Remote Negotiations during the COVID-19 Pandemic and Its Impact on Interorganisational Relations of Small and Medium-Sized Enterprises

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Abstract: Theoretical considerations show that negotiation is a very important element of interorganisational relations. According to the relationship model by P. S. Ring and A. H. van de Ven (1994), which is still valid today, negotiation is, besides the formation of commitments and their implementation, one of the 3 stages in the formation of interorganisational relationships. Efforts at the negotiation stage are often necessary to provide participants with an opportunity to assess the uncertainty involved in the transaction, the nature and substance of each participant's roles, the trust that can be placed in the other party, the rights and responsibilities of the participants in the transaction and the possible efficiency and equality of outcomes. This paper will attempt to answer the question of how the pandemic has changed the way business negotiations and talks are conducted and what impact this has on business relationships. To this end, with reference to the aforementioned business relationship model, research questions were formulated, the core of which was to reveal how remote negotiations affect the trust in the relationship and how the fact that remote negotiations affects the dynamics of the relationship, compared to face2face negotiations. The answers to the questions posed in this way were obtained by conducting a survey of Polish managers who are involved in negotiation on a daily basis and who have shifted their activities to online platforms during the pandemic.

Keywords: negotiations, remote negotiations, interorganisational relationships, trust

1. Introduction

According to the opinion of business theorists and also business practitioners, interorganisational relationships (IORs) are a key resource of the enterprise. Giving those relationships such a great importance is based on the assumption that the stronger they are, the better the company performs compared to its market competitors (Małys, 2014). From a theoretical and practical perspectives, it becomes important to understand and monitor the quality of these relationships (Jiang et al 2016). Many companies are aware of this fact. There are efforts to strengthen cooperation between business partners and move from a transactional model through a relational model to a strategic partnership model, yet there are also many failed relationships. However, no matter what relationships are formed between businesses, establishing and sustaining them cannot be done without negotiation. Negotiation is a key interaction in every business project - and every business relationship - is negotiation - related. Thus, it becomes apparent that negotiation is fundamental to the relationship. Consequently, if one assumes this to be the case, then it is important what factors influence negotiation. Recently, in the wake of the COVID-19 pandemic, one factor has become particularly important - the need to have many discussions online. This form of business conversation has of course been known for some time, but in connection with the pandemic such conversations have become increasingly commonplace. Thus, the question can be asked as to how this has affected negotiations and business relationships. This paper addresses this very question.

2. Literature review

In the literature, research on IORs and negotiation has a long and rich history. Contributions in a whole spectrum of literature on the subjects related to relationships are very rich and multi-threaded. One of these threads is the role of negotiation in building relationships and the connections between relationships and negotiations. It is worth noting here a non-academic strand of literature which clearly points to trends and tendencies that can be expected in relationships on the basis of textbooks and handbooks that have always been present on the market. First of all, we should of course mention Getting to Yes (Fisher, Ury, Patton, 1981), which is a fundamental work on relationships, or rather on building them through negotiation. It is a guide to negotiating whose motto is good, long-lasting relationships. Together with the continuation of Getting to Yes, the book Getting to We (Nydén, Vitasek, Frydlinger, 2013), but also books such as Negotiating the Nonnegotiable (Shapiro, 2016) give us a picture of the contemporary perception of relationships shaped by negotiation.

The issue of negotiation itself is, needless to say, examined in a number of ways. Many works thematise the factors that influence negotiation. Among the factors that affect negotiators' behaviours and choices, BATNA,
or best alternative to a negotiated agreement, is considered most often (Fisher, Ury, Patton, 1981). There are well known studies on the relationship of BATNA with the negotiation strategy adopted by negotiators (Patton et. al. 2010; Habib et. al., 2015) and on the outcome of negotiations (McAlister et. al, 1986; Roloff, and Dailey, 1987). Other factors that shape negotiators’ attitudes include the history of relationships linking negotiation counterparts (Thomas et al. 2015, Patton et. al. 2010; Pinkley et al., 2019), cultural intelligence (Caputo et. al, 2019), psychological factors including cognitions and biases, personality, motivation, emotions and inclination to trust (Brett, Thompson, 2016), emotional intelligence (Kelly, Kaminskiene, 2016), creativity of the negotiator (De Pauw et al. 2010), need for closure i.e., a construct that describes a motivational tendency to quickly select and prioritise information in the environment (Pietrzak et. al, 2014) and social-environmental factors including reputation and relationship, gender, power and status, and culture (Brett, Thompson, 2016). Negotiators' attitudes can also be influenced by their religious beliefs (Richardson, Rammal, 2018), history, in particular protracted feuds that developed as a result of conflicting interpretations and invocations of history (Dezső et al. 2015), but also expectancies about others' ethics (Mason, et. al., 2018) as well as the language used during negotiations (Alvarez et. al., 2017), or the way the negotiating partner speaks (Swab et al., 2011). A new factor that influences negotiation is the new technologies, which recently, in times of pandemic, has been particularly evident. This factor and its impact on negotiations, and thus on relationships has not yet been very well recognised and described. This question is particularly relevant in the context of the COVID-19 pandemic, which caused negotiations to move online and become remote negotiations. Hence, we can speak of a certain research gap and a research problem, which is actually the main question in this paper: how does the fact that negotiations take place on a remote basis affect relationships?

