FundManager told that to Mr. Buyer, the latter had the same attitude as before of not conceding on any issues raised by Seller and did not accept it. He even told again Mr. FundManager that he did not care about Seller's demands. This repeated attitude led Mr. FundManager and Mr. Seller to start losing part of their initial motivation for an agreement.

Along the process, both Buyer and Seller had separately requested Mr. FundManager for several times to set up a three-party meeting, but the latter always replied that there was no need for the three parties to meet simultaneously. Only after much insistence and only when Mr. FundManager realized that both parties were losing confidence on him, did he decide to set up a meeting with all the parties.

The three parties met for the first time and Mr. FundManager tried to explain the fund's structure advantages to all parties on a potential transaction. Namely, the creation of a fund could bring fiscal gains to the transaction for both parties and also a higher financial leverage for Buyer. In addition, the fund could place the commercial areas in other clients, leaving Buyer only with the hotel. It was just at that moment that Mr. Buyer understood why it was not going to get the real possession of the commercial areas.

When Mr. Seller and Mr. Buyer enquired Mr. FundManager about further and more detailed explanations on these topics, they did not manage to clarify their doubts. After two exhausting hours, Mr. Seller and Mr. Buyer ended the meeting by saying that this meeting had confirmed their initial idea of Mr. FundManager being too sophisticated and also too confusing, besides the fact that both did not value significantly FundManager's value-added and concessions brought to the negotiation process up to that moment.

Mr. FundManager replied that they were all tired and as a result asked for the two parties' availability for another meeting to try to reach an agreement and both replied that they would take the initiative to contact FundManager if they decided to set up a new meeting.

After two weeks without any contact from Buyer or Seller, Mr. FundManager contacted both separately to try to set up a new meeting but both declined and informed him that they had both stopped looking for additional solutions and therefore the negotiation process was finished.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

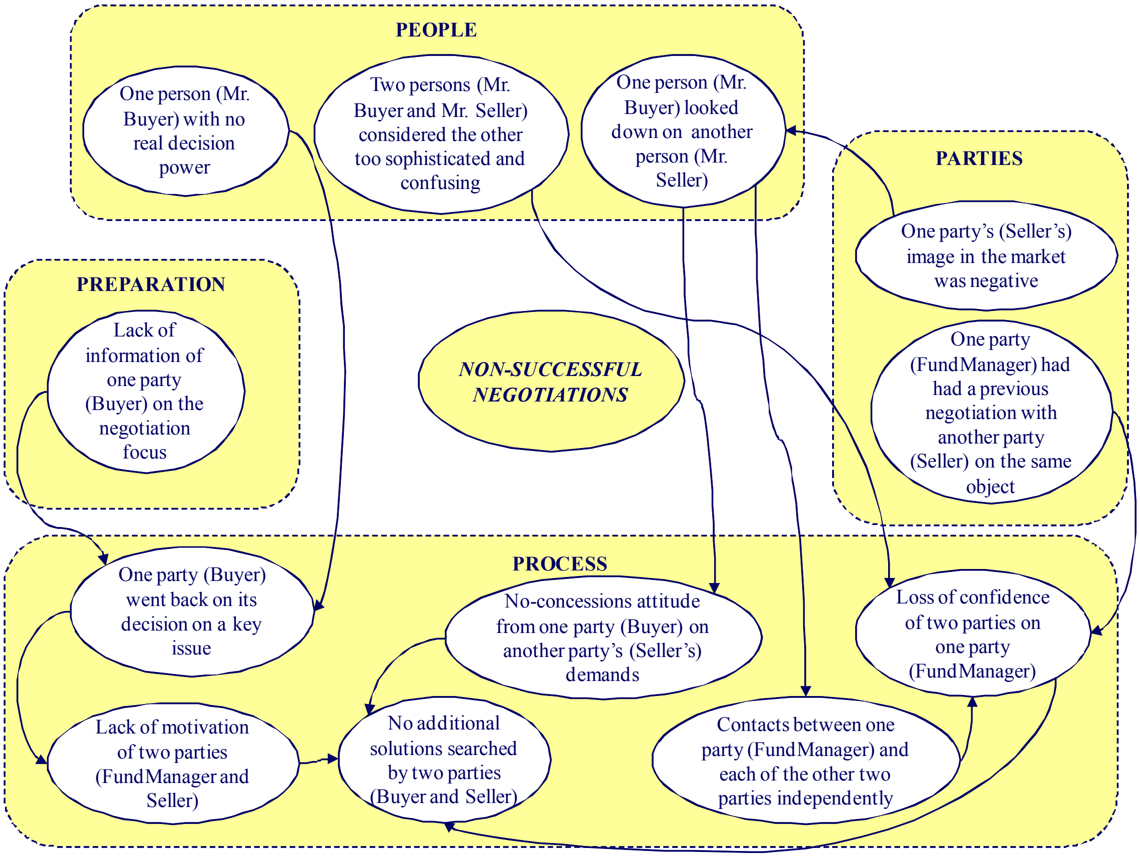

Figure 37. Case 24 interview cognitive map

Parties

- <u>One party had had a previous negotiation with another party on the same object</u>: FundManager had negotiated previously with Seller when it tried to acquire hotel X at a much lower price than the one offered during this negotiation process;
- <u>One party's image in the market was negative</u>: Seller had a negative image in the market as a company with an unethical management.

People

- <u>One person looked down on another person</u>: Mr. Buyer looked down on Mr. Seller due to his company's unethical image and also because he considered Mr. Seller as someone of a lower social level;

- Two persons considered the other too sophisticated and confusing: Mr. Buyer and Mr. Seller considered Mr. FundManager as someone that was very sophisticated and confusing who did not seem to manage to explain things in a simple and clear way;
- One person with no real decision power: Mr. Buyer did not have real decision power since it was his father, Buyer's owner, who had full-control of all company's activities and decisions.

Preparation

- Lack of information of one party on the negotiation focus: Buyer was only thinking about the hotel and did not focus on the overall deal that also included the other assets that would be involved in the transaction. Besides, it did not have know-how on real estate funds' structures and did not study them neither tried to get informed about them.

Process

- One party went back on its decision on a key issue: During the negotiation process, Mr. Buyer contacted Mr. FundManager very awkwardly saying that his company had only approved an offer of fourteen million Euros for the hotel and not fifteen million Euros as he had said before, which was a very relevant issue in the negotiation;
- Lack of motivation of two parties: FundManager and Seller lost some of their motivation to reach an agreement after this incident that showed that Mr. Buyer could go back on his decisions;
- No-concessions attitude from one party on another party's demands: Mr. Buyer told several times to Mr. FundManager that he did not care about Seller's demands and he did not make concessions on issues like, for example, the payment dates;
- Contacts between one party and each of the other two parties independently: Along the process, both Buyer and Seller had separately requested Mr. FundManager for several times to set up a three-party meeting, but the latter always replied that there was no need for the three parties to meet simultaneously and insisted that he should meet separately with each of the other parties. Only after much insistence and only when Mr. FundManager realized that both parties were losing confidence on him, did he decide to set up a meeting with all the parties;
- Loss of confidence of two parties on one party: Buyer and Seller lost confidence on FundManager because FundManager was avoiding three-party meetings, it had already

made an offer in the past to buy hotel X for a much lower price, and also due to the fact that Mr. Buyer and Mr. Seller considered Mr. FundManager too sophisticated and confusing;

- No additional solutions searched by two parties: the conjunction of several situations led Buyer and Seller to stop searching for different solutions. Those situations included the loss of confidence of Buyer and Seller on FundManager, the lack of motivation of FundManager and Seller, and Buyer's no-concessions attitude on any Seller's demands.

<u>Case 25:</u>

<u>Interviewed</u>: Mr. Research, Mr. Consultant and Mr. Retail

<u>Date</u>: March 5th, March 7th and March 8th, 2007

<u>Negotiation focus</u>: Sales-improvement Program Creation

<u>Negotiation</u>: Creation of a program by two parties to improve sales of a third party

<u>Parties:</u>

- <u>Research</u>: a sales research company, represented by its CEO and only-owner Mr. Research, forty-two years old;
- <u>Consultant</u>: a consulting company, represented by its CEO Mr. Consultant and only-owner, thirty-seven years old;
- <u>Retail</u>: a retail company, represented by its Commercial Director Mr. Retail, forty years old.

<u>Situation:</u>

In mid-2006, Retail realized that it had a «window of opportunity» to significantly increase its number of franchised stores while simultaneously improving the performance of its existing franchised stores, due to recent events that were still «shaking» its niche market and that Retail could leverage in its own benefit.

In order to achieve this goal, Retail needed a specific research work that, due to internal requirements for suppliers' selection, could only be done by Research in Portugal. Retail contacted Research to explain its program idea. After, they both realized that they should also have the support of a sales and marketing consulting company with a specific know-how. Research said that Consultant was the appropriate partner since they had worked together on previous occasions and they also had complementing skills. In addition, the past professional relationship between the companies had led to a strong personal relationship between Mr. Research and Mr. Consultant. Retail agreed and they then decided to set a three-party meeting.

Companies' interests:

Retail's interests:

- Improve its current franchised stores' sales performance;
- Increase the number of franchised stores;
- Become the clear market leader both in sixe and in quality image.

Research's interests:

- Develop a new business area;
- Acquire medium/large clients;
- Grow its partnership with Consultant.

Consultant's interests:

- Acquire medium/large clients;
- Get notoriety;
- Gain critical mass.

Personal interests:

- Mr. Retail: to grow his importance in the company by further developing the commercial area;
- Mr. Research: similar to the company's interests;
- Mr. Consultant: similar to the company's interests.

Preparation:

All parties were reasonably prepared. However, at the beginning there were no discussions about the negotiation agenda and the parties' roles definition. For example, it was not clear who would be coordinating the project and which would be the project's reporting structure.

Negotiation process:

Retail's «window of opportunity» made Mr. Retail feel pressured to quickly reach an agreement with the other parties in order to implement the project as soon as possible. When the three parties met for the first time, Mr. Retail made a brief project presentation. After, instead of first raising the issue for discussion of the negotiation agenda and each party's roles in the process, he started discussing project operational details as he was anxious to start the project as soon as possible.

The other parties reacted with some surprise. This lack of organization and structure led to Consultant's loss of motivation for the project, as it was not yet fully aware of the project content and did not know to whom it would be reporting and who would be coordinating the project.

After such a short meeting, Research decided to meet with Consultant without Retail's awareness in order to explain better the project and also to try to motivate Consultant. Mr. Research told Mr. Consultant that they could finish the project very quickly if they would split the tasks between the two parties and «put both outputs together» at the end. In addition, they would spend hardly any time in meetings as they already knew how to work as a team without the need to be frequently communicating and interacting. However, Consultant ended the meeting without a clear answer to Research.

When the parties met again, they tried to reach an agreement so that they could start working on the project rapidly. At that meeting, the three parties were supposed to present suggestions about the project's management, namely the project's structure and activities (responsible, duration, and interactions and dependencies). However, the meeting's output was not clear as the parties did not achieve a common and unique approach to and perspective of the project. Even the parts of the project in which Consultant and Research had already team experience had not been planned, which was one of the aspects that denoted a lack of communication and team planning that was expected from two companies that had worked together previously on several occasions. Since this meeting's outcome was not positive, the parties set up another meeting, to which the three parties should be prepared to discuss each other's proposals on the project management and reach an agreement.

In the meanwhile, Mr. Consultant started having very low availability of time and had to postpone the meeting twice. However, during that period, Research contacted Consultant to try to plan joint activities and also to make a deal for both parties to join forces when negotiating with Retail. Consultant told Research to make suggestions regarding those issues and Consultant would most probably follow them.

At the beginning of the last meeting, Retail soon realized that Consultant was not motivated for the meeting and that the other two parties had made a deal to join forces. At that moment, Retail became suspicious about the other parties' real intentions and as a result it stopped searching for solutions and ended the negotiations, as it was clearly dissatisfied with the other parties' coalition, with the lack of «work-integration» experience which was supposed to exist between them, and also with the lack of motivation from Consultant that had been visible since the beginning of the negotiations.

Main actors-related factors that negatively impacted the negotiation between the three parties:

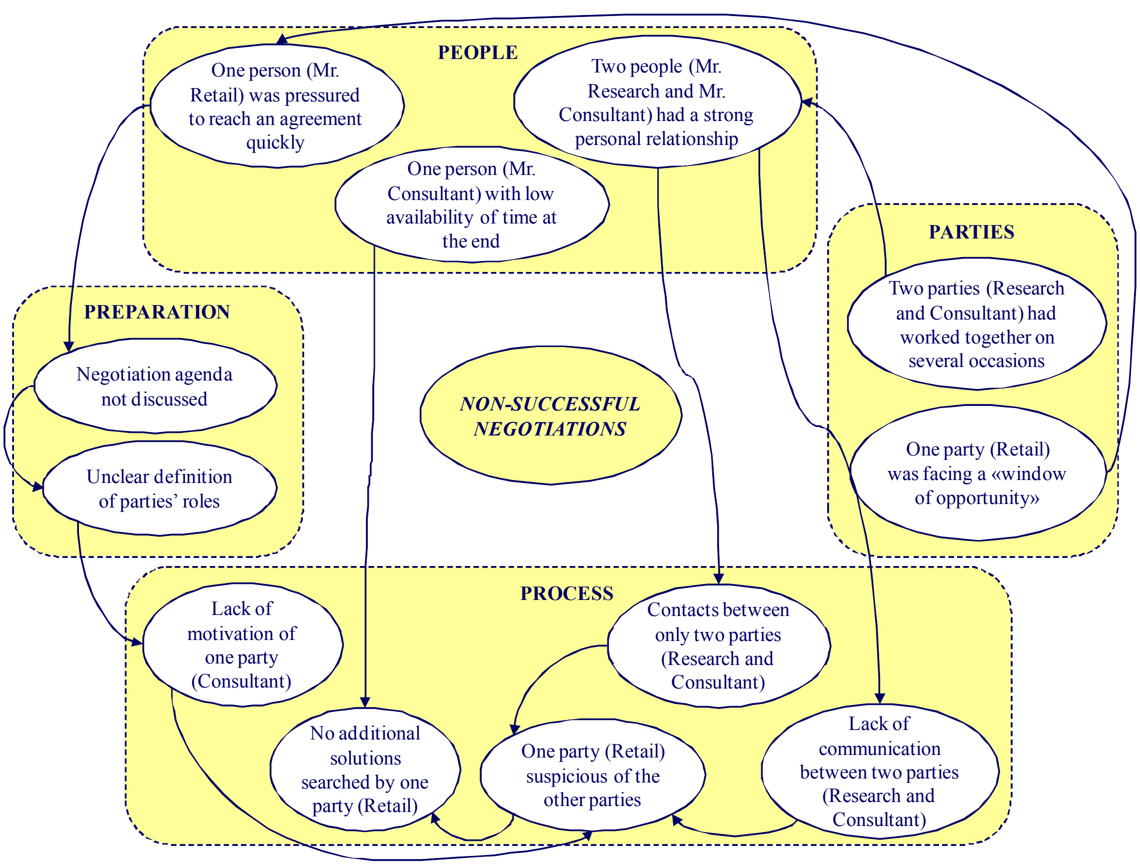

Figure 38. Case 25 interview cognitive map

Parties

- One party was facing a «window of opportunity»: Retail had a «window of opportunity» to significantly increase its number of franchised stores while simultaneously improving the performance of its existing franchised stores, due to recent events that were still «shaking» its niche market and that Retail could leverage in its own benefit;
- Two parties had worked together on several occasions: Research and Consultant had worked together on previous occasions and they also had complementing skills.

People

- Two people had a strong personal relationship: the past professional relationship between the companies had led to a strong personal relationship between Mr. Research and Mr. Consultant;
- One person with low availability of time at the end: Mr. Consultant started having very low availability of time and had to postpone the last meeting twice;
- One person was pressured to reach an agreement quickly: Retail's «window of opportunity» made Mr. Retail feel pressured to quickly reach an agreement with the other parties in order to implement the project as soon as possible.

Preparation

- Negotiation agenda not discussed: as Mr. Retail wanted to start discussing the project's implementation immediately at the beginning of the process, there were no discussions about the negotiation agenda;
- Unclear definition of parties' roles: the lack of negotiation agenda led to no definition of parties' roles. For example, it was not clear who would be coordinating the project and which would be the project's reporting structure.

Process

- Lack of motivation of one party: The lack of negotiation agenda and parties' roles definition led to Consultant's loss of motivation for the project, as it was not yet fully aware of the project content and did not know to whom it would be reporting and who would be coordinating the project;

- Contacts between only two parties: Research decided to meet with Consultant without Retail's awareness at the beginning, in order to explain better the project and also to try to motivate Consultant; and at the end, in order to try to plan joint activities and also to make a deal for both parties to join forces when negotiating with Retail;
- Lack of communication between two parties: there was a lack of communication and team planning from Research and Consultant, which was not expected since they had worked together previously on several occasions;
- One party suspicious of the other parties: Retail became suspicious about the other parties' due to the other parties' coalition, to the lack of «work-integration» experience which was supposed to exist between them, and also to the lack of motivation from Consultant that had been visible since the beginning of the negotiations;
- No additional solutions searched by one party: When Retail became suspicious of the other parties, in addition to the lack of time for the process from Consultant, Retail stopped searching for solutions and ended the negotiations.

<u>Case 26:</u>

<u>Interviewed</u>: Mr. Consultant and Mr. IT

<u>Date</u>: April 11th and April 20th, 2007

<u>Negotiation focus</u>: Project Development
<u>Negotiation</u>: Implementation project of a SAP module by two parties for a third company

<u>Parties:</u>

- <u>Consultant</u>: an IT and management consulting company, represented by its executive partner Mr. Consultant, forty-five years old;
- <u>IT</u>: an IT services company, represented by its partner and board member Mr. IT, forty-four years old;
- <u>Industry</u>: a large industrial company, represented by its partner and board member Mr. Industry, fifty-eight years old.

<u>Situation:</u>

Industry was a large family-owned industrial company that had acquired in the past the SAP platform (one of the most sold ERP[2] - Enterprise Resource Planning systems in the world) but had not implemented some modules available, including the human resources module. Industry had had an agreement for several years with IT for all SAP-related services based on a pre-set man-hour rate for any regular services provided. Industry was a large IT's client. Mr.

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[2] The term ERP originally implied systems designed to plan the use of enterprise-wide resources. ERP systems typically attempt to cover all basic functions of an organization, regardless of the organization's business or charter. Additionally, it may be noted that to be considered an ERP system, a software package generally would only need to provide functionality in a single package that would normally be covered by two or more systems. Technically, a software package that provides both payroll and accounting functions would be considered an ERP software package.

However, the term is typically reserved for larger, more broadly based applications. The introduction of an ERP system to replace two or more independent applications eliminates the need for external interfaces previously required between systems, and provides additional benefits that range from standardization and lower maintenance (one system instead of two or more) to easier and/or greater reporting capabilities (as all data is typically kept in one database).

Examples of modules in an ERP which formerly would have been stand-alone applications include: Manufacturing, Supply Chain, Financials, Customer Relationship Management (CRM), Human Resources, and Warehouse Management.

IT was becoming more passive in terms of commercial efforts to maintain his client Industry due to a natural «accommodation» resulting from a long-term informal exclusivity agreement with an almost captive client.

In the beginning of 2007, Industry decided to activate SAP's human resources module. Industry contacted IT requesting a services proposal for the implementation of SAP's human resources performance evaluation sub-module. IT analyzed the situation and realized that Industry did not have any major human resources processes established, which were required for the sub-module implementation. IT told Industry that it needed to develop the required processes and suggested that Consultant should also participate in this project for several reasons. On one hand, Consultant had a solid know-how on the processes part of the human resources performance evaluation and in its integration with the SAP implementation. On the other hand, Consultant had experience in working jointly with IT in several projects. Industry agreed and so they decided to set up a meeting with the three parties.

IT was a Consultant's large supplier and simultaneously a Consultant's small client. Mr. Consultant was one of his company's junior partners and was responsible for the human resources management consulting department in his company. He was trying to grow this business area and get a significantly more important role in his company. Mr. Consultant and Mr. IT had a along professional relationship and knew each other well allowing them to usually quickly grasp each other's thoughts and interests.

Companies' interests:

Consultant's interests:

- Get a reference client;
- Deepen its relationship with IT;
- Obtain even more know-how and experience in the promising human resources processes area.

IT's interests:

- Develop further services in a reference client;
- Avoid competitors' entry in a large client;

- Avoid risky tasks in client Industry (human resources processes definition in a family-owned company is a sensitive project).

Industry's interests:

- Develop a human resources performance evaluation system;
- Justify its investment in the SAP platform;
- Improve its image in the market as socially responsible and with an updated company management.

Personal interests:

- Mr. Consultant: to develop his human resources management consulting area; to get a more important role in his company; similar to the company's interests;
- Mr. IT: similar to the company's interests;
- Mr. Industry: similar to the company's interests.

Preparation:

Industry did not inform itself about anything that was required for the project, namely all the processes in which the software would be leveraged upon. IT and Consultant did not make a strong effort to understand upfront Industry's interests and to gather relevant information, with the exception of sending a detailed questionnaire to Industry in order to get more information, which Industry only responded partially.

Negotiation process:

There was a brief meeting for the three parties to discuss the overall project's goal and for Consultant and Industry to meet each other. Consultant got the impression that Industry did not have any of the required processes defined namely job descriptions, definition of evaluation processes in terms of evaluators' identification, evaluations' timing, evaluation's metrics, among others.

After the meeting, Consultant suggested to IT that its processes development services proposal should be included in one overall project proposal that should be done in IT's name although they were in fact two proposals from two parties. Consultant believed that with only one global proposal Industry would not probably ask for additional proposals for the processes development services. If Consultant would have presented an independent proposal, Industry could have had the idea of asking other proposals to other companies for that specific part of the project as they were in fact two projects. In fact, on one hand, IT could develop the project with another consulting company and, on the other hand, Consultant could develop the project with another IT company.

One week later, on one side, IT had finished developing its part of the proposal that it had started to develop since its initial contact with Industry. On the other side, based on the brief information gathered from IT, from one single meeting with the three parties and from part of a questionnaire replied by Industry, Consultant made the approach and methodology part of its proposal, and sent it by email to IT. The latter immediately included that part in the overall proposal without reading it carefully and sent it immediately after by email to Industry. After receiving the proposal by email, Industry did not make any comments about it but asked IT for the Consultant's services price that was not included in the proposal received.

IT sent Consultant a very brief email simply asking for its services' price to which Consultant responded with an estimate price extrapolated from a previous project and adjusted to Industry's number of employees. Consultant sent this email on the expectation of discussing its content with IT before IT would send it to Industry.

However, Mr. IT forwarded the response email to Industry without discussing its content with Consultant previously. After approximately half an hour, Mr. IT received a call from Mr. Industry who was very disturbed and nervous after seeing the proposal's price for the processes development services. The latter was surprised that it was being deceived by his supplier. Mr. IT was equally surprised and Mr. Industry added that his surprise was due to the fact that Consultant's man-hour rate was the double of IT's usual rate in all SAP-related services provision. Mr. IT said that there must had been a mistake or a misunderstanding that should be easily clarified, but Mr. Industry was extremely disturbed and did not accept at that moment any argument used by Mr. IT.

After finishing the phone call, Mr. IT immediately looked carefully and in detail to Consultant's pricing, which seemed similar to IT's man-hour rate. After, Mr. IT called Mr. Consultant to try to understanding the causes for Mr. Industry's disturbance. Mr. Consultant replied that he had always declined to make proposals with the detailed allocation of number of hours to each team member because he never wanted clients to be able to make a calculation of the man-hour rate (note: the only difference between Mr. IT's and Mr. Consultant's interviews' output was the fact that Mr. IT disagreed with this commercial strategy; however, this difference was not relevant for our negotiation's analysis). This attitude was based on his firm belief that he did not sell services' hours but that he sold projects' definitions and their implementation.

Even though, Mr. Consultant said that he had used for his pricing definition approximately the same man-hour rate used by IT. He added that his proposal included the team members' names, the project's duration and a fixed price for the project. The team was composed of a project manager and two consultants. Although, as usual, he did not refer in this proposal the allocation load of each consultant to the projects, he was planning on having the two consultants one hundred percent dedicated to working on the project. As a result, the project's price reflected two consultants per day working on the project.

Based on that, Mr. Consultant inferred that Mr. Industry probably had considered in his calculations the utilization of just one full-time consultant instead of two. He probably divided the proposal price by the number of days, obtaining a price per day, based on which he calculated the hour rate. However, Mr. Industry must had forgotten to divide the hour rate by the two consultants in order to derive the man-hour rate, and therefore he obtained a man-hour rate that was the double of IT's man-hour rate usually charged.

Mr. Consultant immediately sent an email to Mr. Industry with Mr. IT in c/c trying to explain the man-hour rate issue and also mentioning that, if necessary, he could apply to Consultant's services a discount of up to fifty percent on the price included in the proposal in case Industry would cooperate significantly with Consultant on the project. As Mr. Industry did not reply to that email in the following three days, Mr. Consultant sent another email saying that he was very interested in participating in this project and was available to make concessions in order to ensure its participation.

Four days after, Mr. Industry replied to both that he was not looking for any pricing justifications, that he was concerned about an apparent desperate attitude by Consultant trying to get the project at any price and also about a lack of a project's integrative view from IT and

Consultant, and that he had decided to leave this project suspended. If and when Industry decided to reactivate the project, it would contact IT and Consultant.

