Negotiation as a Network Tool in International Business

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Abstract

Economic exchange is only one type of the general process of social interaction. Economic action is socially situated and institutions of economic action are social constructions. While the market system appear to be more differentiated from the basic social system structures and networks, this image diverts attention from the basic fact of its multiple and complex interdependence with the rest of the social system. Further economic action and outcomes, like all social actions and outcomes are affected by the actors’ dyadic relations and by the structure of the overall network relations.

Interactions and relations in the market have been taken more seriously in international business. This is epitomized by the vast body of literary evidence in recent years. Negotiation, the act of interaction between people has the mission of creating lasting relationships. It has the objective of creating, managing and nurturing those relationships. The evolution of a relationship involves a social exchange of relationships between two firms based on relations that evolve between individuals in the firm. The evolution of a relationship however, takes place within the wider environment. To be successful in international business, one has to be able to adapt to the different environments. This requires a deep understanding and knowledge of the organizational, functional, professional, personal and national cultures of the individuals and organizations within the network. In business between countries with dissimilar environments, the link between negotiation, networking and culture cannot be overestimated.

Research Focus and Objectives

This paper contributes to the discussion on network relationships by examining the internal dynamics of the negotiation process as a network action. There is a vast dissimilarity between the environments within which Nordic firms operate in sub-Saharan Africa. To facilitate business between firms embedded in these two environments firms have to be able, not only to adapt to the unique challenge’s in the competitive environment, but also to master the art of negotiation in business transactions. They need to be able to build strong network relations. The specific questions we pose at this stage are:

How is the network formed?
Why is networking important to negotiation?

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How does negotiation affect relationships?
How will the environment affect negotiations?

In the light of the above the broad research objective will be to study negotiation as a network tool in establishing and maintaining relationships. In doing this, a framework will be developed that will explain how variable such as the quality of social ties, national cultures and the structure of the network affects the firms structural position in it. The concept of network embeddedness and the negotiation process will richly inform the conceptual framework. The empirical part will be a case study of a Nordic firm and its business operations in sub-Saharan African counterpart.