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CONTENT

INTRODUCTION

Distorted market competition poses new challenges for business negotiations. It affects the balance of negotiating powers among negotiation participants. Such situations often result in negative consequences for both buyers and sellers. As a result, it opens additional opportunities for international business, because of the emergence of other market participants in the relevant markets, which can provide additional alternatives for both buyers and sellers by reducing the negative impact on the distortion of competition and balancing the negotiating powers of the negotiating parties. The development and implementation of an effective international business negotiation strategy, as well as the assessment of the negotiating powers among negotiating parties and the essential components of their deviation from balance is important for the effective use of the potential of business negotiations — the negotiating power. When solving the scientific problem it is necessary to ensure that its solutions help to consider the balance of negotiating power among negotiation participants, allowing them to achieve the balance and to ensure the most efficiency of the development and implementation of their negotiation strategy.

A higher number of sellers and suppliers, allows the buyer to enjoy a greater variety of solutions and more alternatives. In such case, the buyer can take advantage of competitive tension. However, the situation in the absence of competitive tension is completely different. One of the reasons resulting in a lack of competitive tension in the market is that the number of suppliers is not sufficient to create a free and open competition, for example, in case of a monopoly. Therefore, we could define market distortion as the absence of free and open competition. Free competition means that market participants are competing with each other, instead of cooperating to create and maintain a cartel. Open competition means that the

market entry barriers are sufficiently low, thus making the profits of existing players rather low, because otherwise new entrants coming into the market would try to sell with lower profits, which would essentially be useful for customers and thus ensure their sales.

There are two types of buyer power: the power, arising from the nature of the market (monopsony, oligopsony and monopoly markets), and the negotiating power. If the buyer can reduce the price to the level lower than the market competition among suppliers, it means that he has the monopsony power. Negotiating power depends on the bargaining strength, demonstrated by the buyer during communication and negotiations with suppliers. Monopsony power makes getting a lower price easier than using negotiating power. Negotiating power is used only when the supplier has a corresponding market power, which can be levered with negotiating power. The consequences of using negotiating power in each case are very different. In cases of monopsony and oligopsony markets, buyers' powers decrease the volume of sales and productivity in the supply market, which ultimately has a negative effect on the consumer market. The negotiating power of the buyer is more of a compensatory nature. It increases the volume of production in the supply market and can improve the market situation in the consumer market.

Modern international business is developing in the context of rapid social and political changes, which are influencing the change of economic and cultural priorities, thinking and behavioral changes. This puts the new demands for preparing and implementation of negotiation strategies. It is necessary to plan and implement a negotiation set of actions that allows to understand the other side of negotiations in different situations, to achieve mutual and common understanding and finally to find optimal negotiating solutions. The theme of international business negotiation strategies is analyzed in a very broad sense but in these days negotiation theory and practice negotiating strategies are still are not sufficiently effective and efficient, especially since they are not based on assessments of bargaining power. In International business negotiation practice there is a lack of inclination and possibilities to assess reasonably and adequately the bargaining power of the various business entities, taking into account the circumstances of multiculturalism occurring by modern business internationalization conditions and to possibilities of remote control technologies for negotiations and e-business development need.

The research relevance has both theoretical and practical aspects. The theoretical relevance is associated with the search of efficiency factors in

international business negotiation strategies in the research results and establishment of a model for effective systemic and complex theoretical business negotiations strategy preparation, based on the assessment of bargaining power. Practical relevance is related to the recent changes in the business markets, resulting by business organization challenges, recent developments purposefulness, which reveals with increasing electronic technology impacts to the business processes, negotiations, their effectiveness and ultimately, to increase the competitiveness of international business. Therefore, the theoretical and practical relevance of thesis can be described by the need to create a model for business negotiation strategy preparation, which would help to assess negotiating powers of participants in international business negotiations and their competitors', effectively develop and utilize negotiating powers which would ensure the development and implementation of effective business negotiation strategies in the development of international business and to increase its competitiveness.

In order adequately to prepare the negotiations are necessary to know the basic principles of negotiations. Using them in the negotiation process the final results will be more successful. Have missed some important elements can be undetected essential means of influence to the outcome of the negotiations. Also these principles are essential in modeling negotiations situations of negotiations support systems. Development of negotiation strategy invoked diverse modeling schemes of negotiation processes. Knowing the main principles of negotiations can be foreseen possible actions of the other side of negotiations.

Negotiating communication has created new challenges, as business becomes global, and the distance between the two parties do not allow to negotiate fully - to take full advantage of the bargaining power remotely. The use of innovation can be beneficial not only to support the negotiation process but also in the preparation phase of the negotiations. In order to properly prepare for negotiations is need to form an effective negotiating team whose analytical work and skills could help to achieve the highest outcome of the negotiations. This is particularly important in the preparation and in the course of intercultural negotiations, which require an understanding of other cultures, other languages, possession of legal knowledge, knowledge of the negotiation context, etc. In preparation for the negotiation phase is needed to know the best way possible about the other side of the negotiation. Knowing the technical communication capabilities of other negotiation side it is possible to prepare effective negotiation support tools. Negotiation's success often depends on the effectiveness of the preparation - the better it will be known the other side of the negotiation and negotiation context, the better results will be

achieved. In this article is made the analysis of global scientific literature in international business negotiations innovations. As well there is examined the preparation of business negotiations and considered the formation of negotiating teams. In the conclusions the author provides suggestions for further negotiations research.

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Negotiated communication has created new challenges, as business becomes global, and the distance between the two parties do not allow to negotiate fully - to use all the bargaining power remotely. Existing e-mail bargaining systems can perform many functions, but cannot to determine the context of the negotiations when dynamically changes the negotiation issues. Innovations use can be beneficial not only to support the negotiation process, but also in preparation for the negotiation phase. In order to save the time and knowledge resources it can be used for the collection and analysis of algorithms in the online space to help prepare for negotiations, learning more about the other side of the negotiating organization, its current situation, relationships and organizations represented negotiating expertise and experience. Creativity, innovations as an integral part of the negotiators' ability to act as the possible existence of a negotiated solution to the various problems of

interference, information gaps or potential incompatibilities. Creativity is especially important in international negotiations because of them there may be complex, difficult to reconcile situations where negotiators have to deal with situations in a creative way.

In order to prepare for a negotiation properly it is necessary to form effective negotiating team whose analytical work and skills could help to achieve the highest outcome of the negotiations. This is particularly important in the context of preparing for, and intercultural negotiations, which require an understanding of other cultures, other languages, in the possession of the knowledge, knowledge of the negotiation context and others. In terms of experience in the market is complicated to know new businesses, business context of your own and other countries, it can take a lot of time, so in this case without expert help, it would be difficult to achieve effective results in the negotiations.

In shaping the negotiation strategy it is the need to become familiar with the negotiation context. In phase of preparation for the negotiation is necessary to know better the other side of negotiations. Knowing technical communication capabilities of the other party it is possible preparation of effective negotiation support tools.

The research deals with theoretical approaches to the business negotiation strategies and negotiating powers, adaptation of these approaches with regard to modern international business development needs and challenges. In thesis is done analysis of business negotiations concepts in order to describe adequately the negotiating processes, phenomena and problems. Also is done overview of multicultural context of international business negotiations and the peculiarities of communication in the negotiations, characterized by multiculturalism, performed dimensional analysis. In this section is analyzed negotiation support systems of international business based on the use of information technology development needs and perspectives. There are also analyzed demands caused of electronic business development in order to improve international business negotiations techniques and methodologies.

After analyzing the results of scientific research on the nature of power as a phenomenon and its perception (literature analysis was carried out from 1947 up to these days), it can be said that the importance of power in the negotiations is essential. Research results showed that the basis of negotiating strategy is negotiating power since for the preparation of negotiating strategy it is necessary to focus on assessment of negotiation powers of the negotiating sides. Analyzing the processes of negotiation strategies preparation and implementation it is noted that power of participants in negotiations can vary from changing situation, even switching from one negotiating question to other, after one or the other negotiating step or action. Thus, the ratio of negotiation power may change according to

changes of negotiating situation. Following analysis of the negotiating power definitions is offered to use such definition of the negotiating power: negotiating power - is aggregate of subject's opportunities and conditions which are specific for its activity, that determine the negotiating targets and their implementation. Thus the assessment of negotiating power can be seen as the identification process of the objectives, their justification and implementation conditions and possibilities of participating entities.

In the international business negotiations, preparation can be more complicated on the feasibility to assess businesses negotiating power and the ability to use them due to language and cultural barriers and because of changes in the negotiating context. Participants of international business negotiations should know the culture of another country, as it may affect other aspects of the negotiations depending on the context of the negotiation dynamics. Held such negotiations negotiator should understand the other culture symbols meanings, verbal and non-verbal language nuances and possible incompatibilities between different cultures. In preparation for the negotiations and having opportunities, it should be included negotiation expert or mediator who should know the culture of the other party, experienced in the possible context of the other side of the negotiation talks. Such helper will be able to mitigate the environmental impacts to negotiations and to help organize a smoother exchange of information process.