Approximately one month later, Mr. Industry sent an email to Mr. IT and Mr. Consultant saying that Industry had given up on the project.

Main actors-related factors that negatively impacted the negotiation between the three parties:

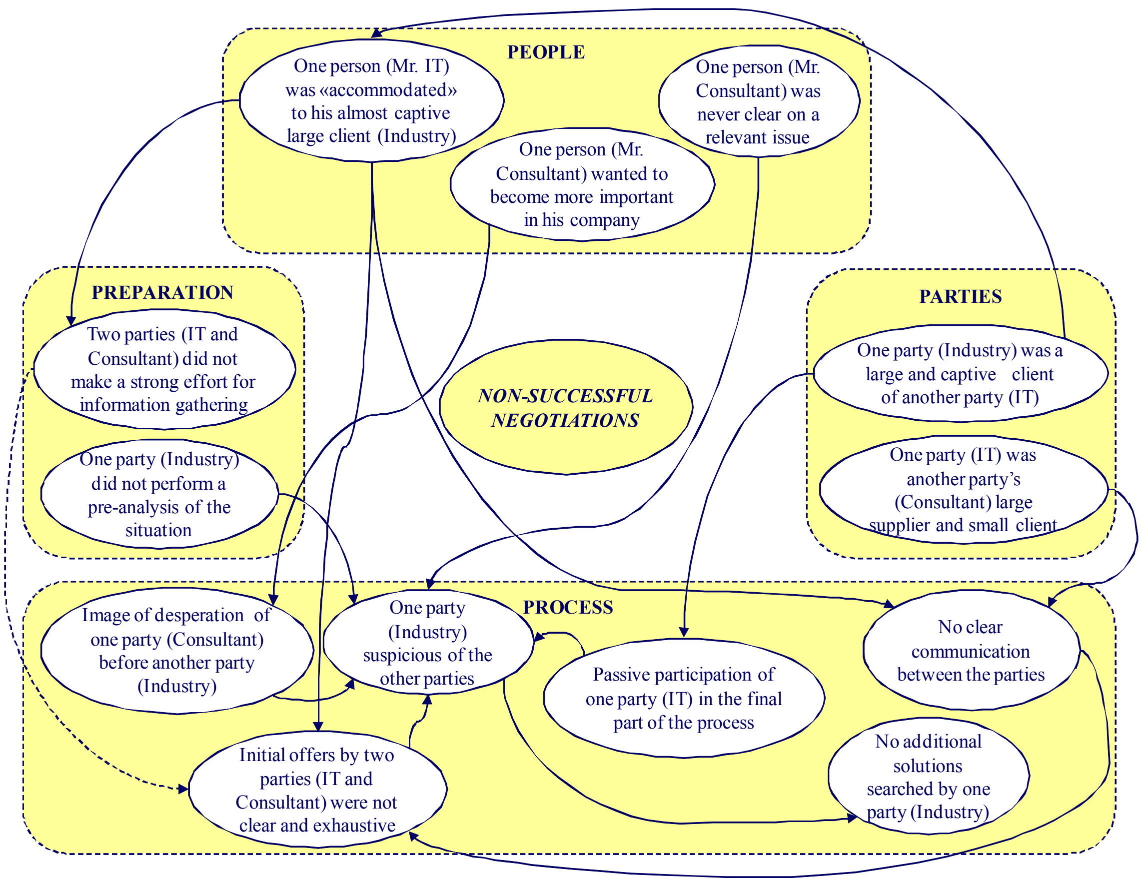

Figure 39. Case 26 interview cognitive map

Parties

- One party was another party's large supplier and small client: IT was a Consultant's large supplier in several projects and also a small client on other projects;

* One party was a large and captive client of another party: Industry was a large IT's client having had an agreement for several years with IT for all SAP-related services based on a pre-set man-hour rate for any regular services provided.

People

* One person was «accommodated» to his almost captive large client: Mr. IT was becoming more passive in terms of commercial efforts to maintain his client Industry due to a natural «accommodation» resulting from a long-term informal exclusivity agreement with an almost captive client;
* One person was never clear on a relevant issue: Mr. Consultant never made clearly priced proposals. In fact, he declined to make proposals with the detailed allocation of number of hours to each team member because he never wanted clients to be able to make a calculation of the man-hour rate. This attitude was based on his firm belief that he did not sell services' hours but that he sold projects' design and their implementation;
* One person wanted to become more important in his company: Mr. Consultant was one of his company's junior partners and he was trying to grow his business area and get a significantly more important role in his company.

Preparation

* One party did not perform a pre-analysis of the situation: Industry did not inform itself about what was required for the project, namely all the processes in which the software would be leveraged upon;
* Two parties did not make a strong effort for information gathering: IT and Consultant did not make a strong effort to understand upfront Industry's interests and to gather relevant information for the proposal, with the exception of sending a detailed questionnaire to Industry in order to get more information, to which Industry only responded partially.

Process

* No clear communication between the parties: on one hand, there was no real formal communication between IT and Consultant due to their client-supplier previous strong experience; in fact, Mr. Consultant and Mr. IT trusted on their knowledge of one another to quickly grasp each other's thoughts and interests, which was noticed when they did not discuss the parts of the proposal written by each of them; on the other hand, the

communication was not clear between Consultant and Industry, based on email but not on conversations and/or meetings;

- Initial offers by two parties were not clear and exhaustive: the lack of communication between IT and Consultant led to initial offers that were unclear and incomplete: the first proposal presented by IT and Consultant, although in IT's name, seemed to be the conjunction of two different proposals and did not present the pricing for Consultant's part of the project; on the second contact, that pricing was not clearly presented;
- Image of desperation of one party before another party: As Mr. Consultant wanted to become more important in his company, he wanted to get the project almost at any cost; in order to get it, Mr. Consultant sent an email exclusively to Mr. Industry mentioning that, if necessary, he could apply to Consultant's services a discount of up to fifty percent on the price included in the proposal in case Industry would cooperate significantly with Consultant on the project, which made Consultant look desperate before Industry;
- Passive participation of one party in the final part of the process: IT had a passive attitude on the negotiation process, since Industry was a large client and IT did not seem interested that Industry could get the impression that IT would be pressing in any way for Industry to accept the project;
- One party suspicious of the other parties: Industry became suspicious of the other two parties due to a set of several issues: Industry itself did not perform a pre-analysis of the situation and therefore was not sure of what to expect from the other parties; initial offers by IT and Consultant were not clear and exhaustive; Mr. Consultant was not clear on the pricing issue and had an apparent desperate attitude before Mr. Industry; and suddenly IT became passive at the end of the process;
- No additional solutions searched by one party: As Industry was suspicious of the other parties, it decided to send an email to IT and stopped looking for any other solutions.

<u>Case 27:</u>

<u>Interviewed</u>: Mr. Cosmetics and Mr. Distributor

<u>Date</u>: April 26th and April 30th, 2007

<u>Negotiation focus</u>: New Distribution Channel
<u>Negotiation</u>: Development of a new distribution channel via a distributor

<u>Parties:</u>

- <u>Cosmetics</u>: a large cosmetics company, represented by the Commercial Director of one of its business units Mr. Cosmetics, thirty-seven years old;
- <u>Distributor</u>: a distribution company, represented by its partner Mr. Distributor, sixty-one years old;
- <u>Retail</u>: a retail chain company, represented by its partner Mr. Retail, fifty-five years old.

<u>Situation:</u>

On January 2007, Mr. Cosmetics was developing one of his company's recent business units «M». Mr. Cosmetics felt he was being tested by his superiors to see if he could successfully develop his new area. Retail did not sell any Cosmetics products from any business unit. Mr. Cosmetics decided to try to start selling his «M» line of products in Retail's twelve points-of-sale, which would become the business unit's largest client in case of agreement. As a result, Mr. Cosmetics contacted Mr. Retail, who only had Cosmetics' competitor products, and set up a meeting. Mr. Retail had an image of very demanding negotiator in the market. Distributor was at that moment the exclusive distributor of Cosmetics' business unit's products, with Cosmetics products' sales representing approximately fifty percent of Distributor's total sales.

<u>Companies' interests:</u>

Cosmetics' interests:

- Increase its market sales coverage;

- Acquire a reference client;
- Increase notoriety of the new business unit line of products.

Distributor's interests:

- Leverage its existing distribution network;
- Acquire a reference client;
- Deepen its relationship with Cosmetics.

Retail's interests:

- Work with top brands;
- Get higher and better technical service from suppliers;
- Benefit from its suppliers' investments in their line of products' growth.

Personal interests:

- Mr. Cosmetics: to prove to his superiors that he can successfully contribute to the launching of a new business unit;
- Mr. Distributor: similar to the company's interests;
- Mr. Retail: similar to the company's interests.

Preparation:

Cosmetics was very well prepared and had all relevant information well documented. Distributor was also very well prepared, while Retail did not gather any support documentation for the negotiation.

Negotiation process:

Mr. Cosmetics had a meeting with Mr. Retail, made a very clear and detailed presentation about his business unit and said that it wanted to start selling his line of products to Retail. Retail liked that line of products and said that it could be interested in selling it to its customer base, but it also wanted to sell Cosmetics' line of products «H». Despite of Retail's insistence, Mr. Cosmetics replied that it was not possible.

One week later, Mr. Cosmetics had another meeting with Mr. Retail. Mr. Retail continued to say that he wanted to sell the «H» line of products but Cosmetics had a no-concessions attitude because the market positioning of luxury of the «H» line of products did not have a perfect fit with Retail's image. Mr. Retail said that he really wanted to sell the «H» line of products but that he would accept negotiating only the «M» line of products.

Both parties put aside the «H» line of products' issue and focused only on the «M» line of products. They negotiated and Retail said that it did not reject the conditions discussed, which Cosmetics understood as reaching an overall informal agreement on the main negotiation issues.

On that same day, Cosmetics called Distributor and explained to Distributor that it was interested in selling its line of products to Retail, that it had met with Retail and that it seemed to be interested in starting to buy the products. Mr. Distributor reacted immediately saying that he was surprised that Cosmetics had a meeting without his awareness, when in fact Distributor was the exclusive distributor of «M» line of products. Cosmetics said that Distributor did not need to be aware of that meeting because Distributor would only be involved in case that meeting's outcome would be positive. As in fact the outcome was positive, Cosmetics then decided to involve Distributor in the negotiation. Mr. Distributor said that he was very skeptical of the success of any negotiation with Mr. Retail, since he had an image of very demanding negotiator.

The three parties met two days later for Distributor and Retail to meet for the first time and for the three parties to negotiate. Cosmetics started the meeting by describing the situation and by saying that, although it did have the option of selling directly to Retail, it wanted to sell the products via Distributor. In this scenario, Cosmetics said that it could not give any discount to Distributor, but Distributor would have to significantly lower its margin on the products sold to Retail. In other words, the situation would be similar to Distributor giving a quantity discount to the large client Retail. Distributor argued that it needed to get a discount from Cosmetics in order to have a minimum acceptable margin on those sales.

Cosmetics replied that it would not make any discounts. However, Cosmetics could do the order management for those sales fully supporting those costs that were Distributor's responsibility. This was something that Cosmetics did not do in any other situation. In addition, Cosmetics would have a special attention on the decoration of Retail's points-of-sale which would help selling more products. Retail seemed enthusiastic about this opportunity. They finished the meeting with an understanding that Distributor would give Retail a significant discount.

One week later, the three parties had another meeting to discuss operational issues regarding all the processes involved in the whole sales cycle. At the end of that meeting, after minor concessions from the three parties, they reached a final agreement. Then, Cosmetics suggested organizing a presentation and training session for all Retail's points-of-sale to be done in two weeks time, which Retail accepted.

Two days after, Cosmetics wrote the contract based on the agreement, signed it and sent it to Distributor, who also signed it and sent it to Retail on the same day.

Five days after, Mr. Retail contacted Mr. Cosmetics' superior saying that either it would also sell the «H» line of products on its stores or it would not sign the agreement. Mr. Cosmetics' superior said that it was not possible, as it had been clearly mentioned immediately at the beginning of the negotiations. But Mr. Retail replied that he would not make any concessions on that issue.

Although they lost confidence in Retail, Mr. Distributor and especially Mr. Cosmetics tried during two more weeks to convince Retail to reach an agreement as they could try to think of other options but Retail denied to look for any other solutions unless he could also sell the «H» line of products in his company's stores (note: the only difference between Mr. Cosmetics' and Mr. Distributor's interviews' output was the fact that Mr. Distributor had the opinion that Cosmetics should have sold the «H» line of products to Retail which was the opposite of Mr. Cosmetics' opinion; however, this difference did not impact our negotiation's analysis). After Distributor's and Cosmetic's further insistence during approximately two more weeks, the parties never contacted each other again and this negotiation ended.

<u>Main actors-related factors that negatively impacted the negotiation between the three parties:</u>

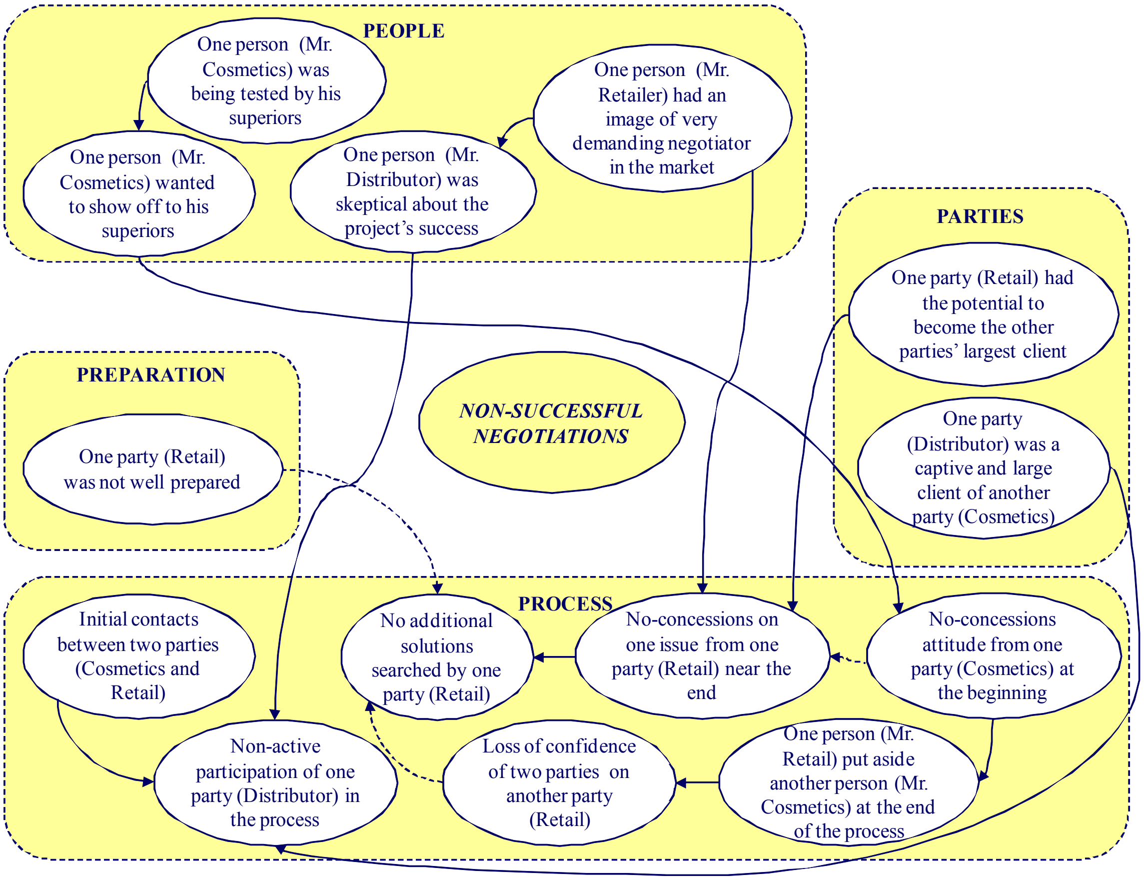

Figure 40. Case 27 interview cognitive map

Parties

- <u>One party was a captive and large client of another party</u>: Distributor was at that moment the exclusive distributor of Cosmetics' business unit's products, with Cosmetics products' sales representing approximately fifty percent of Distributor's total sales;
- <u>One party had the potential to become the other parties' largest client</u>: Retail had twelve points-of-sale and was a very large potential client for Cosmetics and consequently of Distributor.

People

- One person had an image of very demanding negotiator in the market: Mr. Retailer was known in the market for being a very demanding negotiator which negatively contributed to reaching agreements;
- One person was skeptical about the project's success: Mr. Distributor did not have a firm believe in this project especially due to Mr. Retailer's very demanding negotiator image that made agreements hard to reach;
- One person was being tested by his superiors: Mr. Cosmetics was being tested by his superiors as he had been given a top responsibility on the launch of new products;
- One person wanted to show off to his superiors: As a result of being tested, Mr. Cosmetics wanted to provide the best image to his superiors along the negotiation process.

Preparation

- One party was not well prepared: Retail did not gather any support documentation for the negotiation and therefore seemed ill-prepared for the negotiation process.

Process

- Initial contacts between two parties: Cosmetics and Retail had two initial meetings that excluded Distributor from which they derived an overall informal agreement on the main negotiation issues;
- Non-active participation of one party in the process: The fact that Mr. Distributor was skeptical about the negotiation's success together with Distributor's exclusion from the initial contacts made it very disappointed; however, it did not want to abandon a process in which its large client Cosmetics was involved, although it continued to participate in the negotiation process with a non-active attitude;
- No-concessions attitude from one party at the beginning: Cosmetics took a no-concessions attitude at the beginning of the process when it declined to make concessions towards Retail, as when Mr. Cosmetics, who wanted to respond well to his company's board test, at the beginning of the process, took a very firm position on rejecting the possibility that Retail would sell the «H» product line;
- One person put aside another person at the end of the process: As Mr. Cosmetics had not made concessions on issues that Retail valued, Mr. Retail went over Mr. Cosmetics when

it decided to contact his superior directly in order to get a concession on the possibility of also selling the «H» product line without informing Mr. Cosmetics;

- <u>No-concessions on one issue from one party near the end</u>: Near the end, Mr. Retail's image of very demanding negotiator in the market became evident when Retail took the position that it wanted to sell the «H» product line in its points-of-sale and did not make any concessions on this issue;
- <u>Loss of confidence of two parties on another party</u>: Cosmetics and Distributor did not trust Retail anymore after Retail having contacted directly Mr. Cosmetics' superior without Mr. Cosmetics knowledge;
- <u>No additional solutions searched by one party</u>: Retail's no concessions attitude on the issue of wanting to be allowed to sell the «H» product line at its points-of-sale together with Retail's realization that the other two parties lost their confidence on itself led Retail to stop looking into any other negotiation solution's options.

<u>Case 28:</u>

<u>Interviewed</u>: Mr. Food

<u>Date</u>: May 10th, 2007

<u>Negotiation focus</u>: New Product Promotion

<u>Negotiation</u>: Promotion of a new product in a distribution channel with a third party's sponsorship

<u>Parties:</u>

- <u>Food</u>: a large food and beverages company, represented by its board member with marketing responsibilities Mr. Food, thirty-five years old;
- <u>Retail</u>: a large retail company, represented by its board member with commercial responsibilities Ms. Retail, forty years old;
- <u>Gift</u>: a marketing services company, represented by its partner Mr. Gift, forty-three years old.

<u>Situation:</u>

On September 2006, Gift was almost finishing the production of a book about a 2006 event to be commercialized. However, Gift did not believe it could sell a significant number of issues only by itself. It feared that if it did not sell most of the books in 2006, it could become the owner of a valueless stock of books. Gift decided to contact Food to try to get a sponsorship. Mr. Food had been recently promoted to board member and immediately liked the idea because it could help him impress his board members. Mr. Food suggested that it could associate the book to its products as a gift with an exclusive distribution channel agreement with Retail. Retail had an image in the market of tough negotiator.

<u>Companies' interests:</u>

Food's interests:

- Increase stocks at the consumers' homes;

- Improve its innovation image;
- Deepen its relationship with Retail.

Retail's interests:

- Get its image associated to an important event that it did not formally sponsor;
- Attract more people to its stores during Christmas;
- Improve its image of provider of appealing promotions to its customers.

Gift's interests:

- Avoid losing momentum to sell a book about a 2006 event;
- Leverage Christmas season to try to sell its new product;
- Associate itself to top brands.

Personal interests:

- Mr. Food: to prove that he deserved his recent promotion to board member;
- Ms. Retail: to maintain her image of tough negotiator in the market;
- Mr. Gift: to promote his personal image in the society; similar to the company's interests.

Preparation:

The parties were well prepared for the negotiation, except for the fact that Retail should have already taken into account that it would need support from the marketing department regarding the communication plan required for this project.

Negotiation process:

There was a first meeting between Gift and Food, where Gift described its book about an important event which could be very appealing for consumers especially during Christmas time. Gift also mentioned that it could not commercialize the book in a profitable manner but it believed the book was very attractive and had high quality. Mr. Gift wanted Food to buy all the copies to be produced and become its main sponsor. He was also curious about Mr. Food's suggestion of partnering with Retail.

Food replied that it believed in the book's attractiveness and that it was thinking about selling the book at a discounted price with a set of twenty units of one of its main products. Its idea consisted on pushing stock into consumers' houses, especially as Food usually sold sets of only one or four units which did not create a large stock at consumers' houses and therefore opened the way for competitors to sell to those same consumers.

However, Food proposed including Retail as the exclusive distribution partner which would pay for part of the book and promotional costs allowing them to give consumers the book for free. Mr. Gift said it would like to think about that possibility but Mr. Food said that it would not make concessions on this issue. Mr. Gift then suggested a meeting with the three parties. Food was interested in creating a broader partnership with Retail where this initiative would be one among many others but it did not say it to Gift.

The three parties met a week after at Retail's premises. The environment reflected Retail's image of competitiveness and negotiation aggressiveness. The initial contact with Ms. Retail clearly showed that she had a strong fit with her company's culture.

Retail immediately liked the idea especially because it could associate itself to the past event without having been one of its official sponsors. In addition, it could generate additional traffic in the Christmas season to its stores. However, to include this as a promotion in its stores, Retail would have to do its advertising and Ms. Retail feared that the marketing department might not want to take away money from its already defined communication plan for this initiative, as the marketing department believed it should focus all its resources in other items that provided higher margin during Christmas season. Gift and Food suggested that Ms. Retail should contact the marketing department in the following days and meet again one week later.

On the second meeting, Retail said at the beginning that it could not include this promotion in its communications plan. Food and Gift insisted that Retail should make an effort to try to go forward with this promotion, but Retail did not make any concessions on this issue.

When the parties believed the meeting was about to finish, Food suggested making the customer pay such a price for the book that would be equivalent to half of the communication costs. The remaining half would be evenly split between Food and Retail. Gift said that the number of books sold would then decrease which would reduce the promotion's impact. Mr. Gift suddenly seemed to become desperate with such a solution that significantly reduced its sales expectations. Mr. Gift said that he intended to give part of the profits to charity and that this solution would harm people that were in need of help in order to have a better life. These emotional arguments did not have much effect on Food and Retail, who put pressure on Gift to accept this idea.

However, when Gift seemed to be convinced, Retail suddenly rejected the idea, as it argued that if the customers would have to pay for the book, the book would become a competitor to the other books that Retail was currently selling in its stores. The other two parties were extremely surprised as they did not understand this argument. In fact, they reacted saying that this book's impact on the other books' sales would be much higher if the book was given at no cost. So they did not understand why Retail had not raised this issue before, when they were assuming that the book was going to be given instead of sold. Retail tried to justify its argument without managing to convince the other two parties. As a result, the meeting ended without any conclusion.

The apparent lack of interest from Retail, and Gift's desperate image led Food and Retail to stop searching for solutions as they amicably agreed on finishing the negotiation process a few days after the last meeting.