3. Conceptual framework and methodology

In order to answer the question posed in this paper, it is assumed that relationships and negotiations remain in a certain arrangement in relation to each other, which is best illustrated by the model of relationships seen as a process. The model of a relationship in terms of a process, or rather a cyclically repeated sequence of events, is presented in the fundamental work of P. Ring and A. van de Ven. This work is an important contribution to the study of relationships, because it presents a model of the relationship that takes into account its entire 'life', which has its beginning, consists of phases, and may end, (Ring, Ven, 1994). Since this model very well explicates the role of negotiation in relationships, it is worth adopting the approach presented here as a starting point in considering the role of negotiation in relationship management. It also seems that despite the passage of time this model has not lost its relevance. A diagram of this model is shown in the figure below.

![Figure 1: Process Framework of the Development of Cooperative IORs](image-url)
In the cyclical model, IORs emerge, develop, or weaken as a consequence of individual actions and decisions of particular persons. There are three ways that have been identified in which the actions of individuals affect IORs:

- defining the degree of uncertainty that exists in a given relationship,
- defining the degree to which trust can be relied upon in a given relationship,
- clarifying outcome expectations with respect to the effectiveness and equality of the exchange.

The diagram depicts the evolution of a cooperative IOR as an iterative sequence of three stages: negotiation, making a commitment, and delivering on a commitment made. In practice, these stages overlap and their duration varies depending on the level of uncertainty about the issue at hand and the trust between the parties, as well as the evaluation of the outcome according to the criteria of equality and effectiveness of the exchange.

Understanding the role of negotiation in shaping relationships is facilitated by analyzing another model, by S. Thomas, K. B. Manrodt, J. K. Eastman (Thomas, Manrodt, Eastman, 2015). Taking a broader perspective, the authors of the model assumed that the relationship between suppliers and buyers is a key element in the practice of supply chain management. The model also assumes that there are two main negotiation strategies: a cooperative strategy and a competitive strategy. Individual 'negotiation events' are discrete events that become part of the history of the relationship and then affect the relationship in its longer term. The relationship between buyer and seller is built over a series of transactions.

Based on these two models, it was assumed that the way one negotiates influences the relationship. It was assumed that the form of negotiation - remote or traditional face to face (f2f) - influences the elements of negotiation highlighted in the model. Accordingly, the following research hypotheses were posed:

1. Hypothesis: uncertainty and risk are higher in remote negotiations and trust is difficult to build.
3. Hypothesis: Remote meetings make it more difficult to reach agreement and make commitments.

The research tool was an anonymous survey conducted among entrepreneurs or people employed in small and medium-sized enterprises from the Silesian Voivodeship in Poland who declared experience in remote negotiations. The survey consisted of 25 questions, in which the respondents were asked directly about the researched phenomena and asked to evaluate them using a semantic scale. Due to the object of the research being relationships and negotiations, it was felt that the interpretation of the survey results should be qualitative in nature. The questions in the survey were constructed in such a way so as to obtain verification of the hypotheses posed at the beginning of the study. Some of the respondents shared their opinions on some of the themes raised in the survey, which was taken into account in the interpretation of the results.

4. Results

There were 64 respondents who provided their answers. Given the commonness and popularity of negotiation, it should be noted that this is not a large number. Therefore, already at this point it should be stated that in order to confirm the results of the survey, it would be necessary to extend it with a larger number of respondents and a different research method (e.g. interviews). Thus, the survey may be treated as preliminary research.