Through improvement of computing and communication technologies appeared on various support measures and systems of business negotiations communication. The existence of a large number of negotiating support functions for negotiators can be difficult to use effective negotiation support systems. The use of universal negotiation support systems in which are employed and redundant functions for situation, may require more resources for the cognitive functions and appropriate choice than without the use of negotiation support systems. Therefore, negotiation support system for negotiator should be comfortable to use, easy to understand the operating principles. Information collection, analysis and presentation should be effective in negotiations, particularly when the information is required for expeditious negotiation situations, such as video conferences. Electronic negotiation systems can be an effective tool to solve complex problems in managing large amounts of information. In specific cases, it should be considered whether to use a specialized electronic negotiation systems to facilitate specific processes or to use universally appropriate systems for all the negotiating processes.

The conclusion of the first chapter of theoretical study points out that strategic decisions of negotiations must be based on assessments of negotiating power, because otherwise these decisions will not be of good quality and reasonable, it can influence the outcome of negotiations and further development of the business entity. It found in management as well as business management theory are not theoretical solutions for assessment negotiating powers in international trade

negotiations, especially with regard to international business development particularly relevant to the circumstances of multiculturalism and to the scope of negotiations during the course of the application distance technology, and to conduct negotiations in cyberspace.

The problem - in remote international business negotiations is insufficient use of whole negotiating power.

The object of investigation - international business negotiations principles, structures, parameters, innovations.

The aim - to carry out comparative world literature and practice analysis on international business negotiations.

Research methods - the systematic, comparative, logical analysis and synthesis of scientific literature.

I. INTERNATIONAL BUSINESS NEGOTIATIONS: DEFINITIONS, CHARACTERISTICS, FUNCTIONS, AND SCOPES

Monography deals with theoretical approaches to the business negotiation strategies and negotiating powers, adaptation of these approaches with regard to modern international business development needs and challenges. In research is done analysis of business negotiations concepts in order to describe adequately the negotiating processes, phenomena and problems. Also is done overview of multicultural context of international business negotiations and the peculiarities of communication in the negotiations, characterized by multiculturalism, performed dimensional analysis. In this section is analyzed negotiation support systems of international business based on the use of information technology development needs and perspectives. There are also analyzed demands caused of electronic business development in order to improve international business negotiations techniques and methodologies.

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changes of negotiating situation. Following analysis of the negotiating power definitions is offered to use such definition of the negotiating power: negotiating power - is aggregate of subject's opportunities and conditions which are specific for its activity, that determine the negotiating targets and their implementation. Thus the assessment of negotiating power can be seen as the identification process of the objectives, their justification and implementation conditions and possibilities of participating entities.

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Through improvement of computing and communication technologies appeared on various support measures and systems of business negotiations communication. The existence of a large number of negotiating support functions for negotiators can be difficult to use effective negotiation support systems. The use of universal negotiation support systems in which are employed and redundant functions for situation, may require more resources for the cognitive functions and appropriate choice than without the use of negotiation support systems. Therefore, negotiation support system for negotiator should be comfortable to use, easy to understand the operating principles. Information collection, analysis and presentation should be effective in negotiations, particularly when the information is required for expeditious negotiation situations, such as video conferences. Electronic negotiation systems can be an effective tool to solve complex problems in managing large amounts of information. In specific cases, it should be considered whether to use a specialized electronic negotiation systems to facilitate specific processes or to use universally appropriate systems for all the negotiating processes.

Strategic decisions of negotiations must be based on assessments of negotiating power, because otherwise these decisions will not be of good quality and reasonable, it can influence the outcome of negotiations and further development of the business entity. It found in management as well as business management theory are not theoretical solutions for assessment negotiating powers in international trade negotiations, especially with regard to international business development

particularly relevant to the circumstances of multiculturalism and to the scope of negotiations during the course of the application distance technology, and to conduct negotiations in cyberspace.

1. STRUCTURES AND PRINCIPLES OF INTERNATIONAL BUSINESS NEGOTIATIONS

Negotiation strategies may be linked with the negotiation structures. Which negotiating strategy will be developed it will depend on the negotiations structure. Strategy and negotiation factors (time, agenda, communication and media) have a great importance in these situations. In the scientific literature can be found various negotiations structures some of them will be provided.

The structures of negotiations in organizations and between organizations are very similar to the organization's management theories, of course, the two negotiations parties may have the same management structure, but the structure of the negotiations might be different. Negotiations can be more or less formal and this affects the team's mobilization, resources, communication system and negotiating behavior. Negotiation models are prescriptive in nature, because they are based on the belief that there is one best solution 13nformat negotiations problem, patterns can show what the ideal negotiator (intelligent, rational) should make in competing, interactive situation. However, in reality it does not work. So these models can show only one of many possible outcomes.

Following is a negotiation models typology (Figure 1).