Main actors-related factors that negatively impacted the negotiation between the three parties:

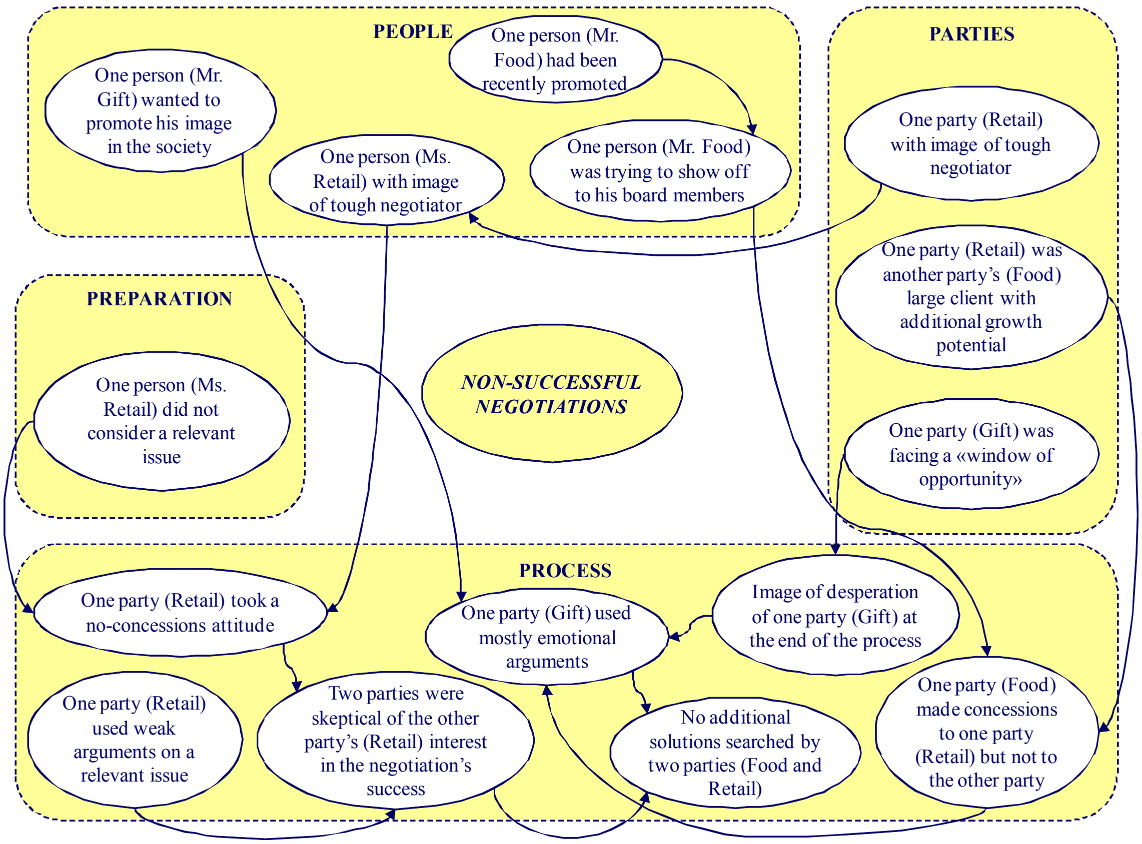

Figure 41. Case 28 interview cognitive map

Parties

- <u>One party was another party's large client with additional growth potential</u>: Retail was a large Food's client with an additional significant growth potential, which made Food very interested in having a good relationship with Retail;
- <u>One party was facing a «window of opportunity»</u>: Gift was about to finish producing a book about a 2006 event and feared that it would not sell many books after the year 2006. As a result, Gift wanted to sell as many books as possible in 2006;
- <u>One party with image of tough negotiator</u>: Retail had a culture and a recognized image in the market of tough negotiator, which even came across at its own premises.

People

- <u>One person had been recently promoted</u>: Mr. Food had been promoted to board member very recently;
- <u>One person was trying to show off to his board members</u>: As a result of having been recently promoted to board member, Mr. Food wanted to create a good impression among his board colleagues;
- <u>One person wanted to promote his image in the society</u>: Mr. Gift wanted to become more renowned in the society;
- <u>One person with image of tough negotiator</u>: Ms. Retail reflected her company's culture of tough negotiator, which even came across at the initial contact with the other parties.

Preparation

- <u>One person did not consider a relevant issue</u>: Ms. Retail did not take into account beforehand that she would need to change the company's communication plan, which was defined and managed by the marketing department.

Process

- <u>One party took a no-concessions attitude</u>: Although Food and Gift insisted that Retail should make an effort to try to go forward with this promotion, Retail did not make any concessions on issues like the inclusion of the promotion in its communication's plan and the price of the book to be paid by end-consumers;
- <u>One party used weak arguments on a relevant issue</u>: Retail argued that if the customers would have to pay for the book, the book would become a competitor to the other books that Retail was currently selling in its stores. The other two parties were extremely surprised as they did not understand this argument. Retail tried to justify its argument without managing to convince the other two parties;
- <u>Two parties were skeptical of the other party's interest in the negotiation's success</u>: As Retail did not make any concession on a relevant issue and as it provided the two other parties with weak arguments on another relevant issue to justify its negotiating positions, Gift and Food were skeptical of Retail's intentions towards a successful agreement that would benefit the three parties;

- One party made concessions to one party but not to the other party: As Retail was a Food's large client with still a significant additional growth potential, Food made concessions to Retail; but on the other hand, Food did not make concessions to Gift;
- Image of desperation of one party at the end of the process: Gift saw in this project a «window of opportunity» for selling all or most of its books in Christmas of 2006, avoiding becoming the owner of a valueless stock of books. When Mr. Gift was confronted with a solution that would significantly reduced its sales expectations he suddenly seemed to become desperate;
- One party used mostly emotional arguments: As Mr. Gift wanted to promote his image in the society, his reaction to his own desperation was saying that he intended to give part of the profits to charity and that this solution would harm people that were in need of help in order to have a better life;
- No additional solutions searched by two parties: The apparent lack of interest from Retail, and Gift's desperate image led Food and Retail to stop searching for solutions.

Case 29:

Interviewed: Mr. Manager

Date: May 25th, 2007

Negotiation focus: Equity Transactions and Companies' Merger

Negotiation: Equity transactions for a merger of two companies of the same industry

Parties:

- Manager: a marketing company called Marketing, represented by its partner Mr. Manager, forty-one years old;
- Buyer: an international marketing company, represented by its Portugal general manager Mr. Buyer, forty-three years old;
- Seller: a marketing company, represented by its managing partner Mr. Seller, forty-three years old.

Situation:

Seller had an equity stake of thirty percent in its competitor Marketing, which the market considered as an unclear position in the industry sector. Seller was interested in selling that equity stake because Seller itself was going through a potential merger negotiation. The sale of the Marketing equity stake before Seller's own merger would benefit Seller, and, as a consequence, also Mr. Seller, in that negotiation process. Buyer was going through a worldwide restructuring process. In Portugal, it had two companies that were not performing well. In such context, Buyer wanted to acquire a competitor company in Portugal in order to merge it with one of its local companies (company «B») avoiding a merger between its two currently owned companies. As a result, in the beginning of 2006 Buyer decided to contact the two Marketing owners: Manager and Seller.

<u>Companies' interests:</u>

Manager's interests:

- Maintain an equity stake and the management of Marketing;
- Leverage Buyer's strong brand and customer base in order to further grow Marketing;
- Make Marketing a major player in the market.

Buyer's interests:

- Acquire a strong-performing company;
- Avoid merger between its two local companies;
- Learn new methodologies to develop in Portugal.

Seller's interests:

- Increase its value before its own potential merger;
- Deepen its relationship with Buyer;
- Clarify its positioning in the market.

<u>Personal interests:</u>

- <u>Mr. Manager</u>: similar to the company's interests;
- <u>Mr. Buyer</u>: to get a more relevant image in the market;
- <u>Mr. Seller</u>: similar to the company's interests.

<u>Preparation:</u>

Buyer had an attitude of «we'll solve it later» which was mostly due to a lack of preparation efforts from Buyer. The other parties were well prepared.

<u>Negotiation process:</u>

Buyer decided to set a meeting with Manager and Seller. In that meeting, Buyer said that it was interested in acquiring a controlling equity stake in Marketing and merge it with company «B», one of its local companies. The others said that they were interested in going forward with the process but that first they would like to discuss it between the two before setting a new meeting with the three parties. Buyer was satisfied with their decision and told them that the process would be very fast which the other parties recognized as very important.

Manager and Seller had a private meeting and agreed on the conditions under which they both would sell Marketing's shares.

One week later, they met with Buyer and started discussing the potential transaction. First, they quickly agreed that the total percentage of equity to be sold should be fifty one percent, with Seller selling its entire stake of thirty percent. Then, they discussed the price. This process was long and they did not reach an agreement. Buyer made an initial price offer but Manager and Seller argued that the company had a great growth potential and therefore should be valued at a much higher price than the one offered by Buyer. Buyer seemed reluctant in changing its price offer and said that they should, at that moment, discuss other issues and only discuss the price in a future occasion. However, the others replied that they would not discuss other issues without agreeing on the shares' price; otherwise they could be wasting their time. As a result, they decided to set another meeting to discuss pricing.

One week later, Manager and Seller contacted Buyer to set up a meeting, but Buyer did not manage to have availability to meet until three weeks after. Four weeks after the first meeting, they met with the goal of agreeing on the transaction price. The discussion was long and at the end they agreed that the pricing should be a multiple of Marketing's 2005 EBITDA. However, they did not agree on the multiple value. They decided to set another meeting to try to reach an agreement on the multiple to be applied.

Again, Buyer did not have the availability to meet for approximately three weeks. When they finally met, they reached an agreement on the multiple value to be applied. After, they decided to start drafting a memorandum of understanding to be the basis of their overall agreement.

Mr. Buyer said that it wanted to have a call option on the remaining Marketing's equity at the highest price between: a) the current offer price and b) the same multiple applied to EBITDA of the year previous to the exercise of the call option. Mr. Manager replied that it wanted a reciprocal option, that is, it wanted to have a put option on the same terms. However, Mr. Buyer replied that he could not run any risks, and as the company was quoted on the stock exchange, it could not formally give Manager any put options since the company would have to declare them in its company report and provision it in its accounting. In addition, Mr. Buyer said that, as the company was in a restructuring process, he personally wanted to act very carefully. However, Mr. Buyer said that he believed that he could agree on the put option on an informal basis.

In addition, Mr. Buyer said that Manager would be reporting directly to Buyer's management structure. This was an issue that Manager valued significantly since it did not want to report to company «B» with whom it was going to merge with.

At that moment in time, Mr. Seller tried to demonstrate in a subtle way that he could also be interested in selling Seller to Buyer when he mentioned that it could be attractive for a company like Buyer to create a large group of companies including, as an example, also Seller. However, after Mr. Seller talking extensively about the benefits of that scenario, the other parties did not give this point any relevance. From then on, Seller started having a less active participation in the negotiation process. Buyer became responsible for all the operational part of the process from that moment onwards, since the main issues had been agreed upon.

Approximately two months passed by without any clear steps proposed by Buyer to try to finish the agreement and implement the transaction, in spite of Manager's insistence. Mr. Buyer repeatedly said that the restructuring process the company was going through and his own caution with this process were the responsible for the negotiation process delays. In the meanwhile, the possibility of a merger of Seller with another company was excluded, and therefore the urgent sale of its Marketing's equity stake no longer existed at that moment. From then on, Seller started having a passive participation in the negotiation process, stopping any contacts to pressure Buyer in any way to continue the process.

At that point, Mr. Buyer set a meeting with the other parties and told them that he could hardly run any risks and therefore he could not accept certain issues previously accepted. However, he said he believed those changes would not interfere significantly with the transaction agreement. One change was that Buyer could not accept an informal agreement on the put option. The other was that Marketing's management (to be done by Manager) would have to report to company «B»'s management due to several Buyer's group internal reasons.

Manager reacted harshly and said that the memorandum of understanding was no longer valid because the assumptions in which it was made had changed and therefore there would be no transaction. Manager did not agree with the lack of reciprocity regarding the options issues, and it did not accept having to report to company «B»'s management as it had a much better management performance than «B» and therefore Marketing's management should report directly to Buyer.

Buyer tried to contact Manager during the following weeks, but Manager did not want to look into any other potential agreement solutions. Buyer also contacted Seller but the latter remained passive and replied that it did not show any interest in proceeding with the negotiation process.

Main actors-related factors that negatively impacted the negotiation between the three parties:

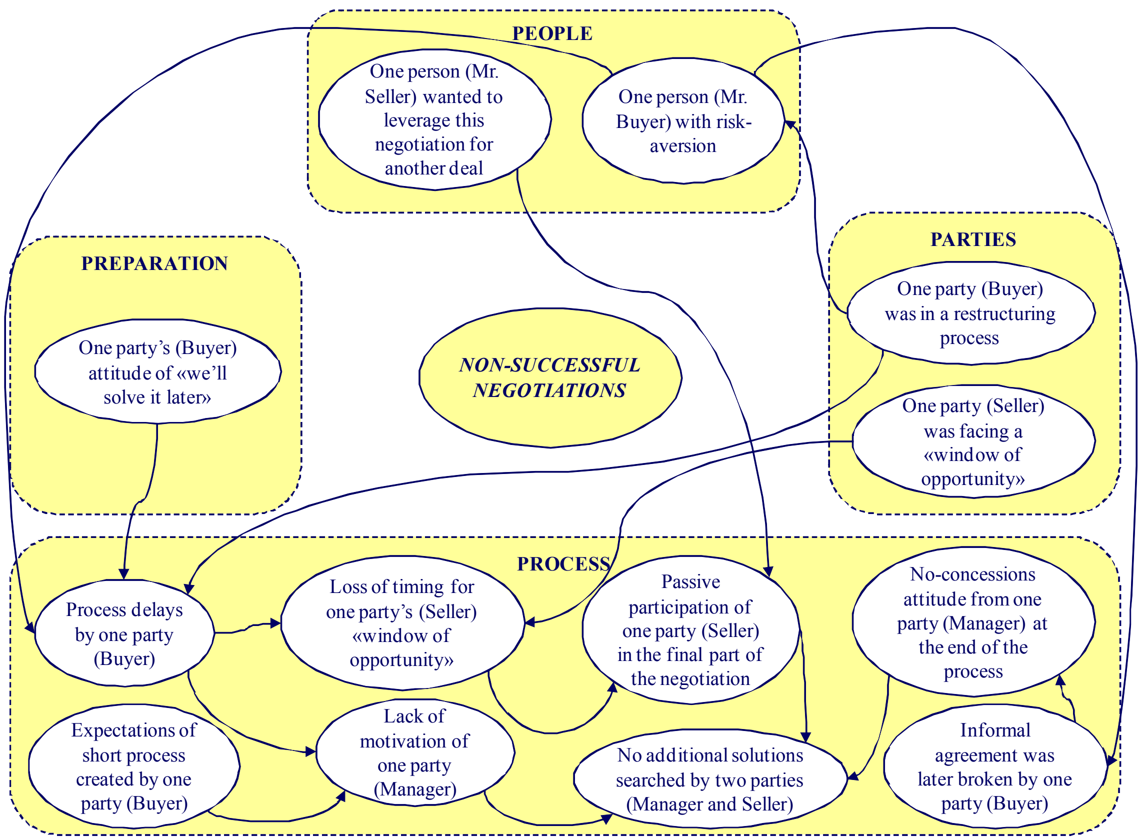

Figure 42. Case 29 interview cognitive map

Parties

- One party was facing a «window of opportunity»: Seller was going through a potential merger negotiation and selling its Marketing equity stake before its own merger would benefit Seller, and, as a consequence, also Mr. Seller, in that negotiation process;
- One party was in a restructuring process: Buyer was going through a worldwide restructuring process. In Portugal, it had two companies that were not performing well. In such context, Buyer wanted to acquire a competitor company in Portugal in order to merge it with one of its local companies (company «B») avoiding a merger between its two currently owned companies.

People

- <u>One person with risk-aversion</u>: As Buyer was in a restructuring process, Mr. Buyer wanted to act very carefully and with low risks;
- <u>One person wanted to leverage this negotiation for another deal</u>: Mr. Seller tried to demonstrate in a subtle way that he could also be interested in selling Seller to Buyer when he mentioned that it could be attractive for a company like Buyer to create a large group of companies including, as an example, also Seller. However, after Mr. Seller talking extensively about the benefits of that scenario, the other parties did not give this point any relevance.

Preparation

- <u>One party's attitude of «we'll solve it later»</u>: Buyer had an attitude of «we'll solve it later» on several issues which was mostly due to a lack of preparation efforts from itself.

Process

- <u>Process delays by one party</u>: Buyer's lack of preparation and its attitude of «we'll solve it later», in addition to the fact that Buyer was in a restructuring process and that Mr. Buyer had risk-aversion, led Buyer to have long periods of unavailability to meet and/or to make decisions, which naturally delayed the process;
- <u>Loss of timing for one party's «window of opportunity»</u>: Due to Buyer's project delays, Seller lost the timing for its «window of opportunity» of a merger of Seller with another company as those negotiations finished in the meanwhile;
- <u>Expectations of short process created by one party</u>: Buyer told the other parties at the beginning of the negotiation that the process would be very fast, which the other parties recognized as very important;
- <u>Lack of motivation of one party</u>: Buyer's delays in the process after it had created expectations of a quick process led Manager to lose motivation for the negotiation process;
- <u>Passive participation of one party in the final part of the negotiation</u>: After the pricing conditions were defined and after Mr. Seller saying that his company could also be sold to Buyer, Seller started having a less active participation in the negotiation process;

- Informal agreement was later broken by one party: At a certain point in time, Buyer said he could not accept an informal agreement on the put option and that Marketing's management (done by Manager) would have to report to company «B», which were issues that had been previously accepted by Buyer;
- No-concessions attitude from one party at the end of the process: Manager said that the memorandum of understanding was no longer valid because the assumptions in which it was made had changed and it did not make any concessions on this issue;
- No additional solutions searched by two parties: Due to Seller's passive participation in the final part of the negotiation and to Manager's lack of motivation and no-concessions attitude at the end of the process, Manager and Seller did not look into any other potential agreement solutions despite Buyer's contacts to continue the negotiation.

<u>Case 30:</u>

<u>Interviewed</u>: Mr. NewBusiness and Mr. Tech

<u>Date</u>: July 23rd and July 26th, 2007

<u>Negotiation focus</u>: New Service Development
<u>Negotiation</u>: Development of a new service based on a technological platform for another company

<u>Parties:</u>

- <u>NewBusiness</u>: a strategic marketing services company, represented by its partner and manager Mr. NewBusiness, thirty-two years old;
- <u>Tech</u>: a technological platform services company, represented by its CEO Mr. Tech, thirty-five years old;
- <u>H&L</u>: a health and leisure company, represented by its board member Ms. H&L, forty-five years old.

<u>Situation:</u>

NewBusiness was an innovative company that had developed several new business ideas in the past. In mid-2005, it detected an opportunity in the health & leisure business that would require also the support of a technological platform company. As Mr. NewBusiness had a good personal relationship with Mr. Tech, who worked for a technological platform company with limited resources, he decided to set up a meeting with him to discuss the idea.

Mr. Tech said that the idea seemed interesting and tried to enquire which sector and/or company was NewBusiness trying to approach. NewBusiness said that it was planning to contact H&L and that it wanted Tech to invest and participate as the technological partner, which Tech agreed to. NewBusiness said that it was going to set up a meeting with H&L, who had an image in the market of a conservative and formal company.

Mr. NewBusiness contacted Ms. H&L and explained her the project's concept idea up to a certain detail. She understood the concept and agreed on setting up a meeting.

<u>*Companies' interests:*</u>

NewBusiness's interests:

- Get notoriety;
- Gain a new large client;
- Acquire know-how in a new business area.

Tech's interests:

- Get notoriety;
- Gain a new large client;
- Overcome its image of small player in the market.

H&L's interests:

- Provide a better service to its clients;
- Have a more innovative image;
- Reduce costs.

<u>*Personal interests:*</u>

- <u>Mr. NewBusiness</u>: similar to the company's interests;
- <u>Mr. Tech</u>: to manage to grow significantly his company in order to make it more «visible» in the market;
- <u>Ms. H&L</u>: to be seen as innovative within her company.

<u>*Preparation:*</u>

H&L did not perform any project's feasibility and/or implementation analysis after NewBusiness explained the project's concept. The other parties were well prepared.

Negotiation process:

The three parties met two weeks later. NewBusiness presented the project's idea in much more detail which consisted on using the technological platform in order to provide an innovative service to H&L's customers. It would simultaneously lower costs and provide H&L with a less conservative image. However, this could only be possible with changes to H&L's IT systems and processes.

Ms. H&L looked very interested in the project but it quickly became clear that she had not thought about the project's technical or financial feasibility nor about potential implementation issues. As a result, Tech and especially NewBusiness asked H&L to provide a significant amount of information and data on its business in order to help her better plan the project's implementation. Ms. H&L replied that she needed to talk with other company departments before meeting again. She suggested meeting in one week time. However, Mr. Tech said that they should have more time to think about the project and that the meeting should be scheduled to a later date. Despite the other parties' insistence, the meeting was scheduled only for three weeks later. Just before finishing the meeting, H&L asked for exclusivity on this service, in case it would go forward, but the other parties said that they could discuss that later in the process.

After the meeting, NewBusiness asked Tech to meet in the meanwhile without H&L's presence. Mr. Tech tried to decline that meeting but due to Mr. NewBusiness' perseverance and to their good personal relationship, he accepted. On that meeting, NewBusiness pressed Tech to try to not cause delays to the process and to try to push H&L for an agreement. Mr. Tech replied that he was being very careful about the decision to go forward with this project since it would require capital and time investments that were significant for a company of limited resources as Tech.

The next three-party meeting occurred at H&L's premises, and H&L's IT people were also present in order to try to understand the implications of such a project. At the end of the meeting, the IT people made a few questions to Ms. H&L about the project's feasibility and especially its implementation. Ms. H&L lack of a solid reply led the IT people to place internally several hurdles to the project.

After the IT people left the meeting, Tech and especially NewBusiness asked H&L for more information and data regarding H&L's business and IT structure, and NewBusiness pressured both parties to quickly reach an agreement. A new meeting was set up for two weeks later, despite Tech's insistence on delaying the meeting even more.

In the meanwhile, NewBusiness continued to contact frequently Tech during that period in order to pressure it to help moving the process quickly forward. As Mr. NewBusiness and Mr. Tech had a solid personal relationship, they blamed H&L for most of the process hurdles, making H&L the «scapegoat» for not having reached an agreement so far.

In the beginning of the last meeting, NewBusiness pressured H&L for a decision. NewBusiness and Tech asked for more information on H&L's business and IT structure. As they discussed if and which data should be delivered, NewBusiness unconsciously mentioned that it was having meetings and contacts with Tech but without H&L's presence. Ms. H&L became surprised when she found out that the other parties had met without her awareness. Then, she said that she was not comfortable with NewBusiness's pressure to reach an agreement and with both parties' requests for so much H&L information. At that moment, H&L was clearly suspicious that the other parties could be using H&L as a test-pilot for later selling the same solution to its competitors. As a result, she decided to stop analyzing the project any further and ended the negotiations with the other two parties.

Main actors-related factors that negatively impacted the negotiation between the three parties:

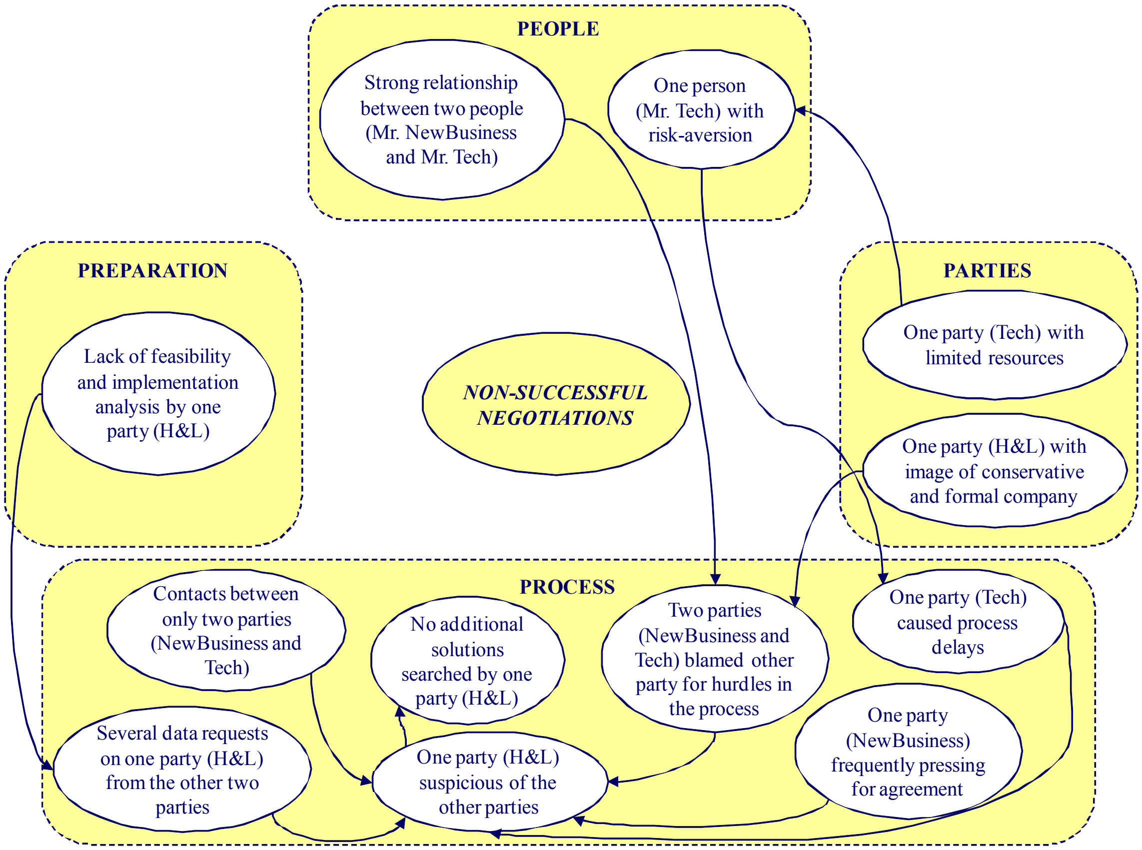

Figure 43. Case 30 interview cognitive map

Parties

- One party with image of conservative and formal company: H&L had an image in the market of a conservative and formal company;
- One party with limited resources: Tech was a technological platform company with limited resources.

