

THE ESSENCE OF NEGOTIATIONS IN THE SUPPLY CHAIN

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Abstract. Cooperation between companies has existed almost always. Despite many forms of connections between them, the goal was one – effective delivery of the product to the market. Therefore, the idea of cooperation in the form of a value chain appeared on the market. With the inception of supply chain collaboration, other processes have developed that require individual supply chain members' continual placement. As a result, negotiations have become an invaluable element of practical cooperation in the supply chain. This article aims to present the theoretical and cognitive aspects of negotiation in the supply chain.

Keywords: delivery of the product; value chain; individual supply chain; negotiation.

Introduction

Initially, enterprises limited their cooperation with simple exchange transactions. A little later, this cooperation took the form of a technological combination of separate production phases, distribution, sales, and other processes within one enterprise. Regardless of the integration activities undertaken, individual entities acted as independent units that carried out their activities. It quickly turned out that enterprises' cooperation in the form of vertical integration does not fully meet the expectations and requirements of the market. As a result, cooperation within the supply chain was initiated, which requires constant determination of cooperation conditions and thus having the art of negotiation skills. Negotiations are associated with the art of conducting talks, discussions, and negotiations between the parties. Successful negotiations lead to an agreement that will enable both parties' legitimate interests to the maximum size extent. The purpose of this article is to show the importance of supply chain negotiation. To achieve this goal, the literature review in the area of research was carried out, and examples taken from economic practice were analyzed.

1. The concept of the supply chain

The supply chain is a concept in logistics that has received many definitions and interpretations over the years. Some authors define it as a sequence of activities performed successively by various companies. Some define the supply chain as a concept or even a specific philosophy. Still, others use the term: the process of collection or network. To understand the essence of the supply chain, it is worth going back to its formation source. As a result, the idea of cooperation within the supply chain emerged [1].

According to M. E. Porter, the source of an individual's competitive advantage is not the efficient functioning of the whole, but the effectiveness of actions taken to deliver the product to the market. These are the actions that make up the value chain. Each cooperating contributes to the creation of value of the product. As a result of this fact, companies often began to adapt their activities to their suppliers and recipients' activities. As a result of the progressive process of eliminating barriers between enterprises, the first forms of connections, called the supply chain, began to emerge [3].

There are many definitions of the supply chain. According to the European Committee for Standardization – "the supply chain is a sequence of processes that add value to the

product during its flow and processing, from raw materials, through all intermediate forms, to the form that meets the requirements of the final customer." APICS organization is defined as the supply chain processes from the supply to the consumption of the final product, combining the provider and the recipient, taking into account the arunków occurring inside and outside the organization to enable manufacturing and get on combination products to the customer. In turn, A. J. Battaglia and G. Tyndall define it as a strategic concept that consists in understanding and managing the sequence of actions adding value to products and, according to MC Cooper and L. M. Ellram, the supply chain is nothing more than an integrating philosophy of managing the entire flow in the distribution channel from supplier to the final recipient [5]. M. Chrostopher treats this concept even more broadly. According to its definition, it forms "a network of related and interdependent organizations that, acting based on cooperation, control and improve material and information flows from suppliers to end-users" [6]. Some authors even claim that supply chains are replacing by organizations in which material and information flows take an increasingly complex form and call them networks. To standardize the definitions and opinions of many authors and specialists in the scientific community, a single definition of the supply chain has been adopted, which is understood as the flow of things and information through a network of suppliers and recipients other. It may include all flows and their smaller range, e.g., from one link to another.

2. Supply Chain Relationships

To justify the importance of negotiations in the supply chain, the meaning of the relationship should be briefly discussed. Relations are general concepts that can be most simply defined as relationships, a relationship between at least two objects, concepts. On the other hand, a union is a group of units that are organized, working together, and having common goals. The

market coordination parade describes all situations in the supplier-recipient relationship that occur in the supply chain. It focuses on three elements: cooperation, competition, and control, understood as striving to gain and use the dominant bargaining power.

Cooperation is a partnership system between entities in the supply chain. It includes at least two different types of enterprises at different stages of the supply chain. Many researchers and scientists replace the term partnerships term " compounds similar to a partnership," a statement arguing that there is no relationship, which would be a transparent relationship partner, without any blemish rivalry or conflicts of interest.

The benefits of integrated cooperation in the supplier-recipient relationship occur on both sides. The undoubted benefit for customers is reducing their uncertainty related to the cost of materials, quality, order fulfillment times, and the speed of response. Collaboration also reduces suppliers' uncertainty about the market, understanding, and satisfying consumer needs and product specifications. Uncertainty on both sides is also associated with reduced opportunism, increased communicativeness, sharing rewards, and risk. The integration of activities in the supplier-recipient relationship also brings tangible benefits in the form of savings related to the economies of scale in procurement, production or transport processes, reduction of administration costs, process and technology integration. Factors that influence a partnership are compliance, coordination, interdependence, the balance of power, trust, profit and risk sharing, commitment, joint action, information sharing.