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                        ┌──────────────────────┐
                        │  Negotiation models  │
                        └──────────────────────┘
          ┌───────────────────┼────────────────────┐
   ┌─────────────┐     ┌─────────────┐      ┌──────────────┐
   │  Elektronic │     │    Verbal   │      │  Mathematical│
   └─────────────┘     └─────────────┘      └──────────────┘
```

- Negotiation support systems
- E-negotiation table (ENT)
- Negotiation agents–
- E-negotiation software agents (NSA)
- Process model
- Phase model
- Element model
- Constraints
- Intervention
- The hybrid
- Ongoing economic (mainly universal models)
- Discontinuous, mostly game theory models
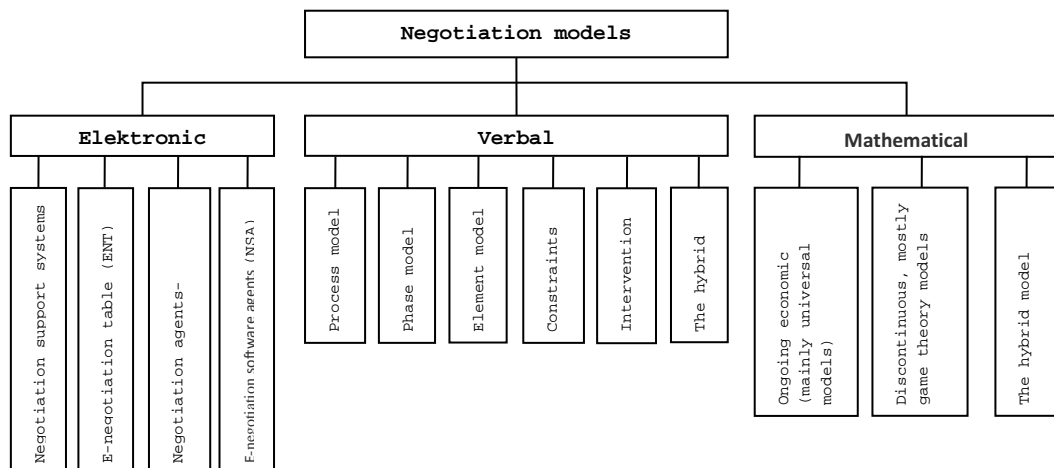- The hybrid model

Fig. 1. Typology of negotiation models (compiled by the author)

Negotiation models are classified into mathematical, electronic and verbal (non-mathematical). Mathematical models of negotiating (continuous, economical, universal) have a precise results (theoretical calculations), which can be calculated through the mathematical analysis. They have not semantically-related problems, which may be improved by adding links and items, and so on. But these models are dependent on the negotiator's rationality, advantage options, have a mathematical constraints are not basic factors determining the outcome of negotiations and are not accepting solutions on separate objects of negotiating dispute.

In mathematical models of negotiating (continuous, game theory) are used instruments of theoretical algebra. These models can be realistic mathematical assumptions, can be considered as separate negotiations, empirically tested (easiest to do this with two negotiating sides) is also determined the best result. In game theory models there is a relatively small amount of semantically related problems, and the conceptual basis can be modeled and changed. However, this model depends on the negotiators rationality, and its predictability is questionable as there is direct communication. Also there cannot be examined multilateral situations (more than 2). At this model cannot be analyzed repetitive or dynamic negotiation processes. It is also impossible to know the values of benefits at every step. These models can be zero-sum or variable sum where there may be two participants, or may be a higher number of them.

Hybrid mathematical model of negotiations depends on its nature. It can be as a combination of economic and game theory or other mathematical models. Such models are usually created to model a particular situation. In this 14nformat being used the mathematical language. Kersten and Lai (2007) provides definitions of electronic negotiations typologies concepts:

Electronic negotiations systems (e-negotiation systems, shortening ENS) is a model that employs Internet technologies, it also is placed on the network with the aim of facilitating, organizing, supporting and / or 14nformatik of negotiators and / or third party activities.

Negotiation support system (negotiation support system – NSS) is a program which implements the models and procedures. Has the communication and coordination facilities, and is designed for two or more countries and / or for existing one third party business negotiations.

Boards of electronic negotiation (e-negotiation 14nform – ENT) is a program that provides a virtual space for negotiators (bargaining boards) and tools that they can use for the performance of negotiating activities.

E-negotiation software agents – the NSA program, which is actively involved in significant part of the negotiations and carry out the decisions on behalf of human or artificial basis.

Negotiation agents-assistant – NAA is a software agent which provides for a timely human negotiator and / or third party advice, criticism and support according to the specific context.

E-negotiation software agents – is NSA programs, which is verbal negotiation process model provides a realistic description of the comprehensive negotiation process, in which can be examined factors affecting the negotiation process. This model lets you add to it an unlimited number of variables. Unfortunately in this 15nformat not defined the consensus threshold and semantic problems are emerging. The result of „balance" is not examined. Empirically is difficult to verify the range model, so here are just a few variables analyzed. It is difficult to 15nforma the consistency of events. In this 15nformat used verbal theory and Boolean algebra.

Verbal negotiation phase model allows to 15nforma the negotiations that lead to the collapse or the agreement. This model provides a realistic description of the negotiation process understandable factors, can be considered factors that affect the negotiation process as well as lets you add an unlimited number of variables. Unfortunately in this 15nformat not defined the consensus threshold. Also appears and semantic problems. The result of „balance" does not explored. Empirically is difficult to verify because of the model range and therefore are surveyed only a few variables. This model uses the language of verbal interaction analysis and Markov analysis.

Verbal element model presents an opportunity to 15nforma negotiations mathematically through vector analysis. Model transmit a clear description of the negotiation process. This model primarily touches on the psychological elements that affect structure. May be examined factors that act the negotiation process as well as lets you add an unlimited number of variables. The 15nformat not defined the consensus threshold. Appears and semantic problems. Does not address the „balance" of the result. Empirically difficult to test the model range and therefore were analyzed just a few variables. It is difficult to 15nforma the events of consistency.

Verbal restrictions model provides a realistic description of the comprehensive negotiation process, can be considered factors that act the negotiation process as well as lets you add an unlimited number of variables. Model defines the consensus range, greater tendency to empirical testing than other

models, provides insight on the consistency of the negotiating events. There is no examined the result of „balance.“ There is a semantic problem. This model does not take decisions on individual bargaining controversy matters. This model uses the verbal counting.

Intervention model. This model the best assess the nature of negotiations. There can take place mediation, fact-clearance processes, arbitration, legal restrictions originated on the negotiating parties' agreement, deadlock, objections.

Hybrid verbal negotiation model depends on its nature. This model can be created in order to adapt it to the specific situation, using other models of the verbal negotiations. In this 16nformat primarily used verbal language, and others.

It is noted that an individual can not influence the group. The individual rarely negotiates against group because the group has more resources, more power and potential of manipulation than the individual.

Modeling negotiations on these models should be kept in mind that these measures can 16nformatikon only one of the possible outcomes, but the work on these models can help you better prepare for the negotiation. Modeling the various negotiation situations can be discovered and unexpected outcomes of the negotiating results, and possible alternatives of evaluation can only increase the success of the final outcome. The more 16nformatikon (visual bargaining context) in negotiations would be generated, the better process of negotiations will take place.

Creating strategies for negotiations are invoked diverse negotiation simulation schemes. By modeling negotiations and possible situations shall contain need to cover the key negotiation parameters and to rely on the basic principles of negotiation. Missed a certain important elements may be overlooked essential measures of influence on the outcome of the negotiations. Studies of the process of negotiation and structures (Holsappl et al. 1996; Wasfi, Hosni 1998) showed that negotiating activity can be characterized by eight parameters (Figure 2):

$$N = (I, E, ACCEPT, LOC, S, M, R, A)$$

here:

N - negotiating activity;
I - negotiating issue;
E - number of participants;
ACCEPT - limits of participants favor;
LOC - positions of participants;
S and M - strategies and actions of participants;

R - the rules of negotiations;

A - effect of the intervention (Holsappl et al. 1996).
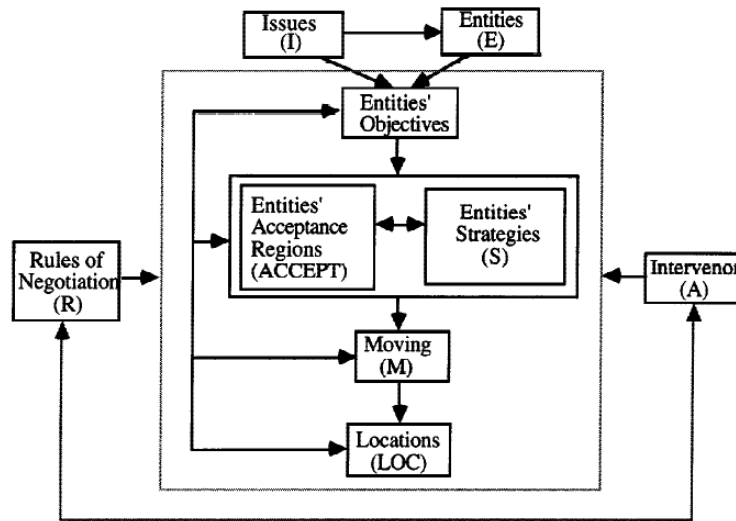
Fig. 2. Interdependence among primary parameters of negotiation (Holsappl et al. 1996).

Wasfi and Hosni (1998) identified the key negotiation parameters:

1. *Negotiating power*. Power may be legitimacy, knowledge, risk taking, time, commitment.

2. *BATNA*. Level of requirement, beyond which the negotiator is not inclined to come down.

3. *Aspirations level*. Negotiator target. Aspirations level is mostly the first proposal of the negotiator.

4. *Time pressure*. If negotiator is more constrained by time limitations, he is in weaker position. Time is an important factor in negotiations, which affects other parameters.

5. *Structural and communicational actions*. The structural actions is a specific proposal. Communicational actions can shift structure of the bargaining power by informing the opponent about negotiator's intentions.

6. *The economic benefits*. Negotiator's choice is determined by general human desire to maximize their benefits from an economic perspective positions.

7. *Concession and the resistance forces*. Negotiators influence oppositional resistance force. Which progressive reduction (through discounts or enhancing opportunities. of others. negotiating side) leads to agreement. Resistance force reflects the negotiators natural unwillingness to retreat from primary positions, but the concession force pushes them to get closer to an agreement.

8. *Structuring the bargaining context and approaches* - distributive and integrative.