People

- One person with risk-aversion: Since the project would require capital and time investments that were significant for a company of limited resources as Tech, Mr. Tech was being very careful about the decision to go forward with this project;

- Strong relationship between two people: Mr. NewBusiness and Mr. Tech had a good personal relationship between them.

Preparation

- Lack of feasibility and implementation analysis by one party: H&L did not perform any project's feasibility and/or implementation analysis after NewBusiness explained the project's concept.

Process

- Several data requests on one party from the other two parties: As H&L did not perform any project's feasibility and/or implementation, Tech and especially NewBusiness asked H&L to provide a significant amount of information and data on its business in order to help her better plan the project's implementation;
- One party caused process delays: As Mr. Tech was being very careful about the decision to go forward with this, Tech delayed the process by insisting on delaying meetings and proposing parties to have more time to think before making decisions;
- Contacts between only two parties: NewBusiness and Tech met and had other contacts during the process without H&L's presence and knowledge;
- One party frequently pressing for agreement: NewBusiness pressured both parties to quickly reach an agreement on occasions and also pressured frequently Tech to help moving the process quickly forward;
- Two parties blamed other party for hurdles in the process: As Mr. NewBusiness and Mr. Tech had a solid personal relationship, they blamed H&L for most of the process hurdles, making H&L the «scapegoat» for not having reached an agreement so far;
- One party suspicious of the other parties: H&L became suspicious of the other parties due to the five points above;
- No additional solutions searched by one party: As H&L became suspicious of the other parties, it decided to stop analyzing the project any further and ended the negotiations with the other two parties.

5 Debate

Introduction

As previously mentioned, this dissertation's objective is based on the identification and analysis of the actors' main factors, including interactions between them, which impact negatively specific negotiation situations - with an initial perception of a potential win-win outcome; that take place between different companies in a business network; and that ultimately lead to no agreement. The dissertation is focused on the Portuguese market.

Within this objective, we identified the main negative actors' negotiation aspects related to the overall negotiation process and we tried to answer the following set of questions:

1. How do parties' main characteristics and their situation negatively impact the negotiators?
2. How do current commercial relationships between two of the three parties negatively impact the negotiation process?
3. How do negotiators' main characteristics and their situation negatively impact the negotiation process?
4. How does the parties' preparation work negatively impact the negotiation process?
5. What process-related aspects lead one or more parties to stop searching for additional solutions to the negotiation issues?

As mentioned in Chapter 3 (Research), we have used multiple case studies in our research work, which we believe was the most adequate for our study, allowing for the development of a richer theoretical framework (Ellram, 1996).

In this thirty case context, we used the factors that we have derived from all cases analyzed in order to debate the questions above. As expected, not all thirty cases provide evidence applicable to each of the questions. Although we have restricted the cases selection with several criteria in order to have a more coherent set of thirty cases (as described in sub-chapter 4.1.1. Selection of Negotiations Analyzed), there are always certain specificities in each of the cases. As a result, we debated the questions based only on the cases that are applicable to those questions' specific issues. For example, if only the parties in eight cases have a characteristic that is relevant to a question's specific issue, only those eight cases can be used as evidence to support the points illustrated and not all the thirty cases that we have analyzed in total.

The application of only a sub-set of the cases to each issue should be in accordance to the fact that, as already mentioned in Chapter 3 (Research), in most situations, four to ten cases is the adequate range of number of multiple cases to take into account for analysis in order to try to derive solid conclusions (Eisenhardt, 1989) while considering that the general application of case study results tends to be qualitative in nature (Yin, 1981).

As mentioned in Chapter 3 (Research), "building theory from case study research is most appropriate in the early stages of research on a topic or to provide freshness in perspective to an already researched topic" (Eisenhradt, 1989: 548). We believe the answer to the five above-mentioned questions, based on «negative variables» that lead the three parties not to reach an agreement, contribute, on a general level, to a different view on the current literature both on the Business Network Analysis and on the Negotiation Analysis perspectives. It even attempts to prompt a better dialogue between Business Networks and Negotiation research.

On one hand, at the *Business Network Analysis Perspective* level, the Interaction Model results from an interaction approach to industrial markets (Håkansson, 1982) and is based on the «New Institutional» Economic Theory (Williamson, 1975), that discusses transactions vis-à-vis internalization benefits and costs, which reflects a focus on client-supplier relationships. Also, based on this Interaction model, the marketing and purchasing of industrial goods is seen as an interaction process between two parties within a certain environment, which reflects a general focus on two-party relationships, and not on a wider range of parties.

When analyzing the Industrial Network model, it has mostly a two-party relationship perspective when it describes the business relationships in its substance dimension, through the Activities-Resources-Actors (ARA) model. However, when the Industrial Network model describes the business relationships in its function dimension, it does include the function for third parties, mentioning that what is produced in a relationship can affect and is affected by other relationships that involve other parties.

In addition, there is a quadrant from the four-quadrant matrix of network management tasks (Ritter et al., 2004), in which there are two or more relationships between different entities describing a portfolio or net of relationships. Our dissertation focuses on that quadrant, which is not the focus of the Interaction model and is not analyzed in depth on the Industrial Network model.

Our dissertation details some of the effects that business relationships generate and that negatively impact the outcome of three-party negotiations. As a result, we believe the dissertation contributes to the Business Network Analysis perspective in two main areas. Firstly, by enlarging the scope of application of the Interaction model since it includes the analysis of three-party relationships instead of only two-party relationships. Secondly, by providing a new line of application to the Industrial Network Approach - a structured approach to actors-related factors that have a negative impact on negotiation processes.

On the other hand, at the *Negotiation Analysis Perspective* level, the integrative models of negotiation are the more adequate models in our context of studying negotiation situations with an initial perception of win-win potential. However, the integrative models analyzed are highly focused on the positive aspects related, for example, to the overall negotiation interactions, which mostly include the preparation work, the different formats that an integrative agreement may take, and also the tactics used to achieve an integrative agreement.

Those models do not provide a focused and structured approach to the negotiation's negative aspects, but have a strong focus on the positive ones. We believe our dissertation will contribute to the identification of factors and their inter-relations that impact negatively win-win negotiations, in addition to the ones already identified through a positive perspective of what should be done in win-win negotiations to make them successful.

In addition, the integrative models focus almost exclusively in two-party negotiations. Our dissertation focuses on three-party negotiations, which we believe is also a contribution to the integrative models since some of these models' conclusions are applicable to two-party negotiations but are not adequately applicable in relationships between three or more parties.

At the *Portuguese situation* level, studies on the characteristics of Portuguese people and executives in general have relevant data to help us debating the questions. However, the specific study on the characteristics of Portuguese executives in the context of negotiations is extremely limited and did not provide much relevant data to help us debating the questions.

It is important to note that this report should present the most critical evidence avoiding cluttering it with supportive but secondary information. This demands a lot of discipline from the researcher in order to avoid the temptation of overloading the reader with the entire collection of evidence as a way to convince the reader. In fact, that will only bore the reader and make him or her more suspicious instead of helping him or her to be convinced (Yin, 1984). Also, there is the risk of the temptation to try to build theory that encompasses all the volume of rich data obtained, which then may lack the simplicity of overall perspective. As researchers do not have quantitative gauges across multiple cases, they may not realize which the most important relationships are and which are mostly unique to one case (Eisenhardt, 1989). We believe we have followed these recommendations by Yin (1984) and Eisenhardt (1989).

The analysis of each question and of the resulting issues takes into account, on one side, internal consistency through validity based on the case studies' data; on the other side, it takes into account external consistency through validity based on external data like the literature (Yin, 1981), while simultaneously trying to contribute with new knowledge to that same literature.

Question 1. How do parties' main characteristics and their situation negatively impact the negotiators?

Introduction

There are references in parts of our Literature Review to the way parties' main characteristics and their situation negatively impact the negotiators.

At the *Business Network Analysis Perspective* level, the situation is only slightly different. As described on the Literature review, the Interaction Model (Håkansson, 1982) results from an interaction approach to industrial markets. The marketing and purchasing of industrial goods is seen as an interaction process between two parties within a certain environment. The way of analyzing industrial marketing and purchasing has four basic elements:

1. The interaction process;
2. The parties in the interaction process;
3. The environment within which interaction takes place;
4. The atmosphere affecting and affected by the interaction.

On the second element of the interaction process, Interacting Parties, Håkansson (1982) considered both the companies and the individuals. At the companies' level, factors to consider include characteristics of the parties, such as organization structure, technology, and resources and also the companies' overall experiences, strategies and their objectives. At the individuals' level, factors to consider include age, background, and experience of those involved in the interaction process.

Håkansson (1982) also mentioned that there is interplay between the characteristics and situation of these individuals and those of the company. However, he does not provide significant additional information or clear sets of examples of this interplay.

We believe the following debate will contribute to a deeper analysis of this interplay, with a focus on the negative impacts on the negotiators, which will contribute not only to the Interaction model but also to Negotiation Integrative models in general, as they provide an analysis of the parties' and negotiators' joint impacts on the negotiation process, but do not explore in depth the impact of the parties on their own negotiators.

Debate

We have identified the parties' main characteristics and situations that had negative impact in the negotiators. The major ones are reflected in this diagram:

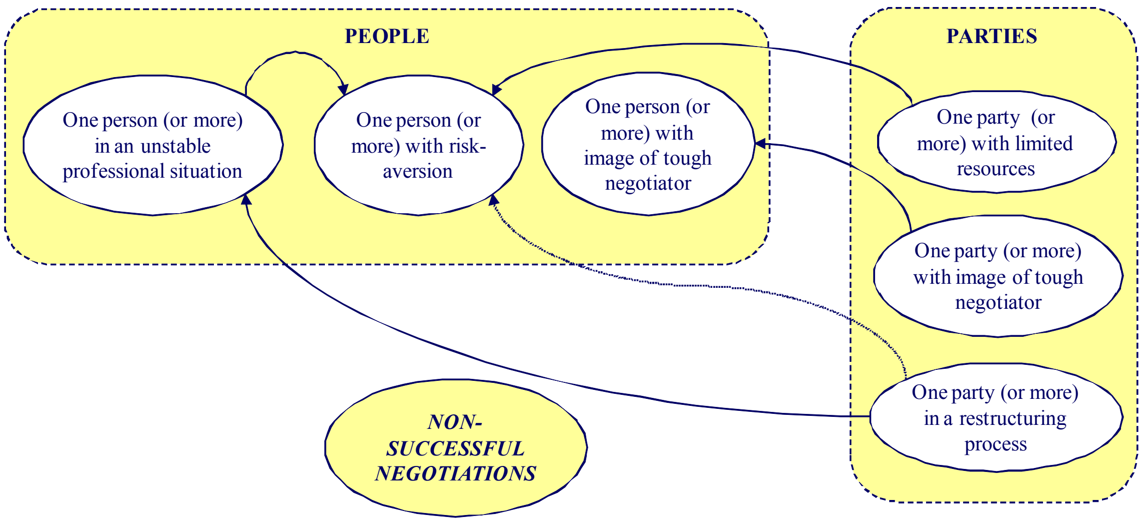

Figure 44. Major parties' main characteristics and situations that had negative impact in the negotiators

This diagram is based, on one side, on the literature reviewed itself, that considers the importance of parties and people in the negotiations' outcomes, and that considers the existence of an interplay between the characteristics and situation of the company and its negotiator or negotiators (Håkansson, 1982). On the other side, the diagram is based on the case studies' data analysis that shows that the parties have direct and strong impacts on their negotiators. We will analyze each impact in detail.

<u>Impact 1.1</u>: One party (or more) with limited resources -> The party's negotiator (or parties' negotiators) with risk-aversion.

When a party has limited resources in the context of the negotiation where it is involved, its negotiator tends to act with risk-aversion. This was identified in all the cases in which one or more parties had limited resources in the context of a negotiation:

Case #	Case Description	Impact
7	Development of a software application to make a real estate evaluation tool for the mass market.	Two parties RealEstate and Usability had very limited financial resources for a project of that dimension. In fact, the project's initial investment corresponded to approximately one hundred percent of both companies' revenues, which was a significant amount for those two entities. As a result of their companies' limited financial resources, Mr. RealEstate and Mr. Usability acted with risk aversion since they were aware that any major mistake could put their companies in a very difficult financial situation.
10	Development by three parties of a new IT platform to be commercialized.	The fact that IT_1 had limited resources led Mr. IT_1 to be risk-averse during the negotiation as his company could not afford to lose much time and/or capital resources in a failed project.
12	Promotion of a company's product via media and its distribution through a distributor company.	The party Commercial did not have a solid financial backing. Mr. Commercial, who was Commercial's owner, acted with risk-aversion as he could lead the company to bankruptcy in case of the project's failure since the project had a significant amount of capital at risk.
18	Development of a joint-venture between three parties for the development of an agricultural, real estate and tourism project.	Investor could not invest a significant amount of capital in the project due to its limited financial resources, which led the company owner Mr. Investor to be risk-averse along the negotiation as he wanted to minimize his company's capital investment and risks as much as possible.
30	Development of a new service based on a technological platform for another company.	The project required capital and time investments that were significant for a company of limited resources as Tech. In this context, Mr. Tech was being very careful about the decision to go forward with this project acting with risk-aversion along the negotiation process.

Table 8. Cases in which a party has limited resources in the context of the negotiation where it is involved and its negotiator tends to act with risk-aversion

Our interpretation is that a party with limited resources faces a higher potential negative impact, which can ultimately even include bankruptcy in some situations, in case of failure of the project being negotiated. This leads the party's negotiator to be significantly more careful and more risk-averse, since he or she knows that one risky decision may have a large negative impact in the company (and, consequently, in its employees and other stakeholders). An impact of the same magnitude in a much larger company would have a much smaller impact in that company's financial situation than in a company with limited resources.

The high uncertainty-avoidance and the low individualism Portuguese cultural dimensions (Hofstede, 1994) and the Portuguese individual's low self-confidence and fear of exclusion (Gil, 2007) support this interpretation.

Firstly, one characteristic of high uncertainty-avoidance is that people consider that what is different is dangerous (Hofstede, 1983a). This by itself leads to risk-aversion and to fear of what is uncertain. In addition, according to Gil (2007), the Portuguese have a very low self-confidence that is reflected in a deep insecurity. The Portuguese in general are afraid of taking risks and taking decisions, as decision-taking implies choosing an alternative with its implicit risks. “Caution is the law of the Portuguese good sense” (Gil, 2007: 69).

Secondly, several characteristics of low individualism include people acting with loyalty to the company, seeing their selves as belonging to a family and thinking about the well being of the group instead of only about theirs (Hofstede, 1983a). These lead them to have a high concern for ensuring that there are no major risks to the company's future existence. In addition, the Portuguese fear exclusion as there is a high demand for the individual's integration in one or more groups and a minimal deviation is a sign of danger of full exclusion (Gil, 2007).

Both aspects taken into consideration in conjunction lead a negotiator to act with risk-aversion when his or her company has limited resources. This is due to the uncertainty-avoidance and fear of what is different (that by itself generates risk-aversion) and to the Portuguese fear of taking risks, that is leveraged by the high concern of hurting the company and its stakeholders and of becoming excluded. As a result, the probability (even if low) of facing the responsibility of the negotiation project's failure and its potential consequences of seriously damaging the company and/or its employees is very hard to accept by the negotiator. This makes the negotiator act with risk aversion in order to try to avoid that potential negative scenario.

<u>Impact 1.2</u>: One party (or more) with image of tough negotiator -> The party's negotiator (or parties' negotiators) with image of tough negotiator.

The party's image of tough negotiator has an impact on its negotiator. When a party has a strong image of tough negotiator, its own negotiator tends to have that same image and to clearly exhibit that image during the negotiation process. This was identified in all the cases in which one or more parties had an image of tough negotiator:

Case #	Case Description	Impact
4	Development of a leisure area in a shopping center with a real estate fund investment	The parties ShoppingCenter and Leisure had a culture of approaching negotiations with an aggressive and winning attitude, which gave them a tough negotiators' image. Taking into account their own companies' cultures, Mr. ShoppingCenter and Mr. Leisure also had an image of tough negotiators and negotiated in an aggressive manner.
5	Equity transactions for a merger of three companies of the same industry.	ComServices had a culture and image in the market of tough negotiator. ComServices' culture and image of tough negotiator was reflected in Mr. ComServices, who was also viewed in the market as a tough negotiator.
10	Development by three parties of a new IT platform to be commercialized.	B2C was a company with an image in the market of tough negotiator. As its employee, Mr. B2C reflected his company's tough negotiator cultural value as he also had an image of tough negotiator.
16	Development of a cross-promotion between two companies' products in a retail chain.	The party Retailer had a culture of cost-minimization and negotiation toughness with all the entities the company dealt with. Mr. Retailer, taking into account his company's culture, also had an image of tough negotiator when dealing with others and acted accordingly with that image.
28	Promotion of a new product in a distribution channel with a third party's sponsorship.	Retail had a culture and a recognized image in the market of tough negotiator, which even came across at its own premises. Ms. Retail reflected her company's culture of tough negotiator, which was visible at the initial contact with the other parties.

Table 9. Cases in which one or more parties had an image of tough negotiator and its own negotiator has that same image

Our interpretation is that the party's culture of tough negotiator has a direct impact in its employees' negotiation toughness attitude by two ways: either an employee has personal values similar to the company's cultural values before joining the company or an employee internalizes the company's key cultural values after joining the company.

On the first way, a company's culture has an impact on the recruitment and selection of employees, favoring candidates that already have personal values similar to the company's cultural values. In this situation, there is a higher tendency to recruit people that already are tough negotiators.

On the second way, a company's culture also has an impact on the employees' values due to the effect of employees' internalization of the company's culture, especially in strong organizational cultures. Internalization is the final stage of employees' commitment to the organization's culture in which the employee considers the organization values intrinsically rewarding and in accordance to his/her own personal values (O'Reilly, 1989). In addition, the Portuguese fear exclusion as there is a high demand for the individual's integration and so a deviation from the company's cultural values may lead to the individual's group exclusion (Gil, 2007).

Culture has also a normative role with expectations about appropriate and inappropriate attitudes and behaviors, helping to develop social standards of interpretation and evaluation of events that, usually in an unnoticed way, become pervasive (O'Reilly, 1989). O'Reilly (1989) presented the example of PepsiCo that has informally expressed as a norm the fundamental value of aggressiveness or competition by encouraging competition and punishing failure to compete, which led employees to focus on winning competition.

Impact 1.3: One party (or more) in a restructuring process -> The party's negotiator (or parties' negotiators) acts with risk-aversion mostly due to the fact that the negotiator(s) is (are) in an unstable professional situation.

When a party is in a restructuring process, its negotiator tends to act with risk-aversion mostly due to his/her unstable professional situation. This was identified in all the cases in which one party was going through a restructuring process:

Case #	Case Description	Impact
2	Consulting project for sales increase of a vehicle brand in a dealer.	The party Vehicle was going through a restructuring process, and in the context of that process Mr. Vehicle could be fired at any moment. As a result of his unstable professional situation, Mr. Vehicle was risk-averse and avoided hurting the relationship with its client Dealer.
3	Sale of insurance services to a financial institution through one of its main insurance distributors.	Bank was going through a severe cost-cutting process, including laying-off several of its top executives. As Ms. Bank was near retirement age and as her company was going through a restructuring process, she avoided risks that could hurt her career.
5	Equity transactions for a merger of three companies of the same industry.	Com&IT was in a restructuring process that was being interpreted in the market as preparing itself to be sold. As Com&IT was in a restructuring process, Mr. Com&IT was acting with risk-aversion ensuring that he did not take any action or make any decisions before clarifying any doubts that he had and before going through deep analysis and evaluation efforts as he was unsure of what could happen to him within his company.
23	Development of a trial of communications based on a different technology.	Hardware was going through a restructuring process and its employees were not aware of what would happen in the company in the near future. Due to his company's restructuring process, Mr. Hardware was not sure what would happen to him in the short-medium term at a professional level. Due to his professional instability, Mr. Hardware was very careful in order to avoid running any major risks that could hurt his professional situation.
29	Equity transactions for	Buyer was going through a worldwide restructuring process. In

Case #	Case Description	Impact
	a merger of two companies of the same industry.	Portugal, it had two companies that were not performing well. In such context, Buyer wanted to acquire a competitor company in Portugal. However, as Buyer was in a restructuring process, Mr. Buyer acted very carefully and with risk-aversion along the potential acquisition process.

Table 10. Cases in which a party is in a restructuring process and its negotiator tends to act with risk-aversion mostly due to his/her unstable professional situation

Our interpretation is that usually a company's restructuring process involves firing some people and/or changing some employees' functions and positions. This generates in the company's employees concern, anxiety and, in some situations, even fear of being selected as one of the employees to be fired. The resulting unstable professional situation leads the negotiator to act with risk-aversion, since the negotiator is concerned that one flawed decision during the negotiation process may be a sufficient reason to justify his/her firing in the context of the restructuring or to justify hurting any of his/her colleagues.

The high uncertainty avoidance, the high power-distance and the low individualism Portuguese cultural dimensions (Hofstede, 1994), and the Portuguese suspicious and cautious spirit (Gil, 2007) support this interpretation on two perspectives.

On one perspective, negotiators have risk-aversion as a result of their own concern for their *current* situation. The high uncertainty-avoidance and the high power-distance Portuguese cultural dimensions (Hofstede, 1994), and the Portuguese suspicious and cautious spirit (Gil, 2007) are the basis for this interpretation.

Firstly, one characteristic of high uncertainty-avoidance is that people like law and order (Hofstede, 1983a). This by itself leads them to have a need for written rules and regulations in order to reduce their anxiety and stress.

Secondly, one characteristic of high power-distance is that people consider that, among peers, other people are a potential threat to one's power and can rarely be trusted (Hofstede, 1983a). Besides, Gil (2007) refers that the past focus on savings for the future due to a suspicion of what the future could hold led, among other things, to a suspicious and cautious spirit that still exists and that is reflected in a "sweetly paranoid society" (Gil, 2007: 60) regarding others' second intentions on whatever they do. As a result, a manager is cautious about peers taking advantage of his or her potential position of weakness.

In addition, Lopes and Moreira (2004) have presented a table based on two sources (ESS - European Social Survey of 1999 and WVS - World Values Survey of 1991) that showed the percentage of the respondents that said that the majority of the people are trustworthy, when enquired if the respondent in general believed that the majority of people are trustworthy.

#	Country	ESS
1	Denmark	66,5%
2	Sweden	66,3%
3	Holland	60,1%
4	Finland	57,4%
5	Belarus	41,9%
6	Iceland	41,1%
7	Northern Ireland	39,5%
8	Spain	38,5%
9	Germany	37,5%
10	Ireland	36,0%
11	Austria	33,4%
12	Italy	32,6%
13	Belgium	29,2%
14	United Kingdom	28,9%
15	Ukraine	26,9%
16	Bulgaria	26,8%
17	Lithuania	25,9%
18	Luxembourg	24,8%
19	Czech Republic	24,5%
20	Russia	24,0%
21	Greece	23,7%
22	Estonia	23,5%

#	Country	WVS
1	Norway	61,2%
2	Finland	57,2%
3	Sweden	57,1%
4	Denmark	56,0%
5	Canada	49,6%
6	Australia	48,3%
7	Holland	46,2%
8	USA	45,4%
9	United Kingdom	44,4%
10	Switzerland	43,2%
11	Iceland	41,6%
12	Japan	40,8%
13	Ireland	40,2%
14	South Korea	38,0%
15	Spain	34,5%
16	India	34,3%
17	Austria	31,8%
18	South Africa	30,5%
19	Belgium	30,2%
20	Germany	29,8%
21	Argentina	27,0%
22	Italy	26,3%

#	Country	ESS
23	Hungary	22,3%
24	Slovenia	21,7%
25	France	21,3%
26	Malta	20,7%
27	Croatia	20,5%
28	Poland	18,4%
29	Latvia	17,1%
30	Slovakia	15,9%
31	Portugal	12,3%
32	Romania	10,1%
33	Turkey	6,8%

#	Country	WVS
23	France	24,8%
24	Nigeria	22,9%
25	Chile	22,7%
26	Portugal	21,4%
27	Mexico	17,7%
28	Turkey	10,0%
29	Brazil	6,7%

Table 11. Percentage of respondents that have answered "The majority of the people are trustworthy" (Lopes and Moreira, 2004)

The results showed that Portugal is third to last in a set of thirty-three European countries (based on the ESS data) and fourth to last in a set of twenty-nine countries (based on the WVS data), which means that the Portuguese have very low trust in others.

These aspects taken into consideration in conjunction lead a negotiator to act with risk-aversion when the company is in a restructuring process. During these restructuring contexts, there is rarely a clear set of information about what exactly is going to happen and no written or even informal future rules and procedures are usually known by employees in advance before the restructuring process is finished. In addition, the natural turbulence in these contexts increases the probability of peers trying to take advantage of others' situations as they are a potential threat to one's power and can rarely be trusted. As a result, a negotiator does not feel comfortable in a less structured environment and therefore acts with risk-aversion. Besides, the negotiator's risk-aversion is even leveraged by the fact that the same unstructured environment increases his or her exposure to threats by peers since he or she is in a negotiation whose outcome may be viewed as negative by the own company.

On another perspective, managers have risk-aversion as a result of their own concern for their potential *future* situation. The high uncertainty-avoidance and the low individualism Portuguese cultural dimensions (Hofstede, 1994) support this interpretation.