All were employees or owners of small and medium-sized enterprises located in southern Poland, representing such industries as insurance, construction, metal waste processing, packaging, services and others. The respondents participating in the survey were managers, executives, and owners. The majority of respondents (51.5%) assessed their experience in remote conversations as medium, 20.3% had little experience in their opinion, the remaining respondents described their experience as extensive. The majority of the surveyed people - almost 80% - declared that they preferred traditional f2f talks. For almost all of the remaining respondents it was irrelevant in which form they conducted negotiations. It is also significant that nearly 93.75% of the respondents felt that remote negotiation was for some reason “more difficult” than traditional negotiation.
4.1 Uncertainty, risk and trust
The respondents were divided on the issues of uncertainty in remote and traditional negotiations. 40.6% believed that uncertainty in remote negotiation was slightly smaller than in f2f negotiation while the same percentage believed that it was the same in both types of negotiations. Only 12.5% of the respondents felt that uncertainty in remote negotiation was a little greater or much greater than in the traditional format. None of the respondents felt that uncertainty in remote discussions was much smaller than in f2f negotiations.

60.9% thought that risk in remote negotiation and in-person negotiation was the same while 39% said that risk in remote negotiation was higher or much higher.

Most of the respondents felt that when compared to f2f negotiation, in remote negotiation it was more difficult (59.37%) or a lot more difficult (18.75%) to build trust. The remaining respondents were of the opinion that trust was built the same way in remote negotiations (21.87%).

4.2 Formal and informal negotiations
Informal elements of talks, such as extra gestures, informal eye contact, or passing an item, are not part of remote negotiations. 67.18% of the respondents felt that it was of great importance to them during negotiation. 20.3% felt it was of moderate importance to negotiations and the others felt it was only of minor importance. Almost all (93.75%) of the respondents felt that it was more difficult in remote talks than in f2f talks to establish more informal friendships or deepen existing ones.

4.3 Understanding, making commitments and delivering on them
When asked how the fact that the meeting has a remote format affects the ability to reach an agreement, 68.75% of the respondents reported it to be a hindering factor, with the remainder stating that it did not affect reaching agreement. None of the respondents thought that remote meeting facilitated understanding and reaching an agreement. The survey also asked about making commitments. 53.12% of the respondents believed that remote negotiations did not affect making commitments, while the remaining 46.87% believed that this factor hampered that. However, if an agreement was to be reached, according to the majority of respondents (76.56%), the fact that commitments were made during remote negotiations had no impact on delivering on them, and it was only 21.87% who believed that it hindered implementation of the commitments made.

4.4 Effectiveness of negotiation and fairness of its results
In the evaluation of effectiveness, 53.12% of the respondents said that remote negotiation had the same effectiveness as f2f negotiation, while the others said that the effectiveness was lower. In addition, the respondents were asked to rate the "fairness" of the results of remote negotiation compared to that of in-person negotiation. Almost all respondents (63 people) felt that the fairness of the negotiation outcome did not depend on the form in which negotiation talks were held.

5. Discussion
The obtained results made it possible to verify the hypotheses that had been set, which were confirmed partly or in full.

5.1 Hypothesis: uncertainty and risk are higher in remote negotiations and trust is difficult to build
In the study, hypothesis 1 was partly confirmed. First of all, all three factors affecting negotiations and resulting from the form in which they are conducted should be considered separately.

Table 1: Uncertainty, risk, building trust in remote and f2f negotiations

<table>
<thead>
<tr>
<th>factor/type of negotiation</th>
<th>remote</th>
<th>f2f</th>
</tr>
</thead>
<tbody>
<tr>
<td>uncertainty</td>
<td>same or slightly smaller</td>
<td>higher</td>
</tr>
<tr>
<td>risk</td>
<td>same or slightly higher</td>
<td>smaller</td>
</tr>
<tr>
<td>building trust</td>
<td>more difficult</td>
<td>easier</td>
</tr>
</tbody>
</table>