In negotiating distributive context happens where the objectives of one side of negotiations in principle are in conflict with purposes of the other side and there is no any objective approach to compromise - here winning of one side is losing of another side (Wasfi and Hosni 1998). Integrative negotiating context may arise when negotiating objectives are not fixed at a given point (the range), and negotiators are disposed, that the objectives can be integrated with an appropriate degree. Integrating potential exists when the problem solving type allows to make decisions which give benefits for both sides, or at least winning on one side does not losing of another side at the same degree. Relations between the negotiating parties are exposed of such attitudes as friendliness, hostility, trust and respect (Wasfi and Hosni 1998).

In negotiations are very important principles and conditions on granting concessions. Table 1 presents principles and conditions of strong and weak negotiators concessions options.

Table 1. Working with the principles of concessions (compiled by the author)

Principles and conditions on granting concessions	
Strong negotiator	Week negotiator
1. Do not mention about concessions themselves	1. Do not mention about concessions themselves
2. Even if the concessions are requested, the matter are postponed to the end of the interview. This is done on purpose to get the time to prepare their arguments.	2. Just give him a discount if you ask.
3. Strong negotiators offer a concession in exchange for something.	3. Just give a concession.
4. Concessions are given in dose in small parts..	4. Concessions are given in large parts
5. Concessions are proportional to the size of the exchange rate.	5. Concessions size is proportional to the pressure force.
6. Strong negotiators believe in value proposition.	6. Weak negotiators do not believe in proposal value.

Properties of the negotiator can be described in two categories - power and strategic profile (Wasfi and Hosni 1998):

1. *Negotiator power:* Power is an important factor assessing strength of agreement and influencing the negotiator: The more one side has power, the less is force of agreement. Negotiating power of the same negotiator may vary. Depending on the negotiations situations, changes in negotiating situations may occur as a result of communication actions. Negotiation situation can form the following topics:

- *Commitment*: how strong is the objective of negotiator.
- *Legitimacy*: a legitimate criticism has more power than illegal to. Legitimacy may be revealed by the laws, policies, rules, procedures.
- *Knowledge*: the negotiator, who has more information can be better negotiator.

- *Risk-taking*: a negotiator who is able to work in a larger uncertainty can do more.
- *Determination* plays a key role in making a high-risk decisions and actions that can provide significant benefits.
- *Time Limit*: negotiator who is more restrained in time is weeker. Time is a crucial factor in negotiations, not only as a resource but also how it works to the negotiations, and their solutions (influence of approaching deadlock).
- *Perception of opposing party power*: about the power can be judged from the opponent's actions. The power outlets depends on the opponent's power.

2. *Strategic profile:* resistance to compromise shows the negotiator's natural unwillingness to agree when he is affected by force of agreement. The weak force of the agreement makes it easier to refuse to compromise and the stronger force compels negotiators to agree. A strategic profile is designed in dependence on what negotiable strategy is: strong or weak.

BATNA - Best Alternative to a Negotiated Agreement. In detail a negotiator properties are presented in Figure 3:

Fig. 3. System model of two parties negotiation (Wasfy ir Hosni 1998)

Outlined below are the different sources of the negotiation principles that deal with them in different ways: emotional control, smooth operation and better understanding of the other side.

Moore and Woodrow (1998) published the principles of international negotiations:

- establish a common culture "topography" - beliefs, attitudes, behaviors, procedures, and social structures that shape people's interactions;
- identify potential dangers, obstacles and pleasant surprises that intercultural travelers and negotiators may miss if they do not have a reliable guide;
- choose the answer that will encourage successful interactions and outcomes.

Fisher and Shapiro (2005) provides the following emotion-related negotiating principles:

1. Evaluation.
2. Respect for autonomy.
3. Making a connection.
4. Knowledge of status.
5. Choosing the right role.

Easypola (2008) describes these principles for negotiations:

1. To determine interests necessary to establish the other side's position.
2. The need to separate people from the problem also the need to convey sincerity and trust.
3. Alternatives. Negotiators should look for alternatives before and during the negotiations.
4. Options. For possible agreement should look both sides, using both the brainstorming and past experience as well.
5. Criteria / legitimacy. In negotiating requires the use of standardized criteria which would be for both sides explanatory. Also negotiation procedure must be consistent.
6. Liabilities. Each side has to assess its ability to meet obligations. Failure to comply with them in the future may be cause difficulties for further cooperation.
7. Communication. Communicating both sides should not only focus on their own preferences, but also must listen to the other side. Problems may arise in communication by articulating your position and understanding of others. So it is necessary a lot of asking.
8. Misunderstandings can arise in communicating by different languages and with different cultures. Negative emotions can affect your ability to communicate well (the style and efficiency of the negotiations).

In order to find innovative solutions in process of negotiations is needed to understand the principles of the negotiations. Author is enclosing analysis of the

negotiations principles and practice of world literature (Table 2). Author has codified 58 principles of the negotiations from 24 literature sources.

Table 2. Principles of Negotiation (compiled by the author)

No.	Principles of Negotiation	1 The Sloan Brothers	2 SPN 2009	3 Goldwich 2009	4 Mandel 2012	5 Brodow 2012	6 Foster 2003	7 Diržytė et al. 2007	8 Suvanto 2013	9 Lewicki et al 2001	10 Lynch 2003	11 Pathways 2013	12 USP Analysis 1999	13 NST 2013	14 Novak and Hall	15 Knight 1998	16 Fisher ir Shapiro	17 Fisher et al 1991	18 Deltoio 2007	19 Moore and	20 Kosecka et al	21 ESCAP 2004	22 EASYPol 2008	23 Dawson 2010	24 Iragorri 2003
	Cognition of self and other side, preparation																								
1.	Preparing for negotiations	+		+	+				+					+							+				
2.	To Foresee compromise	+				+																			
3.	Not to empathize with the problems of the other side	+				+																			
4.	A great negotiator is always learning. The negotiator is the leader		+																						
5.	To look at situations from the outside		+																						
6.	To set the decision-makers, to negotiate on one level.				+		+																		
7.	Know your limits, to leave space for concessions				+			+															+		+
8.	Be prepared to go out always					+	+													+		+			
9.	Knowledge, competence						+																		
10.	BATNA, you should avoid the formed contract				+		+							+				+				+	+		
11.	Look for solutions that suit the aims and objectives of different sides									+												+	+		
12.	Rate yourself and competitors by parameters												+												
13.	Determine where you are the best																								
14.	Asking questions														+			+		+			+		
15.	Submit interests, needs, goals.					+				+					+	+		+			+		+		
16.	The choice of an appropriate role						+							+		+		+	+	+			+		
17.	Choose the answers that promote successful interactions and outcomes; greater emphasis on the potential consequences																			+	+	+	+		
	Ethics of negotiation																								
18.	Observe your principles	+																							+
19.	Do not unilaterally change the offer											+													
20.	Respect for the autonomy of the other side																+								
21.	Bluffing, Refrain from rough lies, manipulation, deception, it is necessary to negotiate in good faith, should avoid when not everything presented or incorrectly presented																				+				+
22.	Implementation of commitments. and foresight																						+		
23.	Not to destroy the negotiator																								+
	Communication conditions																								
24.	Listen to the other side	+		+	+	+									+	+					+				
25.	Promote their mutual desire to solve the problem			+							+					+		+							
26.	Share information. Create a free flow of information to use your strengths and manage weaknesses, management of reputation, to explain requirements, not to negotiate against themselves.			+	+										+				+	+	+		+		
27.	The importance of communication. Speak the language of the other side, the perception may be the problem of the other side																				+		+		
	Exchange of information consistency, time management																								
28.	To pay attention to the time when the agreement is made, do it slowly. devote much time to the examination of the conflict	+				+	+	+															+		+
29.	The end of the negotiations must be approved	+			+				+						+										
30.	Negotiations should be structured		+																						
31.	Negotiating power comes from controlling the process of negotiations		+				+														+				
32.	The first offer must be present by the other side					+	+				+			+							+		+		
33.	Make sure that the pace of change is similar among all sides.												+												
	Emotions management																								

No.	Principle
34.	To argue and persuade, Do not draw conclusions about the other intentions on the basis of your opinion.
35.	Focus on the other side pressure rather than to your
36.	Focus on relationships, build trust, to calm the other side