Firstly, one characteristic of high uncertainty-avoidance is that people consider that what is different is dangerous (Hofstede, 1983a). This by itself leads to risk-aversion and to fear of what is uncertain. In addition, as previously mentioned, according to Gil (2007), the Portuguese have a very low self-confidence that is reflected in a deep insecurity and as result the Portuguese in general are afraid of taking risks and taking decisions, as decision-taking implies choosing an alternative with its implicit risks.

Secondly, one characteristic of low individualism is that people see their selves as belonging to a family that protects them in exchange for loyalty (Hofstede, 1983a). In addition, as previously mentioned, the Portuguese fear exclusion and a minimal deviation may lead to a situation of the individual's full exclusion (Gil, 2007). These aspects lead them to low job-hopping (Hofstede, 1994).

Both aspects taken into consideration in conjunction lead a negotiator to act with risk-aversion when the company is in a restructuring process. This is due to the uncertainty-avoidance and fear of what is different and fear of risk-taking in two possible scenarios - a new function in the same company or in a new job at a different company - that by itself generates risk-aversion. In addition, this risk-aversion can be leveraged by the need to become excluded of the own «company or department family». As a result, the probability (even if low) of facing the scenario of having new functions in the company or the scenario of being fired and having to look for a new job in a company restructuring context is very hard to accept by the negotiator, which makes him or her to act with risk aversion in order to try to avoid that potential scenario.

Question 2. How do current commercial relationships between two of the three parties negatively impact the negotiation process?

Introduction

As mentioned in the Literature Review, at the *Business Network Analysis Perspective* level, the Industrial Network model describes the business relationship in a substance and a function dimension. On the substance dimension, the focus is placed mostly on the client-supplier relationship, namely on the ARA model. On the function dimension, and in order to identify the effects a relationship has and is subject to, it considers three different functions, including the function for the dyad and the function for third parties. These two functions encompass the two-party relationships and the several-party relationships, respectively.

Although the Industrial Network model considers and analyzes the client-supplier relationships and also considers and analyzes several-party relationships, it does not make an analysis of the combination of these two situations. In fact, it does not analyze specifically the negative effects that a client-supplier relationship between two parties may have in a three-party negotiation in which the third party is not client or supplier of any of the other two parties.

At the *Negotiation Analysis Perspective* level, the Negotiation Integrative models focus on two-party negotiations and therefore can not analyze the impact of two parties' relationships on the third party since there are no three parties.

We believe the following debate of how current commercial relationships between two of the three parties negatively impact the negotiation process will contribute to provide an additional specific situation that is not currently included in the scope of the situations that the Industrial Network model and the Negotiation Integrative models cover.

Debate

From our cases' analysis, we have identified parties' characteristics and situations that had negative impact in the negotiation process. The major one is reflected in this diagram:

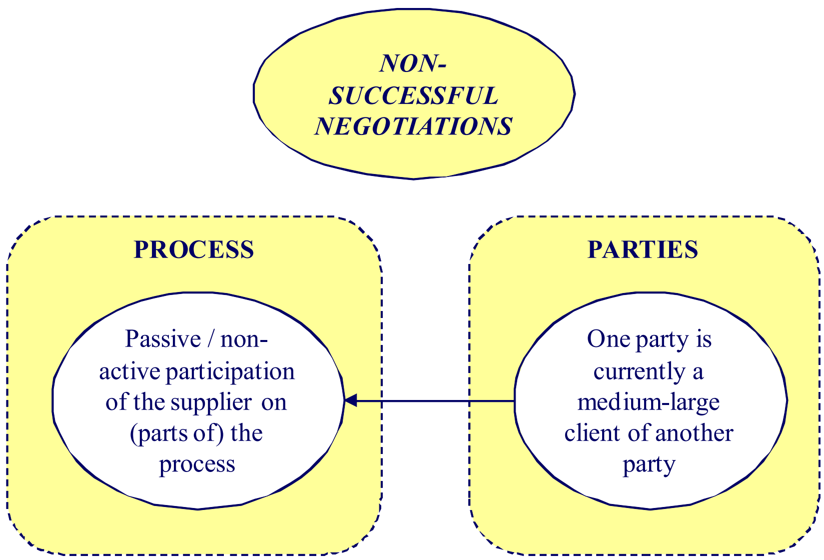

Figure 45. Major parties' characteristics and situations that had negative impact in the negotiation process.

This diagram is based, on one side, on the reviewed literature itself, that considers the impact of parties' characteristics and situations directly in the negotiation process, as, for example, in Håkansson (1982). On the other side, the diagram is based on the case studies' data analysis that shows that the major impact from existing commercial relationships between two of three negotiating parties is the passive or non-active participation of the supplier in the negotiation process or in parts of that process, when another of the parties is its medium-large client.

This was identified in the large majority (seventy-two point seven percent) of the cases in which one party was a medium-large client of another party:

Case #	Case Description	Impact
2	Consulting project for sales increase of a vehicle brand in a dealer.	The fact that Dealer was a Vehicle's large client led Vehicle to have a passive posture in most of the negotiating process, including not participating in the conflict that arose between the other two parties Consultant and Dealer, not even trying to minimize these two parties' conflict escalation.
6	Creation of a joint-venture of three different companies which were present in the same industry.	DiversifiedGroup's holding owned a large business (of which Infrastructures_B was a large client) in which Mr. DiversifiedGroup was also a board member. As a result, DiversifiedGroup had a passive posture in a final discussion, when Infrastructures_B did not want to reciprocate any concessions on a relevant issue, and so DiversifiedGroup did not collaborate with Infrastructures_A to put pressure on Infrastructures_B to reciprocate concessions and to change its position on that final issue.
8	Development and implementation of a cross-promotion between two products during one month.	Distributor (of which Drinks was a large client) was not active, especially in the last part of the negotiation process, after Distributor felt that it had been put aside from the negotiations in several occasions, especially by its large client Drinks. However, as Distributor wanted to maintain Drinks as client, instead of reacting negatively to the fact that it had been put aside, it reacted passively.
11	Financing of additional vehicle dealer's sales through a financial company.	Vehicle (of which Finance was a large client) feared that its active intervention in the process could be seen as pressuring Finance in order to satisfy Vehicle's short-term goals, in detriment of a strong long-lasting relationship with Finance. As Vehicle had been and wanted to continue supplying Finance, Vehicle had a passive participation during the process.
13	Promotion of a new product in a set of events targeting teenagers.	AdAgency (of which Advertising was a medium-large client) was concerned that if it pressured Advertising in an active way to try to «push the negotiation forward», AdAgency could be seen as only wanting to benefit from this negotiation and that it was not concerned with its long-lasting client's benefits.

Case #	Case Description	Impact
16	Development of a cross-promotion between two companies' products in a retailer chain.	IT had Retailer as a large client (and IT was also a potential NewService's partner), it realized that if it participated actively in the decisive conflict between the other two parties in order to try to ensure the negotiation's success, it would probably hurt its relationship with the other parties, especially with Retailer. As a result, it decided not to participate actively in order to maintain a good relationship with both in the future.
26	Implementation of a SAP module by two parties for a third company.	IT (of which Industry was a medium-large client) feared that if it had an active participation on the negotiation process, Industry could get the impression that IT would be pressing its large client Industry to accept the project only with selfish intentions. As a result, IT decided to have a passive attitude along most of the negotiation process.
27	Development of a new distribution channel via a distributor.	Distributor (of which Cosmetics was a large client) was skeptical about the negotiation's success. However, it knew that abandoning the process could hurt its large client Cosmetics, and therefore it decided to continue participating in the negotiation process but with a non-active attitude.

Table 12. Cases in which one party was a medium-large client of another party and there passive or non-active participation of the supplier in the negotiation process or in parts of that process

Our interpretation is that a supplier avoids taking many actions during the negotiation process as these may harm its relationship with its medium-large client. It fears that its participation with different negotiation actions and moves may, conscientiously or unconscientiously, hurt its medium-large client before other parties. Therefore, it tends to retract itself from the negotiation process during certain parts, especially the final and decisive ones. However, the supplier does not reach the point of abandoning the process otherwise it would finish the negotiation in which its medium-large client was interested in pursuing. The supplier is then left with the option of becoming less active or even passive in parts of the negotiation process, as the remaining options of either being active in the negotiation process or abandoning it would both hurt its client.

The low individualism and the high uncertainty-avoidance Portuguese cultural dimensions (Hofstede, 1994) and the Portuguese individual's fear of exclusion and fear of open conflicts and of competition (Gil, 2007) support this interpretation.

Firstly, one characteristic of low individualism is that people see their selves as belonging to a family that protects them in exchange for loyalty (Hofstede, 1983a). In addition, Gil (2007) mentions that the Portuguese fear exclusion and that a minimal deviation may lead to the individual's exclusion. These lead them to have a high concern for being loyal and also for trying to protect closer elements of their company's business network, like suppliers and clients in order to not feel excluded.

Secondly, one characteristic of high uncertainty-avoidance is the concern that conflict and competition can unleash aggression and therefore should be avoided (Hofstede, 1983a). This is even more relevant when aggression unleashing would be directed towards a medium-large client, which could quickly and directly impact negatively the company, affecting concern with security in life (another characteristic of the uncertainty avoidance). In addition, Gil (2007) refers that the Portuguese tend to avoid open conflicts and are extremely cautious which makes them avoid facing issues directly. The Portuguese are the "Chinese of the Western world" (Gil, 2007: 66) as they don't go straight to the issue but approach it indirectly and take too much time until they start to slowly and gently talking about the issue. This is mostly due to the fact that there is still much fear in the society. Nowadays, there is fear not only from the top but also coming from the side as "fear is played on the possible facing of competitiveness" (Gil, 2007: 69) – fear from the rival, from the colleague, from other candidates to the same professional position, in other words, fear of all the others. This fear is significantly leveraged by the individual's under self-evaluation, considering him/herself always below the required level and never up to what is asked from him/herself. These aspects can lead managers to use several negotiation strategies and/or techniques to postpone conflicts.

Both aspects taken into consideration in conjunction lead to the passive or non-active participation of the supplier in parts of the negotiation process in situations where two of the three negotiating parties already have commercial relationships between them and one is a medium-large client of the other. This passiveness is due to low individualism and fear of exclusion whereby the parties fear hurting members of their own more intimate business network in the outcome of the negotiation. In addition, this passive/non-active attitude is leveraged by the parties' fear of having a conflict with their client and fear of having to «fight» for a client with competitor suppliers. These lead to the parties' attempt to avoid conflicts namely through the usage of the avoiding style of handling conflict (which implies passive attitudes), that is applicable, among others, when the potential dysfunctional effect of confronting the other party outweighs benefits of resolution (Rahim & Bonoma, 1979). In this case, harming the relationship with the mid-large client outweighs the benefits of reaching a negotiation agreement.

As a result, the probability (even if low) of facing the scenario of hurting a medium-large client is very hard to accept by the party, which makes the party have a passive or non-active participation in parts of the negotiation process in order to try to avoid that potential scenario.

However, there is not a passive or non-active participation of the supplier in all cases analyzed. According to Ellram (1996), multiple case design should be used to either predict similar results among replications but can also be used to identify contrasting results, but for predictable, explainable reasons. Our decision to use multiple cases allowed us to verify that, from the eleven cases in which one party was a medium-large client of another party, there were three cases in which there was not a passive or non-active participation of the supplier on parts of the process, for explainable reasons.

Case #	Case Description	Impact
3	Sale of insurance services to a financial institution through one of its main insurance distributors.	Insurance (of which Bank was a large client) was always active during the negotiation process because Bank was up to a certain point replaced by Insurance in the process interactions with the other party Services. In this negotiation process, Ms. Insurance tried to take advantage of an unclear definition of parties' roles to be seen by its major client Bank as the negotiation's leader and as a dynamic person who was frequently looking for new opportunities to improve Bank's competitiveness. As Ms. Insurance wanted to be seen as project leader, she never let Services contact directly with Bank. As a result, in this case the supplier was not passive since it had to represent, in practice, its client Bank in the negotiations with Services and therefore it had to be active.

Case #	Case Description	Impact
21	Promotion of a new product in an event at a nightclub.	Consultant (of which Drinks was a medium-sized client) was always active during the negotiation process because it had an unusual client-supplier relationship in which it was going to have its services remunerated only in case of a successful development of Drinks, via a success fee. As a result, Consultant acted in a more aggressive manner trying to actively participate and influence the negotiation in order to increase its binary probability (receive/not receive) of receiving any remuneration from its services rendered to Drinks.
28	Promotion of a new product in a distribution channel with a third party's sponsorship.	Food (of which Retail was its large client) was always active during the negotiation process making several concessions to Retail along the process. Food took a proactive stance in trying to benefit, or at least not hurt, its client by making several concessions instead of taking a more passive stance which was partially justified by the fact that there was a «window of opportunity» and the parties did not have much time available to reach an agreement, and also because Food's pressure on Gift for concessions also benefited Retail.

Table 13. Cases in which one party was a medium-large client of another party and there was not a passive or non-active participation of the supplier in the negotiation process or in parts of that process

Question 3. How do negotiators' main characteristics and their situation negatively impact the negotiation process?

Introduction

Under the *Business Network Analysis perspective*, this issue is not subject to a deep analysis, but only subject to lighter approaches on its two main models. On one side, on the Interaction model, the parties (including the negotiators involved) are one of the four basic elements of the industrial marketing and purchasing analysis, namely the process, the parties, the environment and the atmosphere (Håkansson, 1982).

On the other side, on the Industrial Network model, the negotiators are analyzed in the ARA model, namely in the actor bonds substance layer of business relationships.

The larger contribution of our identification of the main negative impacts of negotiators' main characteristics in the negotiation process is in the two above-mentioned business network models, which do not analyze this issue in much detail.

Under the *Negotiation Analysis perspective*, there have been studies that address the issue of negotiators' impacts on the negotiation process. In Chapter 2 (Literature Review), we have analyzed studies on negotiators' behaviors, conflict handling styles and their degree of appropriateness to the different situations, and on their impact on the negotiation processes.

There are several styles of behavior in handling interpersonal conflict. Several studies on this topic include Blake and Mouton (1964), Thomas (1979, 1992), Pruitt (1983a), Rahim and Bonoma (1979) and Rahim (2002).

Rahim (2002) presented five handling styles categorized according to their integrative (problem-solving) and distributive (bargaining) dimensions as depicted in figure 3 (see sub-Chapter 2.1) and again depicted below:

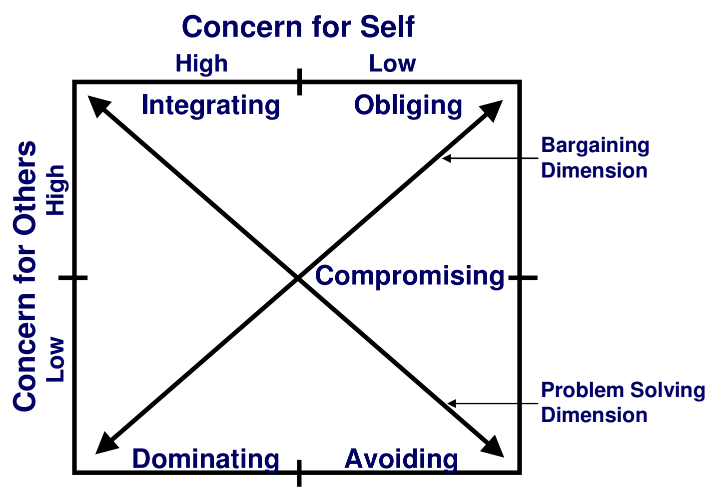

Figure 46. The Dual Concern Model: Problem Solving and Bargaining Dimensions of the Styles of Handling Interpersonal Conflict, in Rahim (2002), p. 221

The vast majority of management researchers and scholars believe there is no ideal approach to conflict handling.

The following table (a copy of Table 1 - see sub-Chapter 2.1) shows situations in which different styles are appropriate or inappropriate, depending on how each style contributes to conflict resolution.

Conflict style	**Situations where appropriate**	**Situations where inappropriate**
Integrating	• Issues are complex; • Synthesis of ideas is needed to come up with better solutions; • Commitment is needed from other parties for successful implementation; • Time is available for problem solving; • One party alone cannot solve the problem; • Resources possessed by different parties are needed to solve their common problems.	• Task or problem is simple; • Immediate decision is required; • Other parties are unconcerned about outcome; • Other parties do not have problem-solving skills.
Obliging	• You believe that you may be wrong; • Issue is more important to the other party; • You are willing to give up something in exchange for something from the other party in the future; • You are dealing from a position of weakness; • Preserving relationship is important.	• Issue is important to you; • You believe that you are right; • The other party is wrong or unethical.
Dominating	• Issue is trivial; • Speedy decision is crucial; • Unpopular course of action is implemented; • Necessary to overcome assertive	• Issue is complex; • Issue is not important to you; • Both parties are equally powerful; • Decision does not have to be made quickly;

Conflict style	Situations where appropriate	Situations where inappropriate
	subordinates; • Unfavorable decision by the other party may be costly to you; • Subordinates lack expertise to make technical decisions; • Issue is important to you.	• Subordinates possess high degree of competence.
Avoiding	• Issue is trivial; • Potential dysfunctional effect of confronting the other party outweighs benefits of resolution; • Cooling off period is necessary.	• Issue is important to you; • It is your responsibility to make decision; • Parties are unwilling to defer, issue must be resolved; • Prompt attention is needed.
Compromising	• Goals of parties are mutually exclusive; • Parties are equally powerful; • Consensus cannot be reached; • Integrating or dominating style is not successful; • Temporary solution to a complex problem is needed.	• One party is more powerful; • Problem is complex enough needing problem-solving approach.

Table 14: Styles of Handling Interpersonal Conflict and the Situations where they are Appropriate or Inappropriate, in Rahim (2002), p. 219

The integrating (problem solving) dimension is one of the basis of our dissertation. Integrative bargaining occurs when the parties are focused on exploring opportunities to expand the total payoff that will result from the negotiation and are not focused on sharing the payoff. It is based on the win-win perspective. The parties follow a joint problem-solving attitude in order to increase the global outcome. Trust, open communication and considerable information exchange are key for the success of this approach.

Lewicki, Weiss and Lewin (1992) provided an assessment of the negotiation and bargaining approach through the description of its dominant model or paradigm, followed by the other major models categorized as descriptive (describing and predicting conflict dynamics) or normative (prescribing actions for individuals, usually through the perspective that conflict is negative). As we are analyzing the individuals' impacts on the process, we will focus on the main normative integrative models.

One type of Normative Integrative models is the Integrative Decision-Making that was developed by Filley (1975), who pointed out that while we have a choice between behavior that defeats one or both of us or that provides mutually beneficial solutions. However, while on one hand we have an unconsciously learned pattern of competition, dominance, aggression, and defense, on the other hand the use of problem-solving skills appears to require conscious effort to develop and practice.

Another type of Normative Integrative models is the Principled Negotiation that was initially developed by Fisher and Ury (1981), whereby the negotiators should not bargain over positions but over issues.

We believe that the negative impacts of the negotiators' main characteristics in the negotiation process that we have identified contribute to a deeper understanding of the negotiators' impacts and interactions with the process, although some negotiation analysis studies already focus this issue, especially Rahim (2002). However, he does not frame it in a multi-party context and it focuses more on the situations whereby the negotiators should apply certain behaviors and less on the impacts of those behaviors on the negotiation process.

Therefore, we believe the debate on this question will contribute to deepen the focus and increase the knowledge on this specific analysis area for both research perspectives, especially for the business networks analysis perspective.

Under the *analysis of the characteristics of Portuguese Executives in a Negotiation Context perspective*, the conclusions of Sobral and Carvalho (2003) do not provide significant additional details and do not take conclusions on how do negotiators' main characteristics and their situation negatively impact the negotiation process. The only major references are that the Portuguese executives have predominantly a competitive negotiation posture which usually impacts negatively win-win negotiations, and that there is a projection effect that drives competitive negotiators to consider the competitive traits as the most important in the profile of a superior negotiator.

Debate

From our cases' analysis, we have identified negotiators' main characteristics and situations that had negative impacts in the negotiation process. The major ones are reflected in this diagram:

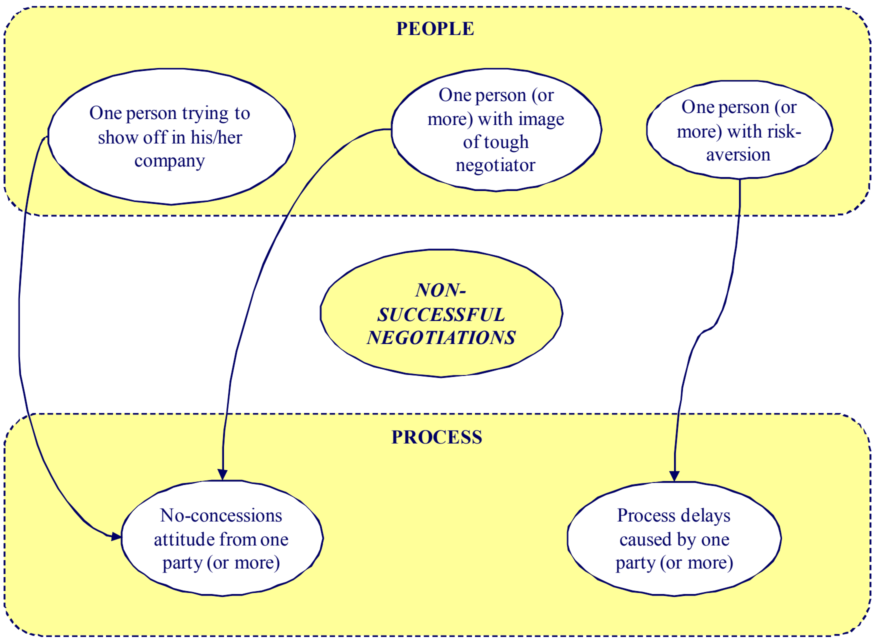

Figure 47. Major negotiators' main characteristics and situations that had negative impacts in the negotiation process.

This diagram is based, on one side, on the literature reviewed itself, that considers the existence of clear impacts of the negotiators on the process, under the Business Network Analysis and the Negotiation Analysis perspectives. On the other side, the diagram is based on the case studies data analysis that shows that the negotiators have a direct and strong impact on the process, as we will analyze each one of the impacts in detail.

<u>Impact 3.1</u>: One negotiator trying to show off in his/her company -> No-concessions attitude from the party:

The way a negotiator tries to show off in his/her company is usually by having a no-concessions attitude during the process. This was identified in six out of the seven cases in which one negotiator was trying to show off in his/her company:

Case #	Case Description	Impact
3	Sale of insurance services to a financial institution through one of its main insurance distributors.	Ms. Insurance wanted to show off and to be seen by its major client Bank as the negotiation's leader and as a dynamic person who was frequently looking for new opportunities to improve Bank's competitiveness. As Ms. Insurance wanted to be seen as project leader, she told Services not to contact Bank directly. Services replied that it would be negative for the negotiation in itself and insisted with Insurance that it should contact Bank directly, even if Insurance would have to be present in all meetings. However, Ms. Insurance took a no-concessions attitude on the issue that Services should never contact directly with Bank.
17	Creation of a partnership between three parties to develop a new product.	Advertiser was a «flop» but managed to get cash frequently from its large shareholders. Mr. Advertiser had been recently hired as new general manager, whose main goal was to significantly improve the company's situation. As a new general manager, Mr. Advertiser wanted to show off by providing evidence to the company's shareholders that he was taking immediate action to try to significantly improve the company's situation. In that context, he got involved in this initiative in order to show that he was being active. In order to also show that he had the toughness and determination required for a «turnaround», he took a no-concessions attitude and «anchored» on his initial position regarding the share of the project's revenues it wanted without much justification.
19	Service promotion through another company's sales channel with a gift from a third company.	Mr. IT wanted to continue to feed his image of highly dynamic and «new-project-oriented» person among his superiors and shareholders, and this project fitted into that image. In this context, IT took since the beginning a no-concessions attitude on issues like having to sell the new version of its IT product in case of a stock-out of the old version without any price increase and its no contribution to the payment of the materials for car stands outside Greater Lisbon and Greater Porto.

Case #	Case Description	Impact
21	Promotion of a new product in an event at a nightclub.	Mr. Disco had been recently hired by Disco to manage its nightclubs division and, as a recent employee, Mr. Disco wanted to show off to his superiors by trying to impress them as a good manager of their nightclubs. In this context, Mr. Disco insisted on receiving a cash payment from Drinks (the new product owner), as Mr. Disco believed he would be showing off to his superiors if he could get a «cash deal», which was uncommon in such a type of negotiation. As a result, he took a no-concessions attitude on the cash payment issue.
27	Development of a new distribution channel via a distributor.	Mr. Cosmetics was being tested by his superiors as he had been given a top responsibility on the launch of new products. As he was being tested, Mr. Cosmetics wanted to show off to his superiors by providing the best image possible to them along the negotiation process. In this context, Mr. Cosmetics took a no-concessions attitude on firmly declining to discuss the possibility of Retail selling Cosmetics' top product line.
28	New product promotion in a distribution channel with a third party's sponsorship.	Mr. Food had been promoted to board member very recently. As a result, he wanted to show off and create a good impression of his capabilities among his board colleagues. In this context, Mr. Food wanted to show that, after a short time as board member, he could develop new initiatives that would improve Food's relationship with its largest potential client Retail. When negotiating this product promotion, Mr. Food tried to ensure that all the roadblocks to the successful implementation of this promotion would be overcome by making several concessions to its key client Retail but taking a no-concessions attitude towards Gift.

