

Chapter 23

Planning Negotiations for Logistics Service Providers

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ABSTRACT

This chapter provides a brief description of the negotiation process and its nature, and explores its advantages and disadvantages. It also explains the reasons for the appropriateness of this process in comparison to other means of dispute settlement, such as mediation and arbitration, and argues that it is an everyday necessary component for the logistics service providers.

INTRODUCTION

The sea changes that have taken place in the supply chain management during the last decades led to the application of negotiation techniques in logistics services and attracted both scholar and practitioners' attention. The abandonment of vertically integrated business models and the turn to horizontal integration, that most commonly takes the form of outsourcing, increases the volume of cooperation between companies involved in a supply chain, and maximizes the significance of negotiations in the smooth flow either of materials or of information in the supply chain. Evidently, outsourcing leads in the proliferation of distribu-

tion channels, thus calling upon suppliers, agents, sellers and buyers to engage into negotiations to reach advantageous agreements and serve better their interests (Atkin and Rinehart, 2006).

This chapter offers a theoretical framework of the negotiation process and its particularities regarding logistics service providers. It is argued that successful negotiations between logistics service providers are profitable both for companies and end users. A company's competitive advantage grows over its rivals and efficiency rates improve; in addition, it results in higher levels of customer satisfaction and enhances customer loyalty. On the contrary, a weak and doubtful negotiating framework is a significant barrier to logistic services.

Negotiation skills remain a valuable tool even when initial attempts to agree on specific terms fail

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and a conflict is created. In this respect, negotiation is alongside mediation and arbitration the basic methods applied to resolve a dispute, instead of ending up to litigation. Today, dispute resolution is deemed a necessary ‘value choice’ (Tidwell, 1998) for companies wishing to ease tension and prevent further conflict escalation which harms their strategic partnerships. This chapter analyzes the major dispute resolution methods, focusing on their pros and cons.

THE NEGOTIATION PROCESS

This section conceptualizes term ‘negotiation’ and focuses on its essential components and the phases it entails. Moreover, it explores the key factors for a successful negotiation, and proposes ways to ameliorate the negotiation process.

The term ‘negotiation’ has received numerous definitions, given that its use is multidisciplinary (international relations, business etc.). A brief literature review can testify the variety of the existing definitions attributed to the term. More specifically and for the sake of logistic services, a negotiation can be defined as ‘a joint decision-making process, through which negotiating parties accommodate their conflicting interests into a mutually acceptable settlement’ (Faure and Sjöstedt, 1993). Although this definition is indicative, it discloses a substantive feature of the term: that is, a negotiation is a process. Moreover, most of the definitions provided acknowledge too the process character of negotiations (Bercovitch & Jackson, 1997; Rojot, 1991; Donohue, 1981). A process involves a sequence of non-predetermined actions between the parties, which means that one party’s proposal determines the other party’s counter-proposal. A negotiation’s outcome as such is highly interactive and unpredictable (Arnold, 1987). It follows that the negotiation process is not standardized and it does not correspond to any kind of typology. Generally speaking, the lack of typology distinguishes a process from a

procedure; the latter is a step by step approach with little prospect of deviation.

Apparently, the negotiation process is dynamic, since it depends on a set of various parameters. In this context, it is critical to specify the elements of a negotiation, in order to shed light on the term.

The Elements of a Negotiation

Many scholars suggest the disaggregation of the negotiation process into ‘negotiation episodes’ to secure its better comprehension. A ‘negotiation episode’ is a segment of the negotiation process exposing all the elements of the process and its progress in a specific period of time; in short, it is a separate part of the process (Ganesan, 1993). For example, a supplier and a retailer will normally hold several meetings until they reach their final agreement; like this it is more convenient to break down the process into groups of meetings and study them separately. From a methodological perspective, it is not utterly correct to study parts of a negotiation in isolation, but it leads to safe conclusions as it brings up the turning points for the outcome of the negotiation: strategic choices and possible mistakes.

The constitutive elements either of the negotiation process as a whole or of its episodes are: a) a bargaining situation as the subject matter of the negotiation, b) two or more parties with an expressed intent to negotiate, and c) the interaction between the parties with the purpose to reach a final agreement. Regarding the first element, a bargaining situation is any occasion which consists in an agreement that depends on the settlement of the parties’ interests. A bargaining situation rests primarily on decision-making, since the parties weigh their alternatives to best satisfy their interests. A number of bargaining situations occur throughout the supply chain: both the relationship between suppliers and retailers as well as the relationship between sellers and customers are characterized as bargaining situations. In all these relationships, the parties according to their position will hold

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