37.	From time to time it is necessary to say "no" to the other party. Not to make concessions, "too often, too fast and too much."
38.	To emphasize similarities between the parties and reduce disparities
39.	Make important any agreement
40.	Negotiate when the sale is agreed but not earlier
41.	Use a constructive tone. Reduce tension and conflict. Avoid judging, criticizing and / or blaming others.
42.	Emotions and gestures are making a significant impact. Avoid negative emotions.
43.	Recognition of another status
44.	The choice of an appropriate role
45.	Need to separate people from the problem, leave your ego
46.	The more the other side depends on you, the more trusted
Content of the proposal, expectations management	
47.	Move out ambitious
48.	Conditions are not less important than money
49.	Make minor concessions, giving the impression that they are sufficiently significant
50.	Not to disclose to the other party the deadlines.
51.	Take notes on your own and another country committed discounts. Make accurate observations
52.	Do not think it should be answered in the same for given discounts.
53.	Protect and use the unique sales offer
54.	Undivided into parts subject of the negotiations / Reduce other side's expectations by making small arrangements
55.	Summarize and purify negotiations
56.	Whatever the intentions, the other person has to be happy, or at least feel satisfied with what he's got
57.	Be avoided unilateral indulgence
58.	Submit money from a different angle

The principles were systematically organized by:

1. Cognition of self and other side, preparation;

2. Ethics of negotiation;

3. Communication conditions;

4. Exchange of information consistency, time management;

5. Emotions management;

6. Content of the proposal, expectations management.

We can see from the table that the most frequently mentioned principles for negotiations is preparation for negotiations, understanding of other side, not to provide first offer, and others. This confirms that in order to achieve an effective outcome of the negotiations, it is necessary to develop a negotiating strategy to assess the other sides objectives and negotiating power. It also mentions the importance of communication where properly two sides could understand one another.

Preparing for negotiations is one of the most frequently mentioned principles in literature. Most of negotiating principles are based on the self knowledge and the

other side, qualitative communication conditions (questioning, listening, understanding, etc.)., ethics, and the receipt of the information exchange and the principles of consistency, emotional control and their manipulation principles. But such principles as "not to destroy the negotiator, to provide money from a different angle," bluffing "are mentioned much less frequently.

Game Theory. One of the best-known application of game theory to negotiations is the prisoner's dilemma game (called Prisoner's Dilemma, shortening - PD) (Fig. 4). (1950 January. Melvin Dresheris and Merrill Flood made in Coorporation RAND experiment, which introduced the game now known as the Prisoner's Dilemma (PD). Raiffe Howard also independently conducted experiments with the prisoner's dilemma).

The game represents following situation (Easypola: 2008): Two prisoners facing prosecution for a crime they did. Everyone has to choose between two actions: to admit or not. If no one person does not admit, in other words, they cooperate with one another, each prisoner receives a two-year prison sentence. On the other hand, if both prisoners chose to issue and provide evidence against each other, the two prisoners will receive a four-year prison sentence. The prisoners know that if one of the parties shall cooperate and give evidence against the other party, the one who gives evidence, will not to sit in jail. In prison will sit the one who refused to hand over a partner. He will get 5 years in prison (Easypola: 2008). Each player seeks to maximize your results and do not know what the other will do. PD game shows that a rational player will place a partner every time because he understands that choosing the denunciations he will be more successful in the game, no matter how his opponent will do (Easypola: 2008).

		A	
		COOPERATION	DENUNCIATIONS
B	COOPERATION	2 YEARS/ 2 YEARS	5 YEARS/ 0 YEARS
	DENUNCIATIONS	0 YEARS/ 5 YEARS	4 YEARS/2 YEARS

Fig. 4. Prisoner's dilemma (EASYPol: 2008)

Negotiators face a similar challenge making a decision because they do not have detailed information about intentions of another negotiator. Negotiation scenario shows that cooperation is unlikely, because each country has an incentive to denounce in order to increase their own benefits. However, this result is a semi-optimal, because the players would be disabled if both of them will cooperate. In real life, cooperation occurs.

Decision-making. Regardless of whether the negotiations are taking place within the company or with external parties, they reflect the interdependent decision-making processes in which two or more parties can win by cooperation (Herbst et al. 2011). The impact assessment takes into account the case and a reasonable person's decision. Also takes into account the perception of the negotiators themselves the concepts and actions. For example, bluff, or manipulation of the term can mean different things to different people and can be dependent on the negotiating environment (Dee 2011). Decision-making in negotiations can be considered at strategic or tactical levels (Hipel et al. 2010). This is shown in Figure 5.
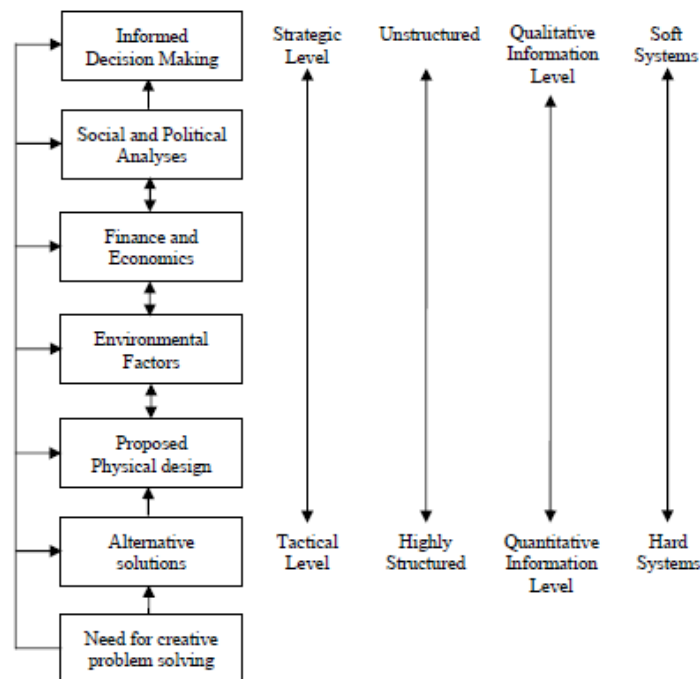
Fig. 5. Engineering Decision Making (Hipel et al. 2010)

In Figure 5 on the left side there are main factors to be applied in choosing the right solution for a given problem. In decision modeling, any alternative solution must be evaluated taking into account environmental, economic and financial, political and social opportunities. Methods relying on a systematic approach, and the results of research may facilitate the decision-making process (Hipel et al. 2010). It should be noted that when there is a move from the tactical level to the strategic decision-making level, the problem is changing from a very structured and quantitative towards unstructured and qualitative. Hence, the problem has a bit simple well as complex system element. Because of these and other factors should

be selected appropriate set of tools of the system, in order to examine all relevant aspects (Hipel et al. 2010). Golenur (2007) writes that before starting the negotiation process, representatives must decide which options they would have, when moving towards the agreement.

The main decision making stages of the negotiations:

a) Analysis of the needs. Negotiator in the first stage is required to identify the other side needs, goals. This may also have an impact on creating the need for other side.

b) Analysis of alternatives. The negotiator would clarify selection criteria of the other side. Also, the negotiator may influence additionally by offering more favorable extra proposals (unfavorable for competitors). Also, the following criteria should be justified, what is the suitability of the negotiator's proposal.

c) Doubt stage. The negotiator seeing the other side of the negotiations, who doesn't make decision, must not to leave the other side in peace (allow himself to think). Since the other side has doubts - it does need an advice. Therefore, the negotiator is necessary the ability to dispel the doubts because other stakeholders (eg competitors or incompetent entities) can further to increase the doubts and disrupt the negotiations. Also, do not overdo it by pressing the other side, as it can be the opposite effect. In order to dispel the doubts of the other side it is necessary to identify the key uncertainties and their causes (to ask). Knowing the reasons for his doubts - to provide the arguments, which will dispel the doubts.

d) Co-operative stage. This stage is focused on long-term relationships. Following the transaction the negotiator should be looking to the results and post-negotiation situation will meet the other side of the negotiation. Because frequently may arise questions or opinions which can explain only the negotiator who made the deal, and, as in other cases responses to them can provide the others. Therefore, only the negotiator can be the best, who can solve all dissatisfactions. Further cooperation can become effective or not. It depends on whether the transaction is in line with the expectations of another side of the negotiation. These expectations may be formed both of another side of the negotiation and negotiator itself. Therefore, the negotiator must responsibly develop expectations of the other side of the negotiations, as it may get less than expected. Further attention to the other side of the negotiations when the transaction was finished for negotiator has only a positive value. The focus on other side dispels the possible negative aspects, as after the transaction has been concluded he is still offering the help, so the other side of the negotiations can positively evaluate such signs of attention. All of this can serve downstream in cooperation.

e) The situation changes stage. Here occures new needs and goals and the decision-making cycle begins again.

Important decision-making processes require considerable time and intellectual input. In order to accelerate these processes and make them economically more effective, various decision support systems are being developed. There are a few support systems in distance negotiation, which are using technologies to facilitate the negotiating process.

2. INTERNATIONAL BUSINESS NEGOTIATIONS: INNOVATION, NEGOTIATION TEAM, PREPARATION

Modern technology allows to facilitate a variety of business processes, and communication in that the number. Negotiating communication has created new challenges, as business becomes global, and the distance between the two parties do not allow to negotiate fully – to take full advantage of the bargaining power remotely.