Table 15. Cases in which one negotiator was trying to show off in his/her company and had a no-concessions attitude during the process

Our interpretation for the fact that the way a negotiator tries to show off in his/her company is usually by having a no-concessions attitude during the process is that the negotiator tries to show off since he or she feels being pressured by superiors and/or peers for high results, even if it is not the reality. This sense of being pressured, independently if it is real or not, leads the negotiator to have a more aggressive and competitive approach. In addition, the need to show off is easily satisfied by taking a no-concessions attitude, at least in the negotiation of the major issues.

The no-concessions attitude is a technique used under the dominating style of handling conflicts. The dominating style is applied when there is a high concern for the self and low concern for the other, and is more appropriate in situations that include (Rahim, 2002):

- Unfavorable decision by the other party may be costly to you;
- Issue is important to you.

These two situations are implied in our interpretation. First, an unfavorable decision by the other party may be seen as a personal defeat of the negotiator, which would be the opposite of the show-off desired by the negotiator. Second, and on the same perspective, the major issue or issues in discussion are important for the negotiator as those major issues are the best ones to be used as tools for the desired show-off.

Not making concessions is an attitude of egocentricity, when the negotiator is only focused on satisfying his or her concerns and not taking into account the other person's concerns' satisfaction, and when the negotiator tends to face the negotiation with a binary approach of either / or alternatives. As a result, the most probable outcome is a win-lose situation (Thomas, 1976) since the counterparty may concede to the negotiator's demands and, as a result, the negotiator wins. In case the counterparty does not concede, the negotiation ends with no agreement but the negotiator does not look weak in front of the superiors and/or peers.

Not making concessions is a short-term attitude as it shows no concern for the medium/long-term relationship with the other parties. Gil (2007) refers that the Portuguese individual identifies him/herself in what is small and gets shelter and feels comfortable in what is small: small pleasures, small loves, short (small) trips, and small ideas. «Small» becomes the perfect size for the Portuguese affection investment. These «small worlds» lead to a short-term focus and a rejection of the medium/long-term projects.

The need to show off forces the negotiator to have a high concern for the self. However, instead of the negotiator having a low concern for the others, as we have considered above, he or she could also have a high concern for the others. In this second scenario, the negotiator would have an integrating style of handling conflict requiring a more open, collaborative, innovative and creative approach. However, we have excluded this second scenario for three main reasons.

First, the external pressure to perform well (which may come from superiors, peers and/or subordinates, or other people within the group where the negotiator is included) in negotiations significantly increases the tendency for the negotiator to use more competitive approaches. As a result, taking into account that the negotiator feels pressure from superiors and/or peers, even if it is not the reality, as mentioned above, he or she will act in a more competitive way and therefore prefer a dominating instead of an integrating style.

Second, there is a projection effect that drives competitive negotiators (which is the case of the majority of the Portuguese executives) to consider the competitive traits as the most important in the profile of a superior negotiator (Sobral and Carvalho, 2003). Since the negotiators involved in the cases analyzed were executives, they believe that show off is done by creating an image of a superior negotiator, which is equivalent to the image of a competitive negotiator. This leads negotiators to use competitive techniques. In this context, negotiators tend to apply the no-concessions technique, since it is easy to use and to show to superiors and/or peers that it has been used, framed in the context of the dominating style of handling conflict.

Finally, the Portuguese individual is not open to innovative and creative approaches and to accept their implicit risks. According to Gil (2007), the already mentioned low self-valuation of the individual has several implications. First, the Portuguese is not bold and therefore does not look for bold or courageous actions when he or she is planning how to act on certain issues. Second, the individual, in order to avoid being viewed as incompetent by the others, continues to use the «old-time» methods, techniques and tools, playing on the «safe side». As a result, the Portuguese does not try to be innovative since innovations have always an implicit risk which could lead the individual to fail and look incompetent, even taking into account the potential high rewards that innovation can bring. Third, the Portuguese is afraid of being evaluated, as his/her evaluation, instead of acting as motivating and being a self-improvement tool, acts on the opposite direction – reduces the already low self-evaluation and reduces the temptations for any attitude that involves risk, as these may potentially make the individual look even more incompetent among others.

There may be situations in which the way a negotiator tries to show off in his/her company is not by having a no-concessions attitude during the process. This was identified in one out of the seven cases in which one negotiator was trying to show off in his company. This different situation can however be justified. In the negotiation of the development and implementation of a cross-promotion between two products during one month, Mr. Food had recently joined the company. Due to his new position in the company and as he was coming from an acquired company, Mr. Food wanted to show off to his company's superiors and to show that he could change the company's image of conservativeness and rigidness. However, Mr. Food was also acting with risk-aversion, since he was afraid of hurting the long-lasting quasi-monopoly situation of its company and of damaging its sales force performance and motivation. As a result, Mr. Food was in a paradoxical situation of wanting to create an image of dynamism and innovation but simultaneously being risk-averse, which led him to many hesitations along the process. This risk-aversion (as we will confirm ahead in Impact 3 of this Question) is the major reason that led Mr. Food to not having a no-concessions attitude, unlike the previous cases that we have listed in which the way a negotiator tries to show off in his/her company is usually by having a no-concessions attitude during the process.

<u>Impact 3.2</u>: One negotiator (or more) with image of tough negotiator -> No-concessions attitude from the party(ies):

One negotiator (or more) with an image of tough negotiator leads to a no-concessions attitude by the respective company(ies). This was identified in all the cases in which one negotiator (or more) had an image of tough negotiator:

Case #	Case Description	Impact
4	Development of a leisure area in a shopping center with a real estate fund investment.	Mr. ShoppingCenter and Mr. Leisure had an image of very tough negotiators and were very aggressive along the process. Both ShoppingCenter and Leisure took a no-concessions attitude for a very long period which was reflected in a long negotiation process of approximately fifteen months.
5	Equity transactions for a merger of three companies of the same industry.	Mr. ComServices was viewed in the market as a tough negotiator. Taking into account its negotiator's tough image, ComServices took a no-concessions attitude on the issue of cancelling the memorandum of understanding at the end of the negotiation process as it considered that the evaluation report (a part of the process that had been pre-defined by all parties) was wrong.
10	Development by three parties of a new IT platform to be commercialized.	Mr. B2C had an image of tough negotiator. Mr. B2c's tough negotiation led B2C to follow a more competitive approach and to take a no-concessions attitude in several issues including the platform exclusivity for an indeterminate period and the amount of costs the other parties said they would have to incur in.
16	Development of a cross-promotion between two companies' products in a retailer chain.	Mr. Retailer had an image of very tough negotiator and he was very aggressive along the process. Retailer «anchored» on its initial positions without making any concessions and afterwards it gave other parties a «take-it-or-leave-it» ultimatum which led all parties to stop looking for other solutions for the negotiation.
27	Development of a new distribution channel via a distributor.	Mr. Retailer was known in the market for being a very demanding negotiator which negatively contributed to reaching agreements. Near the end, Mr. Retail's image of very demanding negotiator in the market became evident when Retail took the position that it wanted to sell the «H» product line in its points-of-sale and did not make any concessions on this issue.

Case #	Case Description	Impact
28	Promotion of a new product in a distribution channel with a third party's sponsorship.	Ms. Retail had a tough negotiator image, which even came across at the initial contact with the other parties. Although Food and Gift insisted that Retail should make an effort to try to go forward with this promotion, Retail did not make any concessions on issues like the inclusion of the promotion in its communication's plan and the payment of the book by end-consumers.

Table 16. Cases in which one negotiator (or more) had an image of tough negotiator and the respective company(ies) had a no-concessions attitude

Our interpretation is that when a negotiator has an image of tough negotiator, he or she usually tries to live up to that image that other people have of them. As a result, the negotiator has to act tough. The easiest way to act and look tough is by not making concessions. This obliges the other party(ies) to either stop the negotiation since they have reached an impasse or to make concessions in order to reduce and ideally close the gap between the parties and, as a result, lead the process towards an agreement. If an agreement is reached without any negotiator's concessions, at least on the major issues, he or she ends up as the negotiation winner, which fuels even more his/her image of tough negotiator.

In addition, the negotiator does not want to create any precedents that may hurt the tough negotiator's image, and therefore he or she has a strong temptation to take a no-concessions attitude in order to avoid putting at risk an image that most probably took very long to build in the market.

This is reflected in a no-concessions attitude, at least in the negotiation of the major issues, as in the previous impact (Impact 3.1.). In fact, if a negotiator wants to maintain a tough negotiator's image, he or she will have, in practice, to show off as tough negotiator to the other parties and to other people that may be indirectly involved and/or aware of the negotiation process.

As a result, the support from the literature review to this impact is similar to the one described in the previous impact. In brief, the no-concessions attitude is a technique used under the dominating style of handling conflicts, as the negotiator has a high concern for the self and low concern for the others, taking an attitude of egocentricity. The negotiator does not follow an integrating style of handling conflict because he or she would be showing concern for the others, which a tough negotiator should not show or otherwise would not look tough.

Looking from a different perspective, one can argue that a tough negotiator should not be afraid of having a win-win negotiation approach instead of a win-lose approach. This argument would imply that the negotiator would have a strong self-confidence and a high (or at least, not low) self-evaluation in order to feel comfortable in having a more collaborative approach and to realize that trying to satisfy other parties' concerns does not necessarily mean hurting the self-concerns. In fact, it may even have the opposite effect in several occasions when a win-win agreement is achieved. In addition, it would also imply that the negotiator has a medium/long-term vision and therefore wants to develop and/or improve the relationships with the other parties.

However, the Portuguese does not have any of the above assumptions: as previously mentioned, the Portuguese does not have neither a strong self-confidence, nor high self-evaluation and nor medium/long-term vision (Gil, 2007).

<u>Impact 3.3</u>: One negotiator (or more) with risk-aversion -> Process delays caused by the party(ies):

One negotiator (or more) with risk-aversion leads, in most cases, the negotiator's company (or negotiators' companies) to cause delays in the process. This was identified in eleven out of the fifteen cases in which one negotiator (or more) had risk-aversion:

Case #	Case Description	Impact
1	Sale of a product as a newspaper promotional item with a third party sponsorship.	Mr. Bank was a marketing analyst with no career development perspectives, accommodated in his position at Bank. As a result, he did not want to run risks. Mr. Bank's risk-aversion led to Bank's several delays along the process, as it repeatedly asked for new meetings instead of deciding about the issues being discussed at each meeting and took an exaggerated period of time to set the third meeting between the parties.
3	Sale of insurance services to a financial institution through one of its main insurance distributors.	Ms. Bank was close to retiring from her professional life. This contributed to Ms. Bank's risk-aversion as she wanted to avoid risks that could hurt her career. In this context, Bank reacted with delays and excuses to justify declining each proposal presented, which made it look like Bank was not really interested in reaching an agreement.
5	Equity transactions for a merger of three companies of the same industry.	Mr. Com&IT was acting with risk-aversion since his company was in a restructuring process and he was in an unstable professional position. Mr. Com&IT's risk-aversion led Com&IT to delay the process including a) at the beginning when Com&IT suggested that the parties should reflect more about the process before reaching conclusions, and b) at the end when Com&IT did not manage to give a clear and straightforward answer to ComServices initial two-party merger proposal.
7	Development of a software application to make a real estate evaluation tool for the mass market.	Mr. RealEstate and Mr. Usability acted with risk aversion since they were aware that any major mistake could put their companies in a very difficult financial situation. In this context, RealEstate's and Usability's risk-aversion led the two parties to delay the process several times, despite Software's insistence on setting up meetings and taking decisions at a much faster pace.
8	Development and	Mr. Food acted with risk-aversion as he was afraid of hurting the

Case #	Case Description	Impact
	implementation of a cross-promotion between two products during one month.	long-lasting quasi-monopoly situation of its company and of damaging its sales force performance and motivation. Food had too many hesitations along the process that contributed to delay the project's start due date up to such a point that the timing for the project was lost.
10	Development by three parties of a new IT platform to be commercialized.	Mr. IT_1 was risk-averse during the negotiation as his company could not afford to lose much time and/or capital resources in a failed project. Due to Mr. IT_1's risk-aversion, IT_1 usually took too much time to make any decisions, scheduling new meetings to decide issues that sometimes could have been decided on the spot, which delayed the process.
18	Development of a joint-venture between three parties for the development of an agricultural, real estate and tourism project.	Investor had limited financial resources and it could not invest a significant amount of capital in a project. This led Mr. Investor, who was one of Investor's owners, to be risk-averse in this negotiation because he could not invest much capital in the project and he wanted to minimize risks as much as possible. Mr. Investor's risk-aversion led Investor to cause several delays to the process when it postponed decisions at certain meetings, and when it took an exaggerated time to set up new meetings.
20	Development of a commercial partnership for selling financial services through a new channel.	Mr. Bank_2 had been recently promoted from commercial director to board member, which implied an increasing level of work responsibilities that he had never faced before. Overwhelmed with the recent significant increase in his responsibilities, Mr. Bank_2 was risk-averse as he did not want to run any major risks that could affect his promising career. Mr. Bank_2's risk aversion made him avoid risky projects and avoid risking his current partnership with Bank_1, who was very excited about this project. Among other factors, this led Bank_2 to delay the process and its no-agreement decision.
23	Development of a trial of communications based on a different technology.	Hardware was going through a restructuring process. Due to his company's restructuring process, Mr. Hardware was in an unstable professional situation as he was not sure what would happen to him in the short-medium term at a professional level. Due to his professional instability, Mr. Hardware was risk-averse and he was very careful in order to avoid running any major risks. Mr. Hardware's risk-aversion led Hardware to take consecutive actions which delayed the process even more.

Case #	Case Description	Impact
29	Equity transactions for a merger of two companies of the same industry.	Mr. Buyer wanted to act very carefully and with low risks. Mr. Buyer's risk-aversion, together with Buyer's lack of preparation and with the fact that Buyer was in a restructuring process, led Buyer to have long periods of unavailability to meet and/or to make decisions, which naturally delayed the process.
30	Development of a new service based on a technological platform for another company.	As the project would require capital and time investments that were significant for a company of limited resources as Tech, Mr. Tech was being very risk-averse about the decision to go forward with this project. Mr. Tech's risk-aversion led Tech to delay the process by insisting on delaying meetings and proposing parties to have more time to think before making decisions.

Table 17. Cases in which one negotiator (or more) had risk-aversion and the negotiator's company (or negotiators' companies) caused delays in the process

Our interpretation is that a negotiator that is acting with risk-aversion, in most instances, tries to analyze in-depth all the main issues and to reflect deeply on all the main required decisions since he or she does not want to make mistakes and/or run any major risks. These analysis and reflections take time therefore causing delays to the process. In addition, in some situations, the fear of running risks also leads to many hesitations and even to no decision-taking actions by the party, which aggravates the delays even further.

The low individualism and the high uncertainty-avoidance Portuguese cultural dimensions (Hofstede, 1994) and the Portuguese individual's characteristics of fear of being excluded, fear of open conflicts, fear of competition, risk-aversion and caution (Gil, 2007) support this interpretation.

First, one characteristic of low individualism is that people see their selves as belonging to a family that protects them in exchange for loyalty (Hofstede, 1983a). In addition, Gil (2007) refers that the Portuguese fears exclusion and that a minimal deviation may lead to the individual's exclusion. These lead the Portuguese to have a high concern for being loyal and for trying to protect the company.

Second, one characteristic of high uncertainty-avoidance (Hofstede, 1983a) is the concern that conflict and competition can unleash aggression and therefore should be avoided. Gil (2007) adds that the Portuguese avoids open conflicts and fears competition. This is even more relevant when conflict and competition would target the own company, affecting concern with security in life (another characteristic of high uncertainty avoidance). In addition, the high uncertainty-avoidance characteristic that what is different is dangerous (Hofstede, 1983a) and the conflict and risk-aversion by the Portuguese (Gil, 2007) also lead to precaution and hesitations from the parties that delay the negotiation processes. These characteristics can lead the parties to use several negotiation strategies and/or techniques to avoid and/or postpone conflicts.

Third, the cautious and suspicious spirit that exists in the Portuguese society leads people to have a "certain time of caution, of no-hastiness, a slowness that allows the individual to never be caught by the unexpected" (Gil, 2007: 60). In a society of postponement, bureaucracy (sometimes leading to a point that it becomes clearly red tape) becomes an excellent means to paralyze action. In fact, this can be viewed as a compromise situation: on one hand, bureaucracy postpones the solution-seeking processes up to a point that the timing is lost and there will be no action; on the other hand, while the bureaucratic process lasts, there is a sensation of action and movement in the direction of a potential final solution. In addition, bureaucracy is a way to, in a society that is «open-conflicts avoider», allow for an indirect expression of conflictive violence therefore avoiding the conflicts to be literally and fully exercised (Gil, 2007).

These aspects taken into consideration in conjunction lead to delays in the process caused by the party in which its negotiator is acting with risk-aversion. These delays are due to the fear of hurting themselves and the employees, and feeling excluded by others. In addition, fear of conflicts and competition also leads to delays as parties use the avoiding style of handling conflict to avoid, or at least postpone, potential conflicts. Finally, caution and suspicion by the Portuguese people leads to a «fertile ground» for bureaucracy to flourish, delaying, by its nature, the process.

As a result, the probability (even if low) of facing the scenario of hurting its own company within a context of conflicts and potential competition is very hard to accept by the negotiator and its party, which makes the party delay the negotiation process in order to try to avoid any new scenario that may hurt the company.

There were cases in which a negotiator with risk-aversion did not lead the party to cause process delays. This was identified in four out of the fifteen cases in which one negotiator (or more) was acting with risk-aversion. These situations can however be justified:

Case #	Case Description	Impact
2	Consulting project for sales increase of a vehicle brand in a dealer.	Mr. Vehicle was in an unstable professional situation where he could be fired at any moment in the context of Vehicle's cost-cutting measures. Due to his unstable professional situation, Mr. Vehicle was risk-averse during the process. In this context, Mr. Vehicle had a passive posture in most of the negotiating process. We believe that Mr. Vehicle's passive posture was due to the fact that Dealer was a Vehicle's medium-large client, which led the supplier (Vehicle, in this case) to be passive during most of the negotiation process (an impact that has been described previously). But, in addition, although Vehicle did not cause process delays directly, as it was passive it did delay the process indirectly by not pushing forward the process.
11	Financing of additional vehicle dealer's sales through a financial company.	Mr. Finance had recently joined the company and he did not know well the company, his colleagues and the company's procedures. Since he was not yet secure in his new workplace, he did not want to take any major risks. In this context, Mr. Finance did not search for additional solutions, limiting himself to following the main company's general guidelines with no creative thinking involved. However, Finance did not delay the process because there was the «window of opportunity» of selling the car to the end-consumer in the very short-term before he would buy other car, which did not allow for significant delays.
12	Promotion of a company's product via media and its distribution through a distributor company.	Commercial had very limited financial resources and had no financial backing for any major project. As Commercial did not have much capital, and Mr. Commercial was Commercial's owner, he was risk-averse. As a result, he did not want to get involved in projects with a significant amount of capital at risk which could lead the company to bankruptcy in case of the projects' failure. However, instead of delaying the process, Commercial tried subtly to pass the entire project's risk to Distributor which would place Commercial in a risk-free situation. This would make Mr. Commercial's risk-aversion to vanish as he would not be running any risks. When Distributor and Media found out that

Case #	Case Description	Impact
		Commercial wanted Distributor to run the major risks and that it would be running no risks, Media and Distributor had no interest in looking into any further options.
15	Set-up of a project by two companies for a company's mainframe outsourcing.	Mr. Finance felt that he could continue working in the company for several more years, although he was reaching his retirement age in the short-term. Therefore, Mr. Finance was risk-averse and did not want to take significant risks in order to avoid creating any issues that would deny him the possibility of extending his work life beyond retirement age at his company. As a result, Finance had a no-concessions attitude regarding any options that could increase the solution's risk, which limited IT_1 and IT_2 in the scope of the approaches, methodologies and solutions to propose. We believe that the initial no-concessions attitude, instead of process delays, was due to the fact that Mr. Finance was facing a «window of opportunity» (to avoid the probable moving of the company's mainframe infra-structure abroad which would take some power away from him in the short-term) and therefore Finance did not want to delay the process, otherwise it would reduce the timing for its opportunity.

Table 18. Cases in which one negotiator (or more) had risk-aversion and the negotiator's company (or negotiators' companies) did not cause delays in the process

Question 4. How does the parties' preparation work negatively impact the negotiation process?

Introduction

The preparation work's negative impacts on the negotiation process are analyzed in both Business Networks Analysis and Negotiation Analysis perspectives, although we believe additional know-how can still be developed.

On one side, there is no deep analysis of the parties' preparation work on the Business Network models analyzed. An example of a more superficial analysis is the planning cross-relational task, one of the cross-relational tasks that Ritter et al. (2004) refers as part of management in business relationships and networks.

On the other side, the parties' preparation work for win-win negotiations is deeply studied in the Negotiation's Integrative models but mostly focused on two-party negotiations. Examples include Zartman and Berman (1982) adaptation of Ikle's (1964) model and the Integrative Negotiation model developed by Pruitt (1981, 1983b) and Pruitt and Carnevale (1982).

We believe the following debate will contribute to the analysis of the impacts of preparation work on the three-party negotiation process, unlike what happens in the two perspectives mentioned above.

Debate

From our cases' analysis, we have identified the parties' preparation work factors that had negative impact in the negotiation process. The major ones are reflected in this diagram:

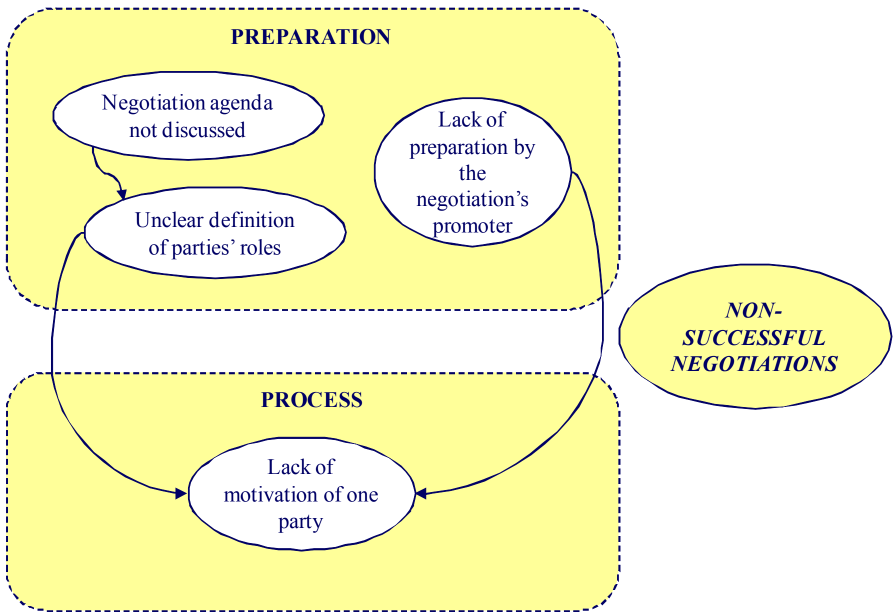

Figure 48. Major parties' preparation work factors that had negative impact in the negotiation process.

This diagram is based, on one side, on the literature reviewed itself, that considers the importance of preparation work for the success of the negotiation. Several examples are mentioned above, as in the management of business relationships and networks like mentioned by Ritter et al. (2004), among others, and as in the Negotiation's Integrative models like the one developed by Pruitt (1981, 1983b). On the other side, the diagram is based on the case studies' data analysis that shows that the negotiation preparation has direct and strong negative impacts on the negotiation process. We will analyze each one in detail.

<u>Impact 4.1</u>: Lack of preparation by the negotiation's promoter -> Lack of motivation of one party (or more)

When the negotiation's promoter did not prepare well the negotiations, one or more of the other parties loses motivation to seriously committing itself to the negotiation process. This was identified in all the cases in which the negotiation's promoter did not make a positive preparation work for the negotiations:

Case #	Case Description	Impact
1	Sale of a product as a newspaper promotional item with a third party sponsorship.	Gift (the negotiation's promoter) had an attitude of «we'll perform well on the spot» and it assumed that it just needed to have a good idea to be successful, without having to spend time thinking about the details and operational issues. As a result of its attitude, Gift was not well prepared for the negotiation and could not answer adequately to some of the other parties' initial basic questions. This was interpreted by Media as a lack of commitment from the negotiator's promoter, which led to its lack of motivation to the project.
16	Development of a cross-promotion between two companies' products in a retailer chain.	NewService (the negotiation's promoter) was not well prepared for the negotiation. It did not prepare the operational implementation of several tasks to be performed in the stores, like, for example, the way it would explain the service to potential buyers and the way to get personal data from IT product's buyers. NewService's lack of preparation work led Retailer to lose motivation for the negotiation from the moment the lack of preparation became clear.
17	Creation of a partnership between three parties to develop a new product.	Software (the negotiation's promoter) was not well prepared for the negotiation. It did not prepare several issues like its own and the other parties' benefits, competencies required, functionalities to be developed and new services to be leveraged on the portal, which came across when the other parties enquired it about those issues. Due to Software's clear lack of preparation, Web loss motivation for the project as it realized the idea and its implementation had not been carefully thought.
20	Development of a commercial partnership for selling financial services through a	Reseller (the negotiation's promoter) was not well prepared for the negotiation which became clear on the initial meeting. It did not know about the two banks' partnership, it did not provide clear reasons for selecting Bank_1 and it had not developed business volume estimates for the initial years. Reseller's lack of preparation made Bank_2 lose

Case #	Case Description	Impact
	new channel.	motivation for the negotiation.
21	Promotion of a new product in an event at a nightclub.	Drinks (the negotiation's promoter) was not well prepared for the negotiation and it did not think about how much it was willing to pay for the promotion, even after Disco made its initial offer. Disco was not motivated by the project, especially due to Drinks' lack of preparation.

