

THE SPECIFIC OF ENTREPRENEURIAL NEGOTIATIONS

Georgiana SURDU, Ph.D Lecturer, Romanian-American-University,
Bucharest, srdgeorgiana@yahoo.com

Valeriu POTECEA, Ph.D Professor, Romanian-American-University,
Bucharest, vpotecea@yahoo.com¹

Andreea STANCA, master student,
Romanian-American-University, Bucharest

Abstract:

Not every entrepreneur, small business owner or freelancer is comfortable negotiating. Many dread the adversarial nature of negotiation, and forget how important is to be prepared, to develop cultural awareness, and to act as equal partner in a negotiation.

Understanding how entrepreneurs negotiate and how their behavior influences the outcomes of negotiation is important for entrepreneurship theory and practice.

This article assumes the hypothesis that entrepreneurial negotiations have certain specifications that clearly distinguish them from corporate negotiations. The research is based on qualitative research, using primary and secondary data.

Also, the article starts from the assumption that entrepreneurs adopt faster decisions in negotiations, being owners of the businesses or freelancers, and acting according to their own rules and objectives.

Theories and empirical results on the intersubjective interactions between entrepreneurs and their numerous stakeholders are lacking.

Key words: negotiation, entrepreneurial environment, strategies, negotiation behavior

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1. ARTICLE FINDINGS

Entrepreneurial ventures and small start-up companies have a significant impact on the local and global economies. Shane and Venkataraman (2000) define

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entrepreneurship as *“the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.”*

For Kirzner (1973) the role of entrepreneurs lies in their alertness to unnoticed business opportunities. Through their alertness, entrepreneurs are able to discover and exploit situations in which they are able to sell for high prices what they can buy or create for lower prices.

Starting from this point of view, we can state that negotiation is a central aspect of entrepreneurs' daily business and directly influences companies' profits.

In negotiation research, scholars have studied the impact of expertise and personality on negotiation behaviors and outcomes. Results show that experts outperform non-experts and that some characteristics may have a positive effect on negotiation outcomes. While different groups of experts, including managers, have been studied, entrepreneurs and their specific context have not been considered in negotiation research (Artinger and Vulkan, 2013).

Timothy Dunne (2012) considers that it is apparent that certain bargaining behaviors are used to build relationships and that relationships are important to entrepreneurs. Drawing from relational embeddedness theory, entrepreneurship researchers have predicted that entrepreneurs rely upon networks to gain access to resources.

Developing relationships is also important within negotiation settings. When negotiators show concern for a relationship with the other negotiator, increased trust has been found to result. By gaining trust, negotiators are more likely to use integrative bargaining, reach an agreement, and achieve higher outcomes.

A recent focus on emotion in the negotiation literature emphasizes its importance on negotiation outcomes. Once considered strictly detrimental in a negotiation, it is now considered potentially beneficial to a negotiator's position (Barry, Fulmer, & Van Kleef, 2004). Emotion is also prevalent in the entrepreneurship literature. In fact, a major theme in entrepreneurship is that entrepreneurs are passionate about their business. This passion is often expressed in the form of emotion (Russell, 2003).

However, in both the negotiation literatures, successfully managing emotion has been found to be essential. In our opinion, by observing and discussing with entrepreneurs, they tend to be more emotional when they negotiate important contracts, with higher stake and outcome, if their businesses rely deeply on those negotiations. This display of emotions is not beneficial for them because the counterpart can use it to close a better deal.

Risk taking is also prevalent in the entrepreneurship literature. Covin and Slevin (1991) suggest that starting a business is inherently risky because entrepreneurs pursue risky projects for the chance to achieve high returns from those opportunities.

In our opinion, entrepreneurs risk sometimes in business negotiation because of a lack of preparation. They are not as thorough as corporate managers in terms of preparation, they base their negotiation plan on a rigid preparation (preparing only plan A), or a total lack of preparation assuming the fact that if they own the company, they know all the aspects that might be discussed in a negotiation.

However, entrepreneurs have been shown to exhibit a higher ability to adapt to changes in the environment (Artinger and Vulkan, 2013) and a higher willingness to accept strategic uncertainty stemming from the interaction with others.

From our point of view, ownership offers entrepreneurs a quicker pace of decision making, they don't work based on a negotiation mandate, but in accordance with their own objectives and data.

Some researchers consider that entrepreneurs experienced a greater variety of negotiation, and observed various negotiation behaviors comparing with non-entrepreneurs.

In our opinion this is applicable only for entrepreneurs that own bigger companies, for small companies there is not the same variety of activities, and they don't take part in significant and important negotiations in order to accumulate know-how.

Referring to the complexity of a negotiation, we might add that often entrepreneurs negotiate alone, they don't have a negotiation team, and they are not keen on delegate this responsibility to others. This is way, when they negotiate with important companies that possess human resources with excellent negotiation skills and know-how, the results are not extraordinary.

Considering ethics, negative attitudes are generally held toward unethical behavior. Thus, most individuals should avoid being unethical, including while engaged in negotiation activities.

Because an entrepreneur's self-identification is tied so closely to his or her venture, negotiating for the venture is practically equivalent to negotiating for personal reasons. Conversely, a non-entrepreneur negotiating for an organization is doing so on the company's behalf. In those instances, the negotiator is likely to align his or her bargaining behaviors with the values and goals of the organization. Thus, in an attempt to uphold a self-evaluation as an ethical person, an entrepreneur is very likely to negotiate in a way that is consistent with that personal appraisal. However, a non-entrepreneur can separate the self as an ethical person from behaviors enacted on the part of the organization, and be more likely to engage in behavior that many individuals would see as slightly less ethical because they rationalize it as doing what the organization wants (Timothy Dunne, 2012).

In a research conducted by Artinger and Vulkan, entrepreneurs proved to exhibit persuasive behaviors and express emotions more frequently than non-

entrepreneurs. This leads to higher profits when they close a deal, but also to closing fewer deals than non-entrepreneurs. As a result, the variance of entrepreneurs' profits is higher while their mean profits do not significantly differ from those of non-entrepreneurs. No clear differences could instead be identified with respect to the ability to use information asymmetries or adapt to changing negotiation scenarios.

2. CONCLUSIONS

Negotiation is an important part of the daily activities of an entrepreneur. In some regards, it is clear that entrepreneurs have some specifics and differ from non-entrepreneurs.

Relationships are important to entrepreneurs. They use sometimes their business network in order to gather information about business partners, or they just negotiate inside the network.

This allows them to use more integrative negotiation and to obtain better results due to empathy and trust.

They negotiate with passion that can be understood as display of emotions, which in some cases shows them as weak in the partner's eyes.

Although might be perceived as weak, they like risk and want to achieve high returns from those opportunities. This characteristic might come from the fact they know very well the potential of their companies, but also from a lack of preparation.

They don't negotiate as much based on negotiation files, mandate, or plan, they tend to have a rigid preparation and to improvise on the spot.

In terms of negotiation ethics, research has shown that tend to have a more ethical behavior due to a self-identification with their company, they take pride in good reputation.

3. REFERENCES

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