In this section will be reviewed innovations influence on the talks. Published in the literature can be found different treatment of the concepts of "innovation", "innovation", "invention" and "creativity." The word "innovation" comes from the Latin word innovare which means renewal or a new entity and is seen as development of new ideas and their implementation in practice (Jakobsen and Rebsdorf, 2008).

The invention relates to researchers and inventors, the creation of technical ideas, patents and research results of the technical world. Innovation belongs to the industrialists and businessmen commercial world in which are important factors of the economic growth potential, and innovation defines the efforts necessary on development of already available item up to practical - commercial exploitation and recognition of the element entered into the market (Jakobsen and Rebsdorf, 2008). Teresa Amabile treats innovation as the successful implementation of new and adaptable ideas (Amabile, 1996; Amabile et al., 2006).

As for the "creativity" can be said that it is an integral part of innovation. There are approaches that it can not be separated concepts of "innovation" and "creativity" (Jakobsen and Rebsdorf, 2008). De Pauw et al. (2010) argues that creativity, which is used for research purposes, is specialized at solving a problems, and creative thinking is involved in the process of identifying disturbances of problems, gaps in information, missing elements; creativity make guesses or formulating hypotheses about these deficiencies, perform tests, and distribute the

results. Creativity can be considered as a multidimensional concept (Kim, 2006; Han et al., 2013) consisting of different components. De Pauw et al. (2010) suggests the following components of creativity:

- *Fluency*: fluent generation of ideas;
- *Flexibility*: Generating ideas of various categories;
- *Originality*: Rarity - The strangeness of each idea;
- *A more comprehensive description*: An Update of relevant information.

Most creative researches are associated with creative thinking. There are distinguished characteristics of the creative person, creativity development opportunities within a reasonable period of time, and social environmental factors creating the environment for creativity (Simonton, 2000). Model for the realization of creativity can be described in the following order:

- *Fixation phase of problem tracking and identification or needs*. The need or problem tracking can take place unconsciously, but after it is determined and fixed, analytical thinking and creative processes can start;

- *Preparation*. In the preparation phase is searched and analyzed factual information about the situation;

- *Incubation (suspension)*. In incubation phase idea is matured, until the idea highlights in full systemically (other authors call it enlightenment waiting);

- *A systematic description of ideas*. In this phase is invoked creativity when the other phases can be used for analytical thinking;

- *Figuring out a solution*. In this phase are generated possible courses of actions on implementing the idea.

- *Evaluation*. In the evaluation phase the ideas results are estimated.

Negotiators' ability to create alternatives is intrinsically linked to successful negotiations (Thompson, 2005). Therefore, the outcome will depend significantly from creativity of the negotiator (De Pauw et al., 2010). In order to determine how does creativity influencing on his results as negotiator it is important to define the negotiating context. Various characteristics can limit a possibility to transfer desired expression. Negotiation context can act an individual expression of negotiators creativity and can cause both positive and negative effect on the outcome of negotiations. Negotiating context may be defined as integrative or distributive. In the context of integrative negotiating increases the relative merits of all the negotiating parties, and in the context of distributive negotiating is going on the division of pie, that is to say each side of the negotiating fights just because of higher benefits for themselves.

In the context of integrative negotiating (as opposed to distributive) negotiators can provide more creative solutions that can meet not only the interests of both sides, but also to increase the total value of the agreement (Galinsky and Mußweiler, 2001; Park et al., 2013). With a mutually agreed unique and complex context of negotiating, negotiators may be more revealing their creative powers in processes of negotiation. INSPIRE (InterNeg Support Program for Intercultural researchs) is the first system which was designed to lead negotiations in internet (Kersten and Noronha, 1999; Kersten et al., 2013), this system deals with negotiations as a process resulting in the relevant context. The process includes the preparation for negotiations, negotiating, and the agreement (Kersten and Noronha, 1999):

1. Preparation includes understanding the negotiation issues, challenges and opportunities, leading towards the construction of function.

2. Negotiations includes assistance for offers, evaluation of the offer based on the function values of benefits and provides a graphic representation of dynamics of the negotiations.

3. The agreement covers the calculation of the potential proposals that dominate in compromise or renegotiation.

Examination the effect of innovations to negotiations results it is noticeable their undeniable influence on communication of negotiating sides. Interferences of intercultural communication can have a significant impact on the negotiation result. Therefore, it is necessary to look at influence of cross-cultural communication on negotiations, to examine cross-cultural communication processes and their potential impacts.

In shaping a negotiating team is necessary for to have goals and strategies for negotiation. Personal characteristics and abilities of negotiating team members' can make influence on what role they will have in negotiating team. Next is an overview of key moments of formation negotiating teams.

To highlight the cultural diversity can be used three discrete settings (Figure 6): culturally homogeneous, moderately heterogeneous and fully heterogeneous (Guo and Lim, 2007; Guo and Lim, 2012). Such discrimination can be quite clear and appropriate in groups of three members (Guo and Lim, 2007; Guo and Lim, 2012): coalition is homogeneous, when all three members are from the same cultural background, on average, heterogeneous, when two members are of the same origin, but a third of the other; completely heterogeneous group is considered when three members come from three different cultures.
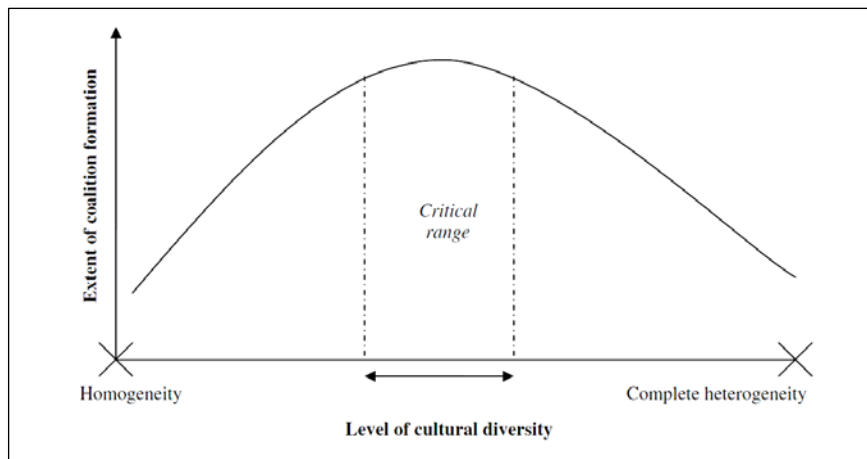
Fig. 6. The possibility of forming a coalition with different cultural entities (Guo and Lim, 2007)

Negotiating between the groups are the most common negotiations. Negotiated productivity is inseparable from the focus groups and negotiation team member satisfaction. Negotiating team member satisfaction may result on his input, responsibilities and interaction in the group. Contribution of the negotiating team member may depend on his individual performance, group performance, and external factors. The negotiating team member may have duties such as relations, persuasion, conflict resolution and problem solving. Individuals in these groups also have specific negotiating positions:

1. Emotional leadership;
2. Leadership oriented to discipline;
3. Evaluation;
4. Analysis.

Group interaction is due to variable tasks, the tasks procedures and the individuals' personal change. Collecting the negotiation team leader must take into account that this is necessary for group discipline, goals achievement or emotional coordination. You can also have a few team leaders: one is the discipline-oriented, aggressive leader who demands and submit proposals, and the other teams leader manages emotions and coordinate the entire team. Emotional leader might to heighten/humbling teams members, to maintain tension, to easy atmosphere, show approval/disapproval. Discipline leader provides/requests proposals, course of action, explains, it can also ask questions or give an opinion, and coordinate information.

Next illustrates the roles individuals in negotiating groups (Fig. 7).
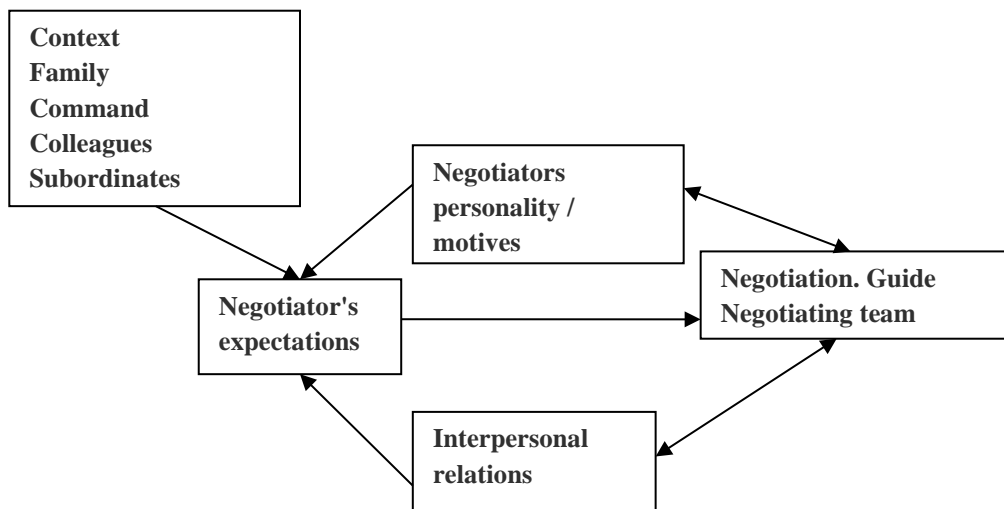
Fig. 7. Negotiators position in the negotiation group (compiled by the author)

In order to efficiently exploit the negotiating powers it would be appropriate to provide the use of negotiating power in different negotiating phases: pre-negotiations, exchange of information, negotiation process, the outcome of the negotiations assurance, analysis in post-negotiation phases. Determining of one country's negotiations objectives must be taken into account the other side potential targets. Information gathering and exchange process are very important, since this depends of negotiations power, power increase, the process of negotiations course and result. It is also important not to disclose fully all of your goals for the next side of negotiations to prevent from its utilization.

Power production is going on by increasing resources and communicating with the other side of negotiations - by increasing the amount of information available. It is also possible to form a coalition negotiating, connecting with potential partners of negotiations, and growing negotiating power. Before negotiating it is necessary for to prepare a list of questions to be asked. If you have any doubts about the questions benefit, or it can lead to more negative consequences than positive, then it is better to refuse it. Depending on the issues there are formed negotiating plan and agenda. In order to mobilize team to achieve high performance is a clear need to provide it with available resources and goals. There are also prepared presentations to the other side of negotiations. In negotiating phase takes place negotiating process and there are used various tactics of negotiations. Possible results: the agreement, break, non-agreement. In post-negotiation analysis are presented conclusions of negotiation results.