Table 19. Cases in which the negotiation's promoter did not prepare well the negotiations and one or more of the other parties lost motivation to seriously committing itself to the negotiation process

Our interpretation is that the lack of preparation from the party that decides to initiate the negotiation (the «promoter») has a strong impact in the process as it sets the first impression of the promoter and also of the negotiation project at stake before the other two parties. If there is a promoter's lack of preparation, then the other parties can lawfully interpret that lack of preparation in two main ways. One is that the promoter is not professional and therefore it may not be positive for the other parties to partner with a non-professional company. The other is that the project is not worth the preparation effort from the promoter because either the project is not really attractive or the promoter is not interested in making much effort to develop the project. Either way, the other parties' reaction to the promoter's lack of preparation tends to be the loss of motivation for the negotiation.

Although the Portuguese people is a strong improviser (Carapuça, 2003), the improvised actions at the outset of a professional relationship, especially when those actions are perceived as not positive, lead to a negative first impression that hurts the parties' commitment to become involved in that professional relationship.

<u>Impact 4.2</u>: Negotiation agenda not discussed -> Unclear definition of parties' roles -> Lack of motivation of one party

When there is an unclear definition of parties' roles in the negotiation process, usually as a result of not discussing a negotiation agenda at the outset of the negotiations, one or more of the other parties loses motivation to seriously committing itself to the negotiation process. This was identified in all the cases in which there was an unclear definition of the parties' roles:

Case #	Case Description	Impact
1	Sale of a product as a newspaper promotional item with a third party sponsorship.	The parties did not define the negotiation agenda. Without an agenda, roles were not clearly defined: Bank considered itself the project owner because it was paying for it; Media considered itself the project owner because it was running a major risk of not selling all units produced; Gift considered itself the project owner because it was the one that had the idea. The unclear definition of parties' roles, among other factors, made Media not motivated to the project.
3	Sale of insurance services to a financial institution through one of its main insurance distributors.	The parties did not define the negotiation agenda. As a result of not defining an agenda, there was an unclear definition of the parties' roles, and Insurance took advantage of that fact to try to look as the project leader, at least in Bank's perspective, by taking actions like never letting Services contact directly with Bank. This unclear definition of parties' roles led to Services' lack of motivation.
21	Promotion of a new product in an event at a nightclub.	The parties did not define the negotiation agenda. This led to an unclear definition of parties' roles as Disco was not clear about Drinks' and Consultant's interests and responsibilities in the negotiation process, which was aggravated by certain contradictory attitudes from both. This was one of the two factors that made Disco not motivated to the project.
23	Development of a trial of communications based on a different technology.	The parties did not define the negotiation agenda. As the parties started negotiating without discussing the negotiation agenda, there was an unclear definition of parties' roles, which made the parties act without being sure of their responsibilities. The unclear definition of parties' roles that led to initial misunderstandings in a context of Mr. Hardware's low availability of time led to Hardware's loss of motivation at the beginning of the process.

Case #	Case Description	Impact
25	Creation of a program by two parties to improve sales of a third party.	The parties did not define the negotiation agenda. As Mr. Retail wanted to start discussing the project's implementation immediately at the beginning of the process, there were no discussions about the negotiation agenda, which led to an unclear definition of parties' roles. The lack of a negotiation agenda and parties' roles definition were responsible for Consultant not being fully aware of the project content and not knowing to whom it would be reporting and who would be coordinating the project, which led to Consultant's loss of motivation for the project.

Table 20. Cases in which there was an unclear definition of the parties' roles and one or more of the other parties lost motivation to seriously committing itself to the negotiation process

Our interpretation is that the lack of a negotiation agenda leaves room for a lack of organization and consequently for misunderstandings, namely in the parties' roles. The lack of organization and misunderstandings implies a lower probability of success of the project/issues being negotiated. This leads to a lack of motivation as the parties fear that their time (and possibly also money) commitment to the project/issues at stake has a higher probability of becoming worthless than in other negotiations.

The high uncertainty-avoidance and the high power-distance Portuguese cultural dimensions (Hofstede, 1994) support this interpretation.

Firstly, one characteristic of high uncertainty-avoidance is that people value law and order and have a strong need for written rules and regulations (Hofstede, 1983a). As a result, the lack of order and rules and regulations leads to uncertainty which people tend to reject.

Secondly, in high power-distance contexts, authority and/or higher use of rules and procedures simplify control processes and reduce the natural confusion generated by participative processes, which induces stress in people (Hofstede, 1984). Therefore, definition of roles reduces stress and ambiguity and, consequently, reduces the lack of motivation of the parties in the negotiation processes.

Both aspects taken into consideration in conjunction lead a party to lose motivation for the negotiation process when the negotiation agenda is not defined and/or the parties' roles are not clearly defined. This is due to the lack of order and rules that increases uncertainty and also to the parties' negative reaction to uncertainty which is leveraged by the stress increase resulting from lower control in participative processes. As a result, the possibility of being involved in a process with high probability of uncertainty and stress is difficult to accept by a party, making it lose motivation in the negotiation process.

Question 5. What process-related aspects lead one or more parties to stop searching for additional solutions to the negotiation issues?

Introduction

On the Business Networks Analysis perspective, the negotiation process is analyzed at different levels and perspectives, although there is no clear approach to negative actors-related process factors that lead one or more parties to stop searching for solutions to their conflict issues.

On the Negotiation Analysis perspective, the Negotiation Integrative models have provided a significant know-how on the negotiation process. Although their perspective on the identification of actors-related process aspects tends to be significantly more positive than negative, there are studies that present relevant know-how on process-related factors that have negative effects on the negotiation outcome.

For example, Ury (1993) defined a breakthrough strategy to turn adversaries into partners through five steps that describe the negative negotiators' attitudes as a starting point to providing a clearer description of the positive attitudes in a negotiation process:

1. Don't reject: go to the balcony and don't react immediately;
2. Don't argue: step to their side;
3. Don't reject: reframe what they said;
4. Don't push: build them a golden bridge so that it is easy for them to accept the agreement;
5. Don't escalate: use power to educate and not to threaten.

We believe the following debate will contribute to developing additional knowledge on the identification of «process-stoppers» in three-party negotiations, by identifying the main actors-related factors that lead one or more parties to discontinue probing for solutions to their conflicts, which neither the Business Networks Analysis nor the Negotiations Analysis perspectives do.

Debate

From our cases' analysis, we have identified the process-related aspects that led one or more parties to stop searching for additional solutions to the negotiation issues. The major ones are reflected in this diagram:

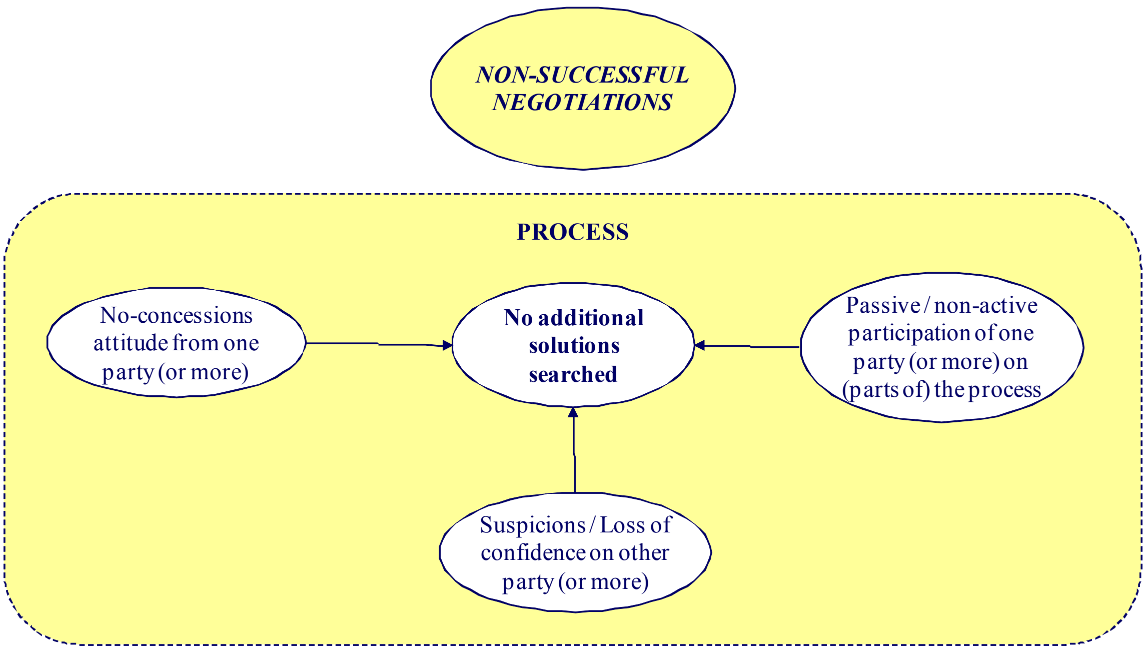

Figure 49. Major process-related aspects that led one or more parties to stop searching for additional solutions to the negotiation issues.

This diagram is based, on one side, on the literature reviewed itself, that analyses, although not deeply, the impacts of actors-related process aspects in the negotiation's success or lack of success. On the other side, the diagram is based on the case studies' data analysis that shows that there are three main process-related aspects that lead one or more parties to stop searching for additional solutions to the negotiation. We will analyze each one in detail.

<u>*Impact 5.1*</u>*.: No-concessions attitude from one party (or more) -> No additional solutions searched*

One of the main process-related aspects that lead one or more parties to stop searching for additional solutions to the negotiation is the no-concessions attitude from one party (or more). This was identified in seven of the twenty-three cases in which one or more parties stopped searching for additional solutions:

Case #	Case Description	Impact
1	Sale of a product as a newspaper promotional item with a third party sponsorship	As Media did not make any concessions on the number of units to be produced (in addition to Bank continuously delaying the process which did not allow for any advances in the process), Media and Bank stopped trying to find additional solutions for the negotiation
5	Equity transactions for a merger of three companies of the same industry	ComServices took a no-concessions attitude and insisted on cancelling the memorandum of understanding and as a result (in addition to the fact that the parties had not considered the potential threat to the project that came from the Competition Regulatory Authority, that Broadcom insisted on reaching an agreement and that ComServices was suspicions of the other two parties) ComServices stopped searching for additional solutions
6	Creation of a joint-venture of three different companies which were present in the same industry.	As Infrastructures_B did not make concessions on a crucial issue (together with Infrastructures_A framing that crucial issue as a question of principle, and with DiversifiedGroup having a non-active participation in the final part of the process), no additional solutions were searched by the parties.
19	Promotion of a service through another company's sales channel including a gift from a third company.	IT's no-concessions attitude and Finance's no-concessions attitude on one key issue (in addition to CarSeller's and IT's suspicions of Finance, and to the communications problems between IT and the other parties) created an environment in which none of the parties wanted to try to find additional solutions for the project.
24	Creation of a real estate vehicle that would allow for a real estate transaction.	Buyer's no-concessions attitude on any Seller's demands (together with the loss of confidence of Buyer and Seller on FundManager, and with the lack of motivation of FundManager and Seller) led the parties to stop searching for different solutions.

Case #	Case Description	Impact
27	Development of a new distribution channel via a Distributor.	Retail denied any agreement unless he could also sell Cosmetics' «H» line of products in its company's stores and, based on this no-concessions attitude, Retail denied looking into any other negotiation solution's options.
29	Equity transactions for a merger of two companies of the same industry.	Manager's no-concessions attitude at the end of the process (together with Seller's passive participation in the final part of the negotiation and Manager's lack of motivation) led Manager and Seller to stop looking into any other potential agreement solutions.

Table 21. Cases in which the no-concessions attitude from one party led one or more parties to stop searching for additional solutions to the negotiation

Our interpretation is that the no-concessions attitude of one party has two major negative implications that reduce the probability of reaching an agreement.

First, it limits the scope of solutions that can be reached. As all alternative agreements that do not include the no-concession issues become excluded, the range of potential solutions is reduced and therefore the probability of an agreement is lower. The ZOPA - Zone of Possible Agreement (Raiffa, 1982) is reduced since the party that makes no-concessions does not «move» one of the boundaries of the ZOPA, therefore limiting the «room» for reaching an agreement. One of the outcomes from this «room» limitation is the end of the negotiation process.

Second, it potentially creates a negative confronting attitude from the counterparties that do not like to be faced with a no-concessions attitude and reply to that attitude by also not making concessions or by simply ending the negotiation process. The no-concessions attitude is framed in an aggressive and competitive approach and is a technique used under the dominating style of handling conflicts (Rahim & Bonoma, 1979). The dominating style is applied when there is a high concern for the self and a low concern for the others. Therefore, not making concessions is an attitude of egocentricity since the party is only focused on satisfying its concerns and not taking into account the satisfaction of the counterparty's concerns. In this context, the party tends to face the negotiation with a binary approach of either / or alternatives. As a result, if an agreement is reached it will most probably be a win-lose situation (Thomas, 1976) since the counterparty will have to concede to the party's demands and, as a result, the latter wins and the first loses. So, in order to avoid losing, the counterparty may choose to stop searching for additional solutions and end the negotiations.

On the specific case of the Portuguese executives, they have predominantly a competitive negotiation posture (Sobral and Carvalho, 2003). As a result, they tend to avoid taking non-competitive approaches as abiding to other party's no-concessions attitudes. Therefore, they prefer to take a more competitive attitude of ending the negotiations instead of taking the non-competitive attitude of accepting the other party's imposed issues (the issues upon which the other party took a no-concessions attitude).

<u>Impact 5.2</u>.: Suspicions / Loss of confidence on other party (or more) -> No additional solutions searched

One of the main process-related aspects that lead one or more parties to stop searching for additional solutions to the negotiation is the suspicions and/or loss of confidence from one party (or more) on other party(ies). This was identified in thirteen of the twenty-three cases in which one or more parties stopped searching for additional solutions:

Case #	Case Description	Impact
3	Sale of insurance services to a financial institution through one of its main insurance distributors.	Services loss of confidence on Insurance (together with Services' lack of motivation) led Services to stop searching for additional solutions.
4	Development of a leisure area in a shopping center with a real estate fund investment.	When Leisure and Fund lost their confidence in ShoppingCenter, the two first stopped searching for other potential solutions.
5	Equity transactions for a merger of three companies of the same industry.	ComServices was suspicions of the other two parties and as a result (in addition to the fact that the parties had not considered the potential threat to the project that came from the Competition Regulatory Authority, that Broadcom insisted on reaching an agreement and that ComServices took a no-concessions attitude) ComServices stopped searching for additional solutions.
12	Promotion of a company's product via media and its distribution through a distributor company.	Media and Distribution loss of confidence on Commercial (in addition to Media not participating actively in the process and to Mrs. Distribution not wanting to go to her superior saying she was wrong) made Media and Distributor stop looking into any further options.
15	Set-up of a project by two companies for a company's mainframe outsourcing.	As IT_1 and IT_2 lost their confidence on Finance, they decided to end their search for negotiation solutions.
17	Creation of a partnership between three parties to develop a new product.	When Web and Advertiser lost their confidence on Software, they both stopped looking for any additional solutions.

Case #	Case Description	Impact
19	Promotion of a service through another company's sales channel including a gift from a third company.	CarSeller's and IT's suspicions of Finance (together with IT's and Finance's no-concessions attitude, and with the communications problems between IT and the other parties) led all parties to stop searching for additional solutions for the project.
22	Sale of a product with a signature as a magazine's promotional item.	After Media lost confidence on Kitchen and became suspicious of Designer, it declined to search for any other solutions.
24	Creation of a real estate vehicle that would allow for a real estate transaction.	The loss of confidence of Buyer and Seller on FundManager (in addition to the lack of motivation of FundManager and Seller, and to Buyer's no-concessions attitude on any Seller's demands) led the parties to stop searching for different solutions.
25	Creation of a program by two parties to improve sales of a third party.	Retail stopped searching for additional solutions and ended the negotiations when it became suspicious of the other two parties.
26	Implementation project of a SAP module by two parties for a third company.	As Industry became suspicious of the other two parties, it decided to stop looking for any other solutions.
27	Development of a new distribution channel via a distributor.	The loss of confidence from the other two parties on Retail (together with Retail's no concessions attitude on one key issue near the end of the process) led to an end of a search for any other negotiation solution's options.
30	Development of a new service based on a technological platform for another company.	As H&L became suspicious of the other parties, it decided to stop analyzing the project any further and ended the negotiation process.

Table 22. Cases in which there were suspicions and/or loss of confidence from one party (or more) on other party(ies) that led one or more parties to stop searching for additional solutions to the negotiation

Our interpretation is that the suspicions or even loss of confidence from one party on the counterparty(ies) makes the first highly concerned about the real intentions of the latter and about the risk that it may run if it signs an agreement. The probability of reaching an agreement is therefore drastically reduced as the party does not trust the counterparty(ies) and fears that it will be negatively affected by the agreement's signature and/or its implementation. As a result, the party stops looking for additional solutions as it does not want to waste any more time and resources with the negotiation process.

In the Negotiation Analysis perspective, Walton and McKersie's (1965) defined four negotiation subprocesses: distributive bargaining, integrative bargaining, attitudinal structuring, and intra-organizational bargaining. Integrative bargaining occurs when the parties are focused on exploring opportunities to expand the total payoff that will result from the negotiation and are not focused on sharing the payoff. It is based on the win-win perspective. The parties follow a joint problem-solving attitude in order to increase the global outcome. Trust, open communication and considerable information exchange are key for the success of this approach. Therefore, when there is no trust, it is extremely difficult to have a win-win perspective. In a win-lose situation, the party that does not trust the other party(ies) is concerned that it will be a loser and usually prefers to end the negotiation process instead of reaching an agreement in which it is the loser.

In the Business Network perspective, Easton and Araujo (1992) refer that cooperation, which is supported on trust between the parties, is central in the conflict management approach in business networks. Cooperation is highly relevant in the company's relationship with internal and external networks, as networks are developed based on cooperation (Easton and Araujo, 1992), which is a major element in all inter-firm interaction and industrial network strategies (Håkansson and Johanson, 1988). Then, lack of trust implies that there is no ground for cooperation which leads a party to stop the negotiation processes with the counterparties in its business network with whom there is no trust.

<u>Impact 5.3</u>.: Passive / non-active participation of one party (or more) on parts of the process -> No additional solutions searched

One of the main process-related aspects that lead one or more parties to stop searching for additional solutions to the negotiation is the passive or non-active participation of one party (or more) on parts of the process. The passive or non-active participation of one party (or more) on parts of the process (in which we also included the lack of motivation of one or more parties) was identified in eight of the twenty-three cases in which one or more parties stopped searching for additional solutions:

Case #	Case Description	Impact
2	Consulting project for sales increase of a vehicle brand in a vehicle dealer.	Vehicle's passive participation on the process (together with the pressure on Dealer for quick results by Consultant) led to a situation in which none of the parties tried to think of other possible solutions for the negotiation.
3	Sale of insurance services to a financial institution through one of its main insurance distributors.	Services' lack of motivation (together with Services loss of confidence on Insurance) led Services to stop searching for additional solutions.
6	Creation of a joint-venture of three different companies which were present in the same industry.	As DiversifiedGroup had a non-active participation in the final part of the process (together with Infrastructures_B not making concessions on a crucial issue and with Infrastructures_A framing that crucial issue as a question of principle), no additional solutions were searched by the parties.
7	Development of a software application to make a real estate evaluation tool for the mass market.	Usability's non-active participation in the process (together with Software's and Usability's self-restraining attitude on new proposals, and with RealEstate's and Usability's financial limitations) made the three parties stop looking for other potential options to develop the project.
11	Financing of additional vehicle dealer's sales through a financial company.	Vehicle's passive attitude in the negotiation process (together with Mr. Finance's risk-aversion and with the concern and desperation images of Vehicle and Dealer, respectively) led Finance and Vehicle to stop looking for additional solutions.

Case #	Case Description	Impact
12	Promotion of a company's product via media and its distribution through a distributor company.	Media's no active participation in the process (in addition to Media and Distribution loss of confidence on Commercial and to Mrs. Distribution not wanting to go to her superior saying she was wrong) led Media and Distributor to stop searching for additional solutions.
24	Creation of a real estate vehicle that would allow for a real estate transaction.	The lack of motivation of FundManager and Seller (in addition to the loss of confidence of Buyer and Seller on FundManager, and to Buyer's no-concessions attitude on any Seller's demands) led the parties to stop searching for different solutions.
29	Equity transactions for a merger of two companies of the same industry.	Seller's passive participation in the final part of the negotiation and Manager's lack of motivation (together with Manager's no-concessions attitude at the end of the process) led Manager and Seller to stop looking into any other potential agreement solutions.

Table 23. Cases in which the passive or non-active participation of one party (or more) on parts of the process led one or more parties to stop searching for additional solutions to the negotiation

Our interpretation is that a party that has a passive or non-active participation in the negotiation process, or parts of the process, reduces its own contribution to a potential agreement mainly by three different ways:

1. by providing an image of lack of commitment to the negotiation process which makes the counterparties less motivated for the negotiation;
2. by not pressuring the counterparties to move forward with the process and to make concessions when necessary;
3. by not contributing with inputs and ideas to help reaching an agreement.

As mentioned previously, there are five handling styles categorized according to their integrative (problem-solving) and distributive (bargaining) dimensions as depicted by Rahim (2002) in the following figure:

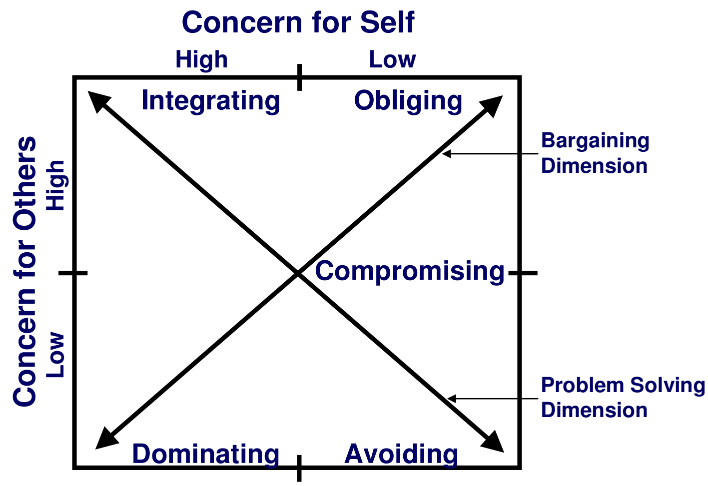

Figure 50. The Dual Concern Model: Problem Solving and Bargaining Dimensions of the Styles of Handling Interpersonal Conflict, in Rahim (2002), p. 221

By being passive or not-active, the party follows an avoiding conflict style. The situations where this conflict style is appropriate include:

- Issue is trivial for the party;
- The potential dysfunctional effect of confronting the other party outweighs benefits of resolution (Rahim, 2002).

As a result, the counterparty or counterparties, based on the party's avoiding conflict style, may have one or more of the following considerations:

1. The party lacks commitment to the negotiation process as it considers that the negotiation issues are not relevant or important, and its lack of commitment to the negotiation process makes the other parties less motivated for the negotiation and for the search of potential solutions;
2. The party does not want to pressure other parties to move forward with the process and to make concessions when necessary as the potential dysfunctional effect of confronting the counterparty outweighs the benefits of resolution;

3. The party does not contribute with inputs and ideas to help reaching an agreement since its approach is positioned in the lower-end of the problem-solving dimension, as pictured in the figure above.

Any of these considerations leads the counterparties to stop searching for potential agreement solutions when at least one party has a passive / non-active participation in the negotiation process.