Source: Author’s own compilation based on the conducted survey

Uncertainty associated with a transaction is slightly smaller or the same in remote negotiation as in f2f negotiation. Risk, on the other hand, is perceived to be the same or slightly higher. This means that these two categories, distinguished in the Management Sciences, are also distinguished by practitioners and at the same time evaluated differently in the case of remote negotiation. Although the questions included in the survey did
not explore the role of these two factors in negotiation, it can be assumed that the respondents answered based on their intuitive understanding of uncertainty and risk. The same or slightly smaller uncertainty may arise from spatial factors, such as the fact that you cannot see your negotiating partner’s posture and that everyone is in a different location. In general, these factors were identified by the respondents as those that hinder "a little" or "a lot", but on the other hand, you yourself can profit from this situation. However, the remote form of negotiation makes informal sense making particularly difficult. This seems to be why respondents felt that the risks in remote negotiation were the same or higher than in traditional negotiation, and that building trust was more difficult. If we go back to the Ring and Ven’s model (Ring and Ven, 1994), the stage of remote negotiation when expectations are formed, risks are assessed, and trust is built may proceed with difficulty or result in lower levels of trust and higher risk assessment. Different types of interference may also occur. In the unstructured interviews used for the survey, for example, one respondent stated that trust was built the same way as in f2f negotiations, but it just took more time. Trust is a key factor in negotiations that improves the efficiency of the relationships (Connelly, Crook, & Combs, 2015). Some of the respondents in additional interviews emphasized its fundamental importance to the relationship and that the difficulty in remote negotiations involves more difficulty in building trust here, which is their main drawback.

5.2 Hypothesis: Formal negotiation prevails in remote negotiation
At the stage of making commitments (see Ring and Ven model, 1994), the parties reach an agreement about their commitments and roles in their future activities. At this point, the terms and structures of future relationships crystallize and are expressed in the form of formal contracts and in the form of arrangements that do not take a formalised shape, which are known as informal psychological contracts (Ring and Ven, 1994). The informal elements of the talks are not insignificant, and here the respondents unanimously noted that informal contracts are very difficult to establish or maintain. Informal psychological contracts are often unwritten and non-verbalized mutual shared expectations and assumptions about the outcome. Remote negotiation makes it difficult for the parties to enter into these types of contracts. The nature of remote talks deprives contacts of the opportunity of their being expanded by an informal element and moving from a role-based interaction to a personal interaction. Many of the respondents expressed outside the survey that remote talks were missing the opportunity to, for example, continue a conversation in a restaurant, and many respondents complained about not being able to meet, for example, at trade shows or to travel and meet people in general. More than 80% of the respondents stated that it was easier to understand the other party in traditional negotiations, and 85.93% believed that it was easier to have a friendly atmosphere in traditional negotiations. This situation proves the common knowledge regarding people’s social needs, which is manifested in remote negotiation as well. Of course, this does not mean that psychological contracts are not formed in remote negotiation; however, it is clear that participants have limited opportunities here and they actually regret that. When asked if all topics and issues can be discussed remotely, the majority (54,68%) answered that there are some subjects that could only be discussed in traditional negotiation, the others said that any subject could be discussed both in remote and traditional settings. Therefore, remote negotiation is dominated by formal agreements that are in the nature of formal commitments, not necessarily made in writing. Thus, hypothesis 2 was confirmed in the study based on the survey.

5.3 Hypothesis: Remote meeting makes it difficult to reach agreements and make commitments.
Similar to hypothesis 1, all the three factors comprising a possibility of reaching an agreement, making commitments, and delivering on them need to be considered separately.

Table 2: Ability to reach agreement, making commitments and delivering on commitments in remote and f2f negotiations

<table>
<thead>
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<th>factor/type of negotiation</th>
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<tr>
<td>making commitments</td>
<td>difficult or same</td>
<td>easier</td>
</tr>
<tr>
<td>delivering on commitments</td>
<td>same or slightly more difficult</td>
<td>same or easier</td>
</tr>
</tbody>
</table>

Source: Author’s own compilation based on the conducted survey

In the last phase, the parties implement undertaken commitments. They give instructions to their subordinates, obtain resources needed to perform the tasks resulting from their commitments, and make the agreed payments, i.e. they do everything that is necessary to execute a contract. In this way - in a model case scenario - they close the relationship cycle, only to return to the negotiation stage where they will negotiate the terms of the next transaction or sequence of transactions. The respondents believe that all three factors comprising this
element of the relationship are hampered by the remote form of negotiation. If obstacles arise at this stage and commitments made are not fulfilled, a weakening or even loss of trust occurs. This stage takes place partly at the negotiation table and partly outside that situation. In fact, it is difficult to separate negotiations from the relationship, since almost every stage of the relationship involves interaction and communication, both of which may bear the characteristics of negotiations. If they take place remotely, the survey finds that all three key factors at this stage have a negative impact on the relationship. The majority of respondents (82.81%) also reported that in traditional negotiations it was easier to persuade the other party to make concessions, which may also be related to the possibility of reaching an agreement. It also appears that the same negotiation techniques can be used here as in f2f negotiation (70.3%), but they need to be modified or only a few techniques can be used. Perhaps this is the reason for the respondents' impression that reaching an agreement in remote negotiations is difficult or the same, as is making commitments.