According to Mintzberg (1983), goals and power are inseparable. Negotiating parties have to decide what are his power goals and the other side. The perception

of power and power growing depending on negotiator's objectives and their nature (Mintzberg, 2001; Mintzberg, 1983). Coser (1967) presents two power principles:
- Power efforts results. Depends on the ability to adapt sanctions, to obey;
- Power always depends on the social relations between at least two sides.

Kim et al. (2005) published dynamic model of negotiations power (Figure 8).
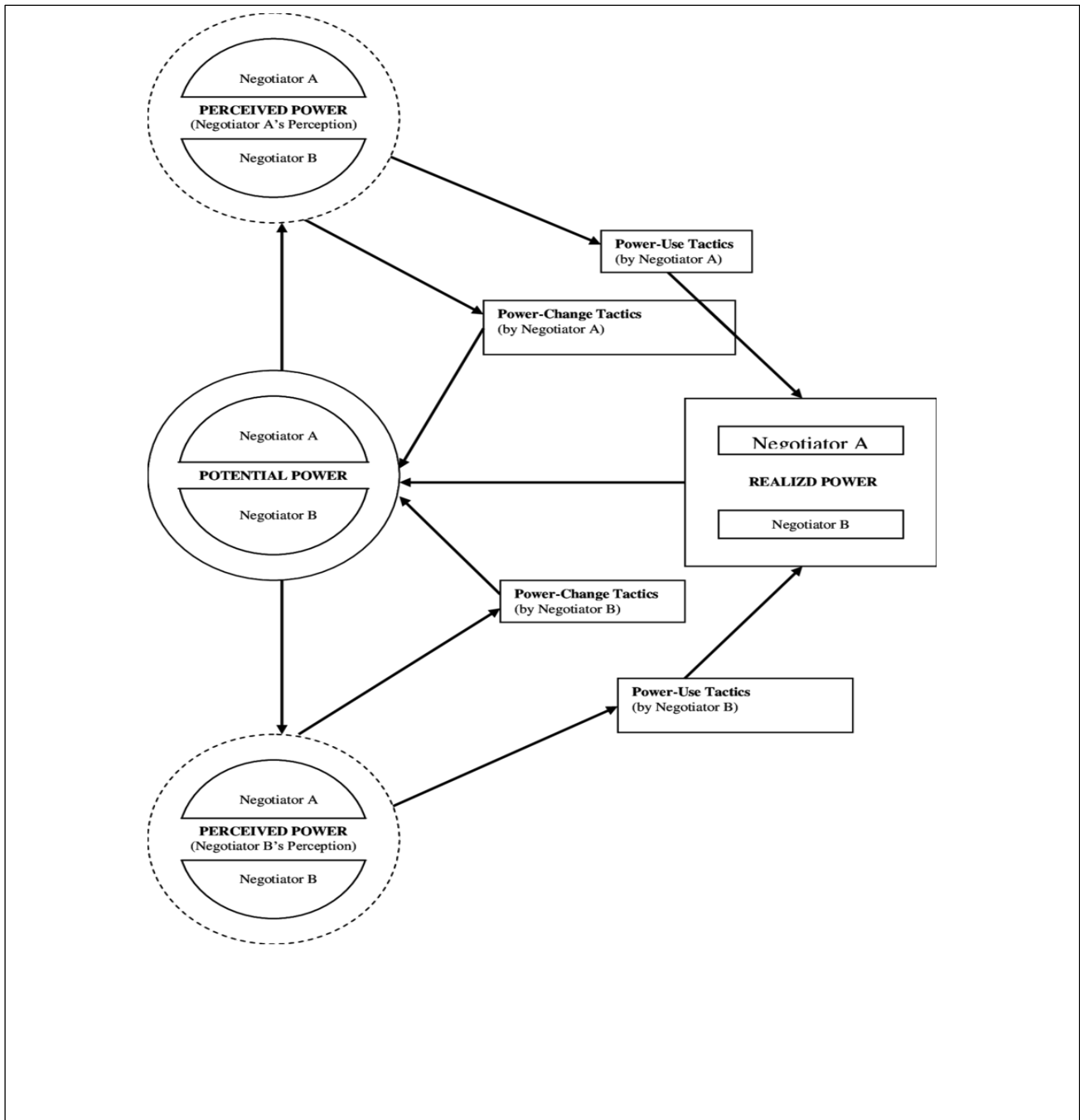

Fig. 8. Dynamic model of negotiation power (Kim et al., 2005)

Karrass (Karrass, 1970) suggests the following power principles:
- The power is always relative. It rarely belongs to one side;
- Power can be a real or not. One side may have strong force positions, but if the other side does not notice or do not understand, then it's worth nothing;
- Power can be tested without action. If one side thinks that the action can be used against him, then it is better not to use the action;
- The power is always limited. Size depends on the situation, law, ethical standards, and existing or future competition;
- Power exists to the degree at which it is adopted;
- The ultimate goal of power does not differ from the substance. Other side may not want to re-negotiate if feel exhausted;
- Power efforts always include prices and risks;
- The power ratio varies in the long run. The power ratio is changing due to the advantages of the negotiating parties and the deposit changes.

In the negotiation strategy formulation are necessary to evaluate of negotiations team's ability to discover, develop and use negotiating power. In the international business negotiation, preparation can be complicated due to the availability of these powers in the linguistic and cultural barriers, as well as the negotiation of context changes. Next section will examine the importance of preparation for intercultural negotiations.

Negotiation strategy formulation is necessary for access to the negotiating context. In the international business negotiation, preparation can be more complicated than the negotiations between the entities in the same country or region. Possible obstacles in preparation for international negotiations: the more parties are involved than in local negotiations, dimensions of cross-cultural differences, communication interference (understanding of symbols) the legal, political and other differences. Adoption possible alternatives of choice of other entity of the negotiations can be better for management of negotiation process. This can be especially effective if the other party does not know.

Negotiating parties which are well acquainted with negotiating environment has great advantage over those who do not know the environment (Suvanto, 2000). This author argues that the language barrier is another critical aspect, for example Americans often do not even attempt to use another language, but only their own. Negotiating teams are suggested to hire a local legal expert to assist them in the negotiations, the expert who is better acquainted with the country, its cultural values and ideology, and the legal system (Suvanto, 2000). Blankley (2006) writes that in the negotiations preparation is the most important thing is - cultural

awareness and possible negotiating point of view. Negotiator can greatly assist in the negotiations. It is important to understand the values of the other side, it is also necessary to provide that the objectives and negotiation techniques can vary in different cultutes (Blankley, 2006).

Munns et al. (2000) writes that in order to prepare for intercultural negotiations is necessary to know the following information about the environment (Figure 9):

- Macro information - politics, economics, language, decision-making, the government, the legal system;
- Micro-level information- objectives, bargaining range, the legal agreement, financing, profit sharing, management structure, life cycle, closing.

Macro information

Politics, Economics, Language, decision-making, the government, the legal system.

Micro information

Objectives, bargaining range, the legal agreement, financing, profit sharing, management structure, life cycle, closing.
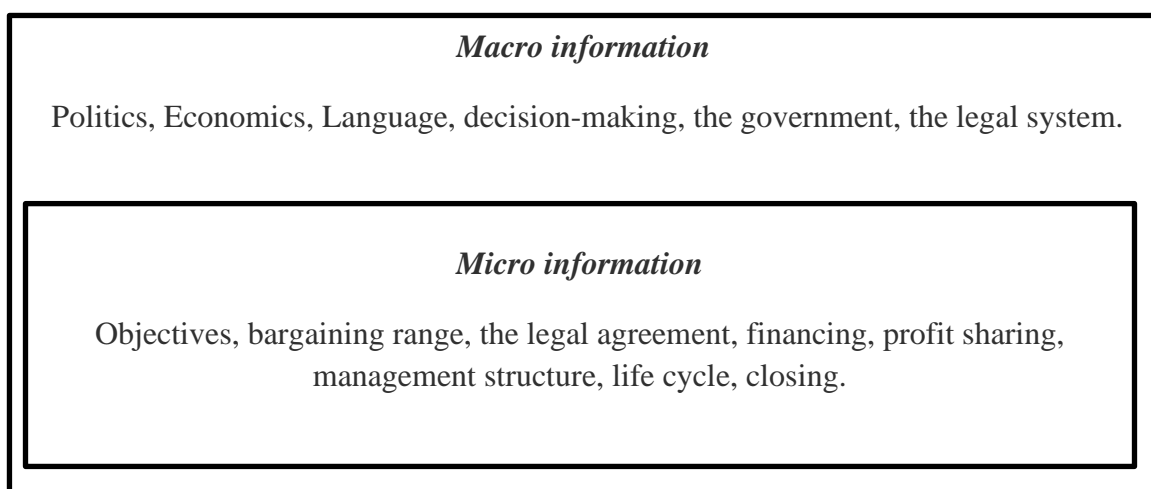
Fig. 9. Intercultural negotiations information (Munns et al., 2000)

Culturally-oriented strategies can be organized according to (Weiss 1994) the following guidance:

- The negotiator's accessing degree with culture of another country;
- Tthe other party's degree of accessing with culture of your country;
- Coordination possibility of clear view.

Choosing a strategy negotiator must know his own and other cultures, to understand the specific factors in the existing relations and to provide for/trying to influence the viewpoints of other side (Lewicki et al., 2001). According Lewicki et al. (2001) strategies are divided into three groups, which are based on familiarity (low, medium, high) which has the negotiator with other country's culture:

- Given a low familiarity with another culture, are hired agents or advisors, held agent, or the other side is encouraged to use your approach;
- At the average familiarity one side is adjusting to other side's perspective, and is coordinated negotiating regulation;

- When there is high familiarity, then can be exploited view of the other side by making improvisations and to make a high impact on the negotiations.

Opportunities for negotiators to develop a strategy and to choose tactics are based on the knowledge about other side's position and goals and his ability to track and analyze everything.

In strategic planning partners are chosen (the negotiating parties) with whom we can improve the company's competitive position. It is necessary to decide which strategic goals are most important, how much they are needed and how best to achieve them. Strategic negotiation planning is based on market and product (produce or purchase), constraints (clients, environment). It is selected decision-making structure and competition philosophy. Also there are defined main objectives - the technical, cost, delivery, management. One should not forget and possible compromise situations. The conditions should be foreseen in advance. In strategic planning there are determined risk and foreseen which of them will be assumed. At this stage are chosen fact-finding techniques and measures of information control. The negotiations must have and ethical values, which cannot be overcome, they are like the devised activity path. And the most important element is the selection of the negotiating guide, who is delegated for bringing together the negotiating team. To the chief of negotiations are presented earlier discussed elements and resources for goals achievements are given.

Objectives of the strategy may be conditioned by monetary resources and expectations of the available power and competence to achieve the desired positions. Often negotiations are determined by ardor, pursuit of recognition and status, available sociability skills. However, goals may restrict the risk aversion, security or existing convenience.

Negotiation process is organized in such a way that human and information power resources are used so that the course of the negotiations would be optimal. These resources are managed, acquired and developed. It must be foreseen how will be assistance for negotiating team, how will it be organized, multi-supply and support. Information resources for management are sought. Facts and channels of information are analyzed, stored, made assumptions. Negotiating team must be requested personnel, the various measures, trainings, developed infrastructure and made use of the third parties.

In tactical planning of negotiations are foreseen how could be the best realized negotiation potential. In this planning level, the higher-level objectives are broken down into smaller ones so as to achieve a strategic objective. There are also attempts to predict objectives of other negotiating party. In planning of tactics

realization there are highlighted specific issues, problems, objectives, statements and simulation of negotiations.

Combined negotiating technique, which consists of the agenda, questions, the other side of the negotiating, knowledge of the essential steps of potential threats and bargaining deadlocks, non-verbal communication, the possible concentration points. In tactical planning there are possible various maneuvers, varying the length of time, status, associativity, friendly display. Often, the negotiation process is the result of previous efforts, for example: the seller is looking for potential customers and when finds some, then begin negotiate with them, the company is looking for potentially factories and when found them negotiate and so on. Negotiator's effectiveness can be measured by three criteria:

- *Quantity* - the effort to identify potential subjects to make the transaction, collecting information about the other side of the negotiations and so on;
- *Direction* - the search of direction choosing a potential transaction partners, collection information about the products (or services), the assessment of proposals and so on
- *Efficiency* - the bargaining process quality, determined by negotiator's bargaining power abuse.

The most difficult is to improve the efficiency criterion because efficiency is achieved in time not right away. This requires a constant negotiation practices in order to maximize the use of existing powers. Most probably can be improved quantitative criteria, as in this is placed search of efforts in time. Directionality may reflect merit of the proposal. To ensure correct prepare the negotiations is needed to set goals, to know the different cultural needs and understanding of the situation:

- How negotiator / opponent looks to own / other's goals;
- How negotiator / opponent thinks about the opponents attitude to his goals;