As an end note, we can also place the aspects that lead one or more parties to stop searching for additional solutions to the negotiation in three categories – Attitude, Trust and Motivation – as depicted in the following diagram:

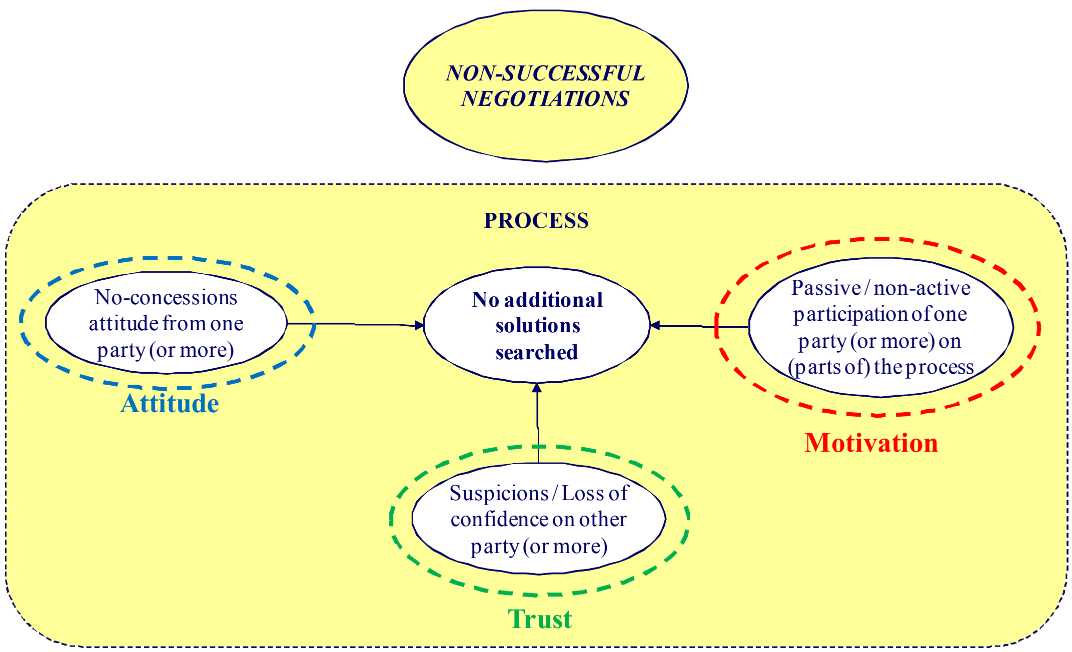

Figure 51. Categorization of aspects that lead one or more parties to stop searching for additional solutions to the negotiation

As the lack of these three behavioral aspects lead to non-successful agreements, we may infer that attitude, trust and motivation are actors-related key aspects to increase the success of three-party win-win negotiations:

- The parties and negotiators should have a positive *attitude*, trying to contribute to the overall satisfaction of all the parties involved;

- There should be more *trust* between the parties and negotiators so that they can cooperate and understand better each other's interests in order to try to satisfy them as much as possible;
- The parties and negotiators should try to have *motivation* and also to motivate others in order to make all parties participate more and better in the negotiation process.

6 Conclusions

6.1 General Conclusions

This dissertation's objective was based on the identification and analysis of the actors' main factors, including interactions between them, which impact negatively specific negotiation situations - with an initial perception of a potential win-win outcome; that take place between different companies in a business network; and that ultimately lead to no agreement. The dissertation was focused on the Portuguese market.

Based on this specific objective, which allowed us to identify the main negative actors' negotiation aspects related to the overall negotiation process (i.e., the main variables that led the parties not to reach an agreement), we tried to answer a set of questions from which we derived the following main conclusions:

QUESTIONS	IMPACTS
Question 1. How do parties' main characteristics and their situation negatively impact the negotiators?	Impact 1.1: One party (or more) with limited resources -> The party's negotiator (or parties' negotiators) with risk-aversion.
	Impact 1.2: One party (or more) with image of tough negotiator -> The party's negotiator (or parties' negotiators) with image of tough negotiator.
	Impact 1.3: One party (or more) in a restructuring process -> The party's negotiator (or parties' negotiators) act with risk-aversion mostly due to the fact that the negotiator(s) is (are) in an unstable professional situation.
Question 2. How do current commercial relationships between two of the three parties negatively impact the negotiation process?	Impact 2: One party is currently a medium-large client of another party -> Passive / non-active participation of the supplier on (parts of) the process
Question 3. How do negotiators' main characteristics and their situation negatively impact the negotiation process?	Impact 3.1: One negotiator trying to show off in his/her company -> No-concessions attitude from the party.
	Impact 3.2: One negotiator (or more) with image of tough negotiator -> No-concessions attitude from the party(ies).
	Impact 3.3: One negotiator (or more) with risk-aversion -> Process delays caused by the party(ies).

<u>Question 4.</u> How does the parties' preparation work negatively impact the negotiation process?	<u>Impact 4.1</u>: Lack of preparation by the negotiation's promoter -> Lack of motivation of one party (or more).
	<u>Impact 4.2</u>: Negotiation agenda not discussed -> Unclear definition of parties' roles -> Lack of motivation of one party.
<u>Question 5.</u> What process-related aspects lead one or more parties to stop searching for additional solutions to the negotiation issues?	<u>Impact 5.1</u>: No-concessions attitude from one party (or more) -> No additional solutions searched.
	<u>Impact 5.2</u>: Suspicions / Loss of confidence on other party (or more) -> No additional solutions searched.
	<u>Impact 5.3</u>: Passive / non-active participation of one party (or more) on parts of the process -> No additional solutions searched.

Table 24: Summary of Conclusions

As already previously mentioned in Section 5 (Debate), we believe we have made academic knowledge contributions to the Business Network Analysis and the Negotiations Analysis perspectives, and also to the general description of actors in negotiation processes in Portugal, through the five questions' analysis and debate as already presented in detail in the previous chapter.

In addition, we believe we have made practical contributions to the corporate world. If actors involved in any negotiation within a business network context are aware of these identified aspects, they may significantly increase the probability of success in their negotiations. This can be done by identifying these aspects, ideally in advance, and acting in the best way in order to, on one side, eliminate or minimize the causes and/or, on the other side, eliminate or minimize the consequences by breaking the impacts generated by the causes.

The value added provided by the increase of the success probability in negotiations may be extremely significant for companies and other organizations. If we take into account the number of negotiations that take place in a period of time multiplied by the values at stake (the potential results obtained in addition to the time, personnel and other resources costs' savings), at each negotiation, we may reach a cumulated value at stake that is tremendously high. Any percentage point of success probability obtained can therefore represent an increase in profits to any organization.

However, there were limitations to the study and also other areas or studies that can be further researched in the future.

6.2 Limitations and Proposals for Further Research

There were limitations in the work developed that can be explored in future research work which may enrich our study, namely in terms of scope enlargement and scope reduction. In addition, there are related knowledge areas or studies that can be further researched in the future.

There were limitations in our work namely in terms of increase in scope, in which there are at least four areas for scope enlargement:

1. Studies with a psychological approach may provide further inputs to this area of work and allow for further conclusions based on a different perspective. As mentioned previously, it was outside of this dissertation scope to perform psychological analysis of the interviewees, and therefore we did not include major factors related with the negotiators' psychological profile;
2. Analysis of situations where more than three parties were involved. However, this will be a very difficulty task due to the low probability of identifying a reasonable number of those situations and also due to the increasing complexity of its analysis;
3. Analysis of situations where entities other than companies were involved, as governmental agencies, non-governmental organizations, among others;
4. Extension of this study to other geographical areas or to situations involving cross-cultural relationships, since we have limited our study only to the Portuguese reality.

In the opposite perspective, there could be additional studies to try to reduce the study's scope, namely in terms of negotiators' gender and/or age, companies' revenues size, or perspective of duration of the relationship between the parties («one-off», short, short-medium, medium, medium-long or long term). However, we believe there is an extremely low probability of identifying in Portugal a reasonable number of situations in which the negotiators' were all from one gender or from the other, the negotiators' were all in the same range of age, all the parties had similar revenues' size or in which all the parties had the same relationship duration perspective, respectively. In addition, we do not know if the value-added provided by such a study would be significantly relevant.

There are also related knowledge areas or studies that can be further researched in the future, in the negotiation and in the business networks knowledge areas, and also in the relationship between both.

One specific example of one area that can be further studied is the development of a model of relationship between the different actors-related factors that have a direct or indirect negative impact on negotiation's situations within business networks.

Taking into account all the main actors-related factors' relationships identified in this work, we have inferred that in most negotiation situations within business networks:

- Parties issues impact directly people issues;
- Parties, people and preparation issues affect directly the process;
- Process issues interact among themselves;
- Process issues lead to no-agreement.

Based on this information, we have developed a model of relationship between Parties, People, Preparation and Process («4 P's»), merely as a speculative approach for future research, illustrated in this figure.

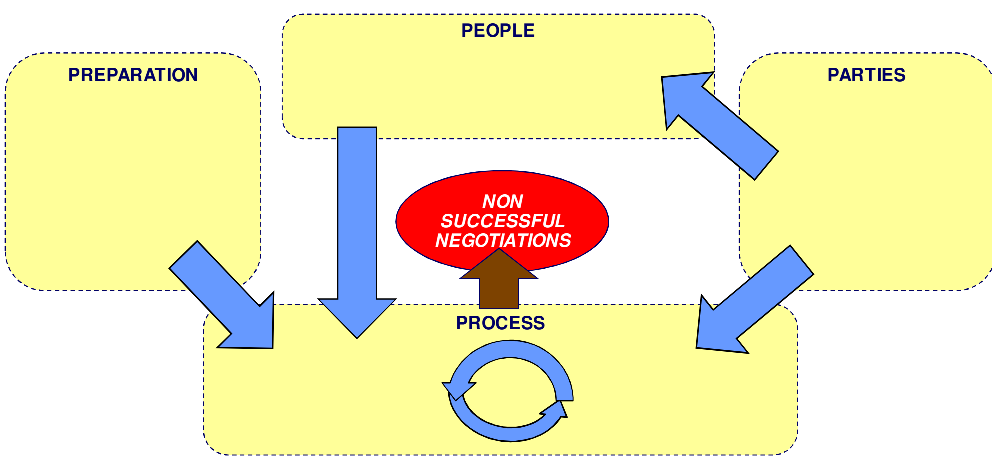

Figure 52. Speculative approach to a model of relationship between the «4 P's»

This is simply a speculative approach to the basis of a potential study, in which other groups of factors may be identified, in addition to the «4 P's», or other relationships may be identified, among other possibilities.

We sincerely hope this study will be useful for any researcher that decides to study any of the areas covered by this work, or any areas related with it, in addition to the significant value we hope and believe this work can provide to its readers.

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8 Annexes

<u>Annex 1</u>: List of connotations of each of the four dimensions at their high and low values (Hofstede 1983a, pgs 60-63)

Connotations of the Power-Distance Dimension	
Low PDI	**High PDI**
Inequality in society should be minimized.	There should be an order of inequality in this world in which everybody has his rightful place: high and low are protected by this order.
All should be interdependent.	A few should be independent; most should be dependent.
Hierarchy means an equality of roles, established for convenience.	Hierarchy means existential inequality.
Subordinates are people like me.	Superiors consider subordinates as different from themselves.
Superiors are people like me.	Subordinates consider superiors as different from themselves.
The use of power should be legitimate, and is subject to the judgment between good and evil.	Power is a basic fact of society and antedates good or evil, its legitimacy is irrelevant.
All should have equal rights.	Power-holders are entitled to privileges.
Powerful people should try to look less powerful than they are.	Powerful people should try to look as powerful as possible.
Stress on reward and legitimate and expert power. (1)	Stress on coercive and referent power. (1)
The system is to blame for things that go wrong.	The underdog is to blame for things that go wrong.
The way to change a social system is by redistributing power.	The way to change a social system is by dethroning those in power.
People at both high and low power levels feel less threatened and more prepared to trust people.	Other people are a potential threat to one's power and can rarely be trusted.
There is latent harmony between the powerful and the powerless.	There is latent conflict between the powerful and the powerless.
Cooperation among the powerless can be based on solidarity.	Cooperation among the powerless is difficult to achieve because little faith in people is the norm.

1) French, J. R. P., and Raven, B. (1959). The Bases of Social Power. In: D. Cartwright (Ed.), *Studies in Social Power*. Ann Arbor, Mich., 150-167.

Connotations of the Uncertainty-Avoidance Dimension	
Low UAI	**High UAI**
The uncertainty inherent in life is more easily accepted and each day is taken as it comes.	The uncertainty inherent in life is felt as a continuous threat that must be fought.
Ease, lower stress.	Higher anxiety and stress.
Time is free.	Time is money.
Hard work is not a virtue per se.	Inner urge to work hard.
Weaker superegos.	Strong superegos.
Aggressive behavior is frowned upon.	Aggressive behavior of self and others is accepted.
Less showing of emotions.	More showing of emotions.
Conflict and competition can be contained on the level of fair play and used constructively.	Conflict and competition can unleash aggression and should therefore be avoided.
More acceptance of dissent.	Strong need for consensus.
Deviance not felt as threatening; greater tolerance.	Deviant persons and ideas are dangerous; intolerance.
Less nationalism.	Nationalism.
More positive attitude toward younger people.	Younger people are suspect.
Less conservatism.	Conservatism; law and order.
More willingness to take risks in life.	Concern with security in life.
Achievement determined in terms of recognition.	Achievement defined in terms of security.
Relativism, empiricism.	Search for ultimate, absolute truths and values.
There should be as few rules as possible.	Need for written rules and regulations.
If rules cannot be kept, we should change them.	If rules cannot be kept, we are sinners and should repent.
Belief in generalists and common sense.	Belief in experts and their knowledge.
The authorities are there to serve the citizens.	Ordinary citizens are incompetent compared with the authorities.

Connotations of the Individualism-Collectivism Dimension	
Low IDV	High IDV
In society, people are born into extended families or clans that protect them in exchange for loyalty.	In society, everybody is supposed to take care of him/herself and his/her immediate family.
«We» consciousness.	«I» consciousness.
Collectivity-orientation (1)	Self-orientation (1)
Identity is based in the social system.	Identity is based in the individual.
Emotional dependence of individual on organizations and institutions.	Emotional independence of individual from organizations or institutions.
Emphasis on belonging to organization; membership ideal.	Emphasis on individual initiative and achievement; leadership ideal.
Private life is invaded by organizations and clans to which one belongs; opinions are predetermined.	Everybody has a right to a private life and opinion.
Expertise, order, duty, security provided by organization or clan.	Autonomy, variety, pleasure, individual financial security.
Friendships predetermined by stable social relationships, but need for prestige within these relationships.	Need for specific friendships.
Belief in group decisions.	Belief in individual decisions.
Value standards differ for in-groups and out-groups; particularism (1)	Value standards should apply to all: universalism (1)
«Jen» philosophy of man (2)	«Personality» philosophy of man (2)
Gemeinschaft (community-based) social order (3)	Gesellschaft (society-based) social order (3)
Involvement of individuals with organizations primarily moral (4)	Involvement of individuals with organizations primary calculative (4)

1) Parsons, T., and Shils, E. A. (1951). Toward a General Theory of Action. Cambridge, MA. Harvard University Press;

2) Hsu, F. L. K. (1971). Psychosocial Homeostasis and Jen: Conceptual Tools for Advancing Psychological Anthropology. American Anthropologist, 72, 23-44;

3) Tonnies, F. (1963). Community and Society. New York: Harper & Row;

4) Etzioni, A. (1975). A Comparative Analysis of Complex Organizations (Rev. ed.). New York: The Free Press.

Connotations of the Masculinity-Femininity Dimension	
Low MAS	High MAS
People orientation.	Money and things orientation.
Quality of life and environment are important.	Performance and growth are important.
Work to live.	Live to work.
Service ideal.	Achievement ideal.
Interdependence ideal.	Independence ideal.
Intuition.	Decisiveness.
Sympathy for the unfortunate.	Sympathy for the successful achiever.
Leveling: Don't try to be better than others.	Excelling: Try to be the best.
Small and slow are beautiful.	Big and fast are beautiful.
Men need not be assertive, and can also assume nurturing roles.	Men should behave assertively, and women should be nurturing.
Sex roles in society should be fluid.	Sex roles in society should be clearly differentiated.
Differences in sex roles should not mean differences in power.	Men should dominate in all settings.
Unisex and androgyny ideal.	Machismo (ostentative manliness) ideal.

<u>Annex 2</u>. Scores for the four dimensions for twenty-five countries (Hofstede, 1994)

Country	PDI	PDR	INDI	INDR	MASI	MASR	UAI	UAR
Austria	11	53	55	18	79	2	70	24-25
Belgium	65	20	75	8	54	22	94	5-6
Brazil	69	14	38	26-27	49	27	76	21-22
Denmark	18	51	74	9	16	50	23	51
Finland	33	46	63	17	26	47	59	31-32
France	68	15-16	71	10-11	43	35-36	86	10-15
Germany	35	42-44	67	15	66	9-10	65	29
Greece	60	27-28	35	30	57	18-19	11	21
Hong Kong	68	15-16	25	37	57	18-19	29	49-50
India	77	10-11	48	21	56	20-21	40	45
Ireland	28	49	70	12	68	7-8	35	47-48
Israel	13	52	54	19	47	29	81	19
Italy	50	34	76	7	70	4-5	75	23
Japan	54	33	46	22-23	95	1	92	7
Mexico	81	5-6	30	32	69	6	82	18
Netherlands	38	40	80	4-5	14	51	53	35
Norway	31	47-48	69	13	8	52	50	38
Portugal	**63**	**24-25**	**27**	**33-35**	**31**	**45**	**104**	**2**
Spain	57	31	51	20	42	37-38	86	10-15
Sweden	31	47-48	71	10-11	5	52	29	49-50
Switzerland	34	45	68	14	70	4-5	58	33
Taiwan	58	29-30	17	44	45	32-33	69	26
Turkey	66	18-19	37	28	45	31-33	85	16-17
United Kingdom	35	42-44	89	3	66	9-10	35	47-48
U.S.A.	40	38	91	1	62	15	46	43

Notes:

- PDI – Power-Distance Index;
- PDR – Power-Distance Ranking;
- INDI- Individualism Index;
- INDR – Individualism Ranking;
- MASI – Masculinity Index;
- MASR - Masculinity Ranking;
- UAI – Uncertainty-Avoidance Index;
- UAI – Uncertainty-Avoidance Ranking.

Results from a number of research projects led to a classification of national cultures along the four dimensions. The table lists for twenty-five out of the fifty-three countries studied the scores for these dimensions. All scores are relative: the scales have been chosen so that the distance between the lowest and highest scoring country on each dimension is about 100 points.

<u>Annex 3</u>: Interview Guide

INTERVIEW GUIDE

<u>Goal:</u>

To gather the description of a three-party negotiation situation that met the pre-defined characteristics that were previously presented to the interviewee. The interviewee should present his/her perspective of the situation, but also should try to place him/herself in the perspective of the other parties and negotiators, in order to try to obtain a description as much impartial as possible. This description will be analyzed by the interviewer afterwards, in the context of his dissertation work.

<u>Description of the Parties and of the Main Negotiator (at the moment of the negotiation):</u>

<u>Party A:</u>

Company: ____

Revenues: €0 - €2 M __ €2 - €10 M __ €10 - €50 M __ > €50 M __

Main Negotiator - Name: ____

Age: ____ Position: ____

<u>Party B:</u>

Company: ____

Revenues: €0 - €2 M __ €2 - €10 M __ €10 - €50 M __ > €50 M __

Main Negotiator - Name: ____

Age: ____ Position: ____

<u>Party C:</u>

Company: ____

Revenues: €0 - €2 M __ €2 - €10 M __ €10 - €50 M __ > €50 M __

Main Negotiator - Name: ____

Age: ____ Position: ____

Parties Industry:

Parties	A	B	C
Advertising			
Automotive			
Beauty			
Civil Construction			
Communications			
Consulting			
Electronics			
Fashion			
Finance			
Food & Beverages			
Health			
House ware			

Parties	A	B	C
Insurance			
Investments			
IT - Consulting			
IT - Retail			
IT - Software			
Leisure & Entertainment			
Media			
Real Estate			
Retail			
Toys			
Tourism			
Transports & Logistics			

Other industries – Party A______________ Party B______________ Party C________________

Description of the Situation

Beginning (date): __________________ End (date): _________________

- Main contextual aspects:

- Brief description of the situation:

- Any of the parties was in difficult and/or economic situation? If yes, which of the parties? Up to which point?

- Any of the parties was or was about to be in a restructuring process? If yes, which of the parties? With which impacts?

- Any of the parties was facing a «window of opportunity»? If yes, which of the parties? In which way?

- What was the dependency relationship between the parties?

- What was the power relation between the parties?

- What was the importance of the future relationship between the parties?

	Parties A and B	Parties B and C	Parties A and C	Parties A, B and C
Extremely high				
High				
Medium				
Low				
None				

- What were the parties' interests?

Parties	Interests
Party A	
Party B	
Party C	

- What was the type of personal relationship between the negotiators from the parties?

- What was the professional situation of each of the negotiators from the parties? Have they been in their current position for a long time? Do they feel safe in their position? Are they «accommodated» to their position? Any other relevant aspects?

- What were the negotiators' interests?

Negotiator	Interests
Party A	
Party B	
Party C	

- Other relevant aspects:

<u>Initial Pre-Interaction</u>

- Who was the promoter of the contacts? How did the three parties get together?

- What was the level of information that each party had on the real interests of the other parties?

- What was the level of information that each party had on the profile and characteristics of the other parties' negotiators?

- What was the level of information that each party had on the alternatives to an agreement of each of the other parties?

- Was there any deadline that, in case it was not met, would lead to an unsuccessful negotiation?

Initial Interaction

- Did the negotiation promoter show that he or she was well prepared? Did he or she explain the negotiation object in detail? Did he or she adequately reply to the questions placed by the other parties? Had he or she reflected on the operational implementation of the negotiation object?

If any of the replies are negative	What may have happened? Did it generate in the other parties: a) suspicion/distrust? b) an unpleasant feeling? c) loss of motivation regarding the negotiation's potential success? d) other reactions? Other impacts?
If all replies are positive	Did it generate in the other parties: a) trust? b) motivation regarding the negotiation's potential success? d) other reactions? Other impacts?

- Did the other parties show that they were well prepared? Were they motivated? Did they show real interest in the potential successful outcome of the negotiation? Did they pose relevant questions to the negotiation's promoter?

If any of the replies are negative	What may have happened? Was there a lack of interest from the other parties? Did it generate loss of motivation regarding the negotiation's potential success? Other reactions? Other impacts?
If all replies are positive	Did it generate trust and confidence on the negotiation's promoter and on all the parties in general? Did it generate additional motivation regarding the negotiation's potential success? Other reactions? Other impacts?

- Was a negotiation agenda defined? If yes, was it clear to all the parties?

- Was each party's role in the negotiation process clear to all the parties?

- How did the first interactions between the parties run?

- What was the level of openness from each of the parties?

- Were the parties motivated? Why?

- Did any of the negotiators seem to be or was skeptical in relation to the potential negotiation success? If yes, which? Why?

- How was the environment between the parties at that time? What was the environment's impact in the potential agreement?

- What was the image that each party tried to have in front of the other parties? Were there any of those images' characteristics that were relevant for the negotiation? If yes, which characteristics and of which parties?

- What was the image that each negotiator tried to have in front of the other parties? Were there any of those images' characteristics that were relevant for the negotiation? If yes, which characteristics and of which negotiators?

- Did any of the parties / negotiators assumed any wrong assumption about any negotiation relevant item?

- Did any of the parties / negotiators have different expectations regarding any negotiation item? If yes, in which items? Which expectations differences existed? Why and how were they created?

- Was there a high effort level from each party to try to understand what were the other parties' real interests, perspectives and motivations?

If yes	Did it generate additional trust between the negotiation's parties? Did it generate additional motivation for trying to reach an agreement? Did it increase the level of openness and communication between the parties? Other reactions? Other impacts?
If not	Did it decrease the level of openness between the parties? Did it decrease the level of communication between the parties? Other reactions? Other impacts?

- Were there any parties with a tough posture during the first interactions? If yes, which ones?

If yes	Did it generate any aggressive reaction from any of the other negotiation's parties? Did it generate loss of motivation for trying to reach an agreement? Other reactions? Other impacts?
If not	Did it generate additional trust between the negotiation's parties? Did it generate additional motivation for trying to reach an agreement? Other reactions? Other impacts?

«Negotiation Dance»

- Was there a high openness and communication between the parties?

- Was trust between the parties built during the negotiation process?

- Was there a «fixed-sum» outcome perspective (i.e., one has to lose in order for other to win) from the parties?

- Did the parties try to identify additional elements and issues to include in the negotiation, i.e., to enlarge the initial scope of the negotiation?

- Did the parties try to identify and analyze different agreement scenarios?

- What was the cooperation level between the parties?

- Were there frequent reciprocity attitudes between the parties?

- After a concession from one or more parties, were there any situations that the counterparties did not react with reciprocity?

If yes	What was the reaction from the parties that made the concession?
If not	What was the reaction from the parties that made the concession? Did it increase trust between the parties? Did it increase cooperation between the parties? Did it increase communication between the parties?

- Did the parties prefer to make concessions in issues that were not very relevant for them in order to help to create/maintain a trusting relationship between the parties?

- Were the negotiations very tough? If yes, which impacts did that toughness have on the parties, negotiators and process?

- Was there any loss of trust between the parties in any moment? If yes: Why? In which moments? With each impacts? Did the parties regain trust? If yes, how?

- Did any of the parties have a passive or non-active attitude in any moment of the negotiation process? If yes, who, when and why?

- Were the parties concerned in trying to reach an agreement that would satisfy, at least at a minimum level, the concerns of the counterparties?

- Did any additional data or information come up during the process that had any major impact in the negotiation? If yes, which data or information? Which impacts?

- Was the process excessively longer than expected on a normal situation? If yes, why? Was the timing for deciding/acting exceeded therefore losing the opportunity to reach an agreement? If yes, how and why?

End of the Negotiation

- In which moment, and under which circumstances, did the parties decide to end the negotiations?

- Was there a clear negotiation closure? If yes, who took the initiative? If not, did the process simply «fade away» until it was terminated due to the inaction of the parties?

Others

- After ending the negotiations, did you analyzed or discussed the process with the other parties? Which differences of analysis, understanding, approach or others existed during the process? In case of existing differences, which impacts did the parties consider that those differences had on the negotiation?