### 5.4 Hypothesis: Efficiency of negotiation and equity of negotiation outcome do not depend on the form of negotiation

This hypothesis was only partially confirmed by the study based on the conducted survey. The effectiveness of remote negotiation is considered to be equal or slightly lower than that of f2f negotiation. The lower effectiveness of remote negotiations most certainly results from the fact that effectiveness is one of the criteria for evaluating negotiations, and these in turn are evaluated through the lens of trust, agreement, etc., which, after all, were rated lower than in traditional negotiations. On the other hand, almost all respondents believed that the "equity" of the outcome of the negotiation does not depend on its form. This is important because both of these characteristics are the basis for evaluating relationships. Although the survey asked about the outcome of the negotiation and not the relationship, conversations with some respondents suggest that most of them identify negotiation with relationship. Lower effectiveness of negotiation may be related to the overall impression or lack of satisfaction with remote negotiations. To remind, almost 80% of the respondents said that they preferred traditional f2f discussions, and 93.75% reported that remote negotiations were more difficult.

However, very significant is the result on the perception of equity of the outcome, which is very much in favour of remote negotiation. It is actually crucial for considering relationships based on remote negotiation. This is because based on the outcome, partners re-evaluate their relationship and revise their trust level and risk assessment. If they find the outcome fair, they are also likely to be willing to invest more trust in the next cycle of the relationship. This was partially confirmed in the survey, i.e. when asked if it was possible to maintain a business relationship relying primarily on remote negotiation, 75% of the respondents thought it was rather possible. The remainder thought it was rather impossible or definitely impossible. When asked to what extent the fact that negotiations are conducted remotely can affect the business relationship, 53.12% said it had no effect on the business relationship, 32.81% said it hurt the business relationship slightly, and 12.5% said it hurt the business relationship considerably. However, such a result may be indicative of how much respondents identify negotiations that they are not satisfied with because they are remote with the relationship as such.

### 6. Conclusions

Remote talks were considered "more difficult" by the respondents in one of the first questions of the survey, and most of them stated they preferred traditional negotiations. The findings from the responses to the remaining questions confirmed this thesis. Almost all elements of the relationship are more difficult to form on the remote basis. In remote negotiation, the risks are the same or slightly higher and trust is harder to build. It is more difficult or the same to reach an agreement, to make commitments and to deliver on them. Physical distance is seen as a disadvantage, which prevents transition to more informal relationships and personal interactions to replace role interactions. Only uncertainty is smaller or the same here as in traditional negotiation. It would seem, therefore, that the remote form of negotiation is detrimental to the relationship, i.e. it causes it to weaken. However, it turns out that in evaluating a negotiation its form does not matter very much. This is very important, because depending on how the outcome of the negotiation is perceived, other factors come into play. If the outcome is perceived as fair, more trust comes into the relationship. In general, the greater the reliance on trust, the lower the transaction costs (time and effort) required during the negotiation to reach an agreement and ensure cooperation. Over the course of a relationship in which negotiations take place via remote talks, it may therefore occur over time that satisfaction with the outcome will increase trust, which in turn will result in agreement being reached more easily. In conclusion, it must be stated that with a fair outcome, and this is how the outcome of the negotiation is perceived, the form of the negotiation is not of significant importance, although remote negotiation requires overcoming greater difficulties.
This study has had its limitations. First of all, it turned out that many respondents were willing to share their thoughts and comments on remote negotiation. This suggests the prospect of expanding future research to include interviews as another research method, which is also used in relationship and negotiation research. In this way, the triangulation of the survey and the validation of its results should be sought. Furthermore, 64 respondents answered the questionnaire. As noted earlier, given the scale of the phenomenon and the commonness of negotiation in general, this is a relatively small number, which means that the survey should be extended in the future. It should also be noted that the survey was conducted among respondents from Poland. However, Polish people seem to have a specific way of approaching technology, which may be different in any other country. Also, the perspective of small and medium enterprises was taken into account and analysed, while perhaps the perspective of large companies would prove different.

References