According to G. Hamel, Y. L. Doz, and C. K. Prahalad, "even partner relations between the supplier and the recipient are a kind of translation of competition and cooperation" [8]. According to the authors, cooperation is one of the forms of competition, it has its limits, and harmony is not the primary measure of success. All forms of partnership are a manifestation of

competitive struggle with other entities and, at the same time, lead to competition with the partner. This rivalry involves negotiating a struggle. Therefore, it is worth considering whether the benefits of cooperation differ in the degree of sensitivity to the level of negotiation struggle. This struggle is a factor that hinders the benefits of cooperation. The growing benefits achieved in logistics are combined with a growing win in the negotiation struggle. Simultaneously, this growth requires more and more trust, information exchange, and ultimately leads to a partnership. It is essential to find a point where competition does not harm cooperation and vice versa.

The third element of the paradigm is controlled. W. C. Benton includes the following factors as the main barriers to effective supply chain management: failure to share information, fear of losing control, lack of satisfaction with the supply chain, lack of understanding of the supply chain idea, short-sighted strategies, and insufficient reciprocity. These barriers are associated with a lack of an inter-buck relationship between the parties supplier-recipient for enforcement and power-sharing. The balance of power between partners, as assumed by cooperation, does not always apply in practice. The suppliers of companies with strong bargaining power depend on them. Companies see their strength and profits in the possibility of exercising power. Their dominant position puts them in a better position than if this power were to be shared among partners. Strong companies will only recognize partnership to the extent that the balance of power dictates [9].

3. Negotiations in the supply chain

Negotiations are an integral part of the communication process, both interpersonal and marketing, which are inextricably linked with conducting talks, disputes, and arrangements. R. Fischer and W. Ury describe negotiation as "a two-way communication process aimed at reaching an agreement when at least some of the interests of the parties involved conflict" [7].

Many factors influence the course of negotiations in the supply chain. The most important ones include price, time, date, quantity, organization, personality traits of the interviewees, and the adopted strategic assumptions.

Negotiations should be undertaken when:

- both parties are ready to conclude the contract,
- there are compatibility and conflict between the parties,
- the parties have sufficient decision-making powers,
- the parties are prepared to negotiate.

The style in negotiations is the result of the negotiator's attitude and the entity he represents towards the other person. It is the flexibility to react to the developing situation. The choice of a given style is most often determined by the principle of symmetry, i.e., the differences between both parties' negotiating power. We distinguish symmetrical negotiations when the parties have a similar status and asymmetry when one party has a much higher status than the other.

The parties to the negotiation may cooperate or compete, and their mutual relations may be as follows:

- lose-lose attitude,
- lose-win attitude,
- cooperation win-win.

The negotiation process consists of three stages, the so-called 3P:

- planning,
- performances (negotiation games),
- conduct (implementation of the negotiated contract).

Planning of negotiations consists of:

- preparation time - should last twice as long as the actual negotiation stage,
- the preparation stage, that is :
 - forecasting: anticipating price negotiations, the sooner we start considering possible price fluctuations during the negotiations, the better. This will allow time to look for competitive offers or possible cost reduction, strengthening the competitive position of buyers.

- data collection is finding facts about the market.
- data analysis, i.e., value and cost analysis,
- developing a strategy, i.e., determining the purpose of negotiations, who has a trump card, who will be in the negotiating groups, what needs of negotiators are to be satisfied, negotiation style, problems, concessions, and tactics.

It is also worth trying to negotiate. Such an attempt may reveal new perspectives and possibilities for concessions and strategic negotiations. It should also be assessed strengths and weaknesses and determine how to strengthen or weaken position. After the negotiations, it is necessary to implement the arrangements and summarize the negotiations with notes on their course or reports [2].

Summary

Supply chain negotiations are discussions to reach an agreement. Regardless of which area of the supply chain they concern about: whether supply contracts, production schedules, modification of specifications, this process always involves a discussion that should lead to an agreement and ultimately success. Effective negotiations allow us to achieve long-term benefits for all partners in the supply chain, thanks to which partners build positive relationships, which allows for long-term cooperation. Moreover, thanks to practical cooperation, there are additional

benefits in forming synergy effects through negotiations. Summing up, having the negotiation skills allows building long-term relationships in the supply chain, which brings long-term benefits in the form of a long-term cooperation that allows achieving each of the partners' business goals.

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