- How negotiator / opponent wants to see to his opponent targets.

Preparation for negotiations may request a lot of time, economic, intellectual and other resources. In preparation for negotiations, the team should establish the boundaries that could not be overcome, thus formulating its negotiation and business ethics. Intercultural negotiations values can differ, so in preparation for negotiations should be known the other cultures, key moments in the negotiations and principles, which could assist in the negotiation process. In negotiation communication works many dynamic variables, therefore during forming negotiating team it should be taken into account its members experience in different cultures also. Negotiation's success often depends on the effectiveness of the

preparation - the better will be known another side of the negotiating and bargaining context, the better results will be achieved.

3. CONFLICTS AND THEIR MANAGEMENT IN INTERNATIONAL BUSINESS NEGOTIATIONS

Conflict management analysis in literature of recent decades shows that the problem of conflict management is moving from separate social sciences to interdisciplinary approaches to conflict management and its prevention (Lee, 2012). Conflicts are examined and defined in their own way by management, psychology, politics, law, economics and other sciences. Conflict can mean a process or state (Račelytė, 2009). Whether there is conflict or not can depend on perception of parties. In most definitions of conflicts are identified opposition, shortages and interlocking concepts and it is assumed that there are two or more parties whose interests and goals seem to be incompatible. Conflict management is defined by Lakis (2012) as forming and using social, economic, organizational and moral factors for the benefit of solving problems, which are or may be a basis for social conflicts as well as motivating participants in a conflict to a mutual agreement. Conflicts can encourage creativity and strengthen social relationships (Chambers and De Dreu 2014), but is more likely to create a negative emotions of negotiating sides - anger, malice, strengthens antagonism and forms the main barriers to constructive negotiations. The conflict can be described as blocking important goals, needs and interests of the other side (Vecchi, 2005). Prenzel and Vanclay (2014) argues that conflict is a situation in which independent people reveal their differences in seeking to satisfy their individual needs and interests. These two sides experience dependency on each other trying to achieve their aims. Conflicts may also provide benefit: encouraging creative solutions, changes. Resolution of conflicts encourages social interaction and enhance social relationships in the long term. Freedom of expression may be associated with a potential conflict, because opinion about something may differ from other the opinions. Prenzel and Vanclay (2014) argue that the core of the conflict is based on the concept of destruction that can take part in social relations by conveying negative emotions. There are a number of approaches that are adapted to solve strategic conflicts and they all have the basics of game theory (Hui and Bao 2013): conflicts theory, graph theory, action theory, meta-gaming theory. Authors Tekleab and Quigley (2014) write that the conflicts are multidimensional in its nature, in reality in conflicts are prevailing problems assessed by a number of criteria, which includes decision-makers (Hui

and Bao, 2013). Game theory reveals how people behave in conflict situations (Hui and Bao 2013). A person's response to the conflict can be constructive or destructive (Vecchi, 2005). Authors Zuleta and others (2013) examine why some conflicts reach a truce or find a solutions and in other conflicts the participants leaves the negotiations. Some authors Yin et al. (2008) examine the application of game theory to decisions of conflicts. Barough and others (2012) also analyzed and modeled problems occurring in management of construction by using game theory approach. Various challenges are emerging among participants of negotiations, as follows: interpersonal conflicts of high risk, communication inaccuracies, which are widely examined (Wilken et al., 2013). Tekleab and Quigley (2014) survey showed that inconveniences arising in groups relations leads to dissatisfaction with the team and causes the desire to leave it. The latter authors focused on conflicts arising in relations of negotiating team. Conflicts in team influence other individuals, especially their behavior, which affects a team's effectiveness. Smith and others (2014) observed that if the participants of conflict in negotiations presume that the conflict may lead to significant losses, then they encourage greater cooperation. Hossain (2012) emphasizes that conflicts may arise due to lack of time, tension arises coming closer to the deadlines of one negotiating side regarding potential delays and possible losses. Jain and Solomon (2000) analyzed the influence of electronic communication to conflict resolution. R. Kampf (2014) analyzed computer modeling, in which modeled conflicts of Israel and Palestinian. R. Kampf (2014) study showed that negotiating of the groups more often avoided conflicts than individual negotiators. He has found that groups more often use political measures than individuals. Individuals take more risk than negotiating team. It was found (Ribbink and Grimm, 2014) that the differences of negotiator's values in conflicts influence the degree of cooperation between the participants, that ultimately reduces profits for both sides. This creates opportunities for opportunistic behavior when one participant can use uncertainties in order to cover up or manipulate the situation regarding their own benefits. Cote and others (2013) found that negotiators tend to cooperate when the other half shows anger. Their study says that showing of anger can be a good tool to encourage cooperation. The latter authors found that artificial anger is different from the actual. The real anger may give more discounts and false causes additional requests from the other side. Imai and Gelfand (2010) notes that negotiators of intercultural negotiations achieve less profitable contracts than negotiating with representatives of their culture. This occurs due to cross-cultural discomfort caused by psychological and behavioral challenges in the intercultural context. A significant number of modern business

negotiations take place internationally, so it is proposal to use in the negotiations mediator, an individual who has the same cultural background as well as business partners.

Some researchers (Wilken et al., 2013) analyzed the impact of mediator to the process of negotiations and economic outcomes. The authors during experiment examined German and French negotiations. The results showed that the use of cooperation strategies depends on the agent's degree of collectivism. Taking into account economic results of the study intermediary role improved team performance. This means that benefits of using an intercultural mediator depend on his cultural background and on goals of negotiating team. Lakis (2011) analysed how long-term purposeful efforts in forming positive thinking, approach towards constructive activities and assertive behavior, affects the whole men public life, institution and organization management and interactions. Mediator's use in resolving conflicts is useful for negotiations as negotiators without his help have limited knowledge and experience, which limit the creation of confidence and positive atmosphere during the negotiations, that could help in solving the problems and encourage cooperating behavior (Wilken et al., 2013).

Conflict can be defined as a process that begins when one participant perceives that he is adversely affected by another side of the negotiation or becomes aware about the possible negative results that are relevant to him (Freeman et al., 2002; Thomas, 1992). Conflicts can be managed using a number of strategies and behavioral styles (Baxter, 1985; Alajoutsijarvi et al., 2000). Conflict management styles can be defined as the set of possible behaviors between two points: persistence and cooperation (Blake and Mouton 1964; Rahim, 1992; Thomas, 1992). Competing style (very high level of persistence) also includes the use of the powers. Cooperation style reflects the objectives, partially by the concessions, to satisfy the wishes of the other party on their own account (Freeman et al., 2002). The style choices are affected by the conflict. This includes the normative aspects, which are assessment of participant's problem or possible its solution. Selection of conflict management style is function of the first, second is disposition of basic orientation and behavior, which leads to conflict (Freeman et al., 2002). This is related to the context of situation and position of the time in relations, that reflects culture on national and subnational level, especially in a multicultural society (Freeman et al., 2002). The conflict process requires understanding the specific situations of a relationship as well as the nature of the conflict in the context of cultural and national norms that operate in culture (Freeman et al., 2002). It is argued that the common understanding of the cultural norms is based on the

understanding of behavior and the result of conflict process (Freeman et al., 2002). Solving conflicts between representatives of the same country is difficult enough, but resolving the conflicts in negotiations with representatives of another culture that is already the challenge, as this may interfere with distance, language, culture, context, and other barriers.

Further will be shown examples ofsome conflicts and their solutions in negotiations between several institutions and countries, which have significant influence for these countries business future. Here are some positive and negative examples from practice of using different methods of solving conflicts:

- Positive example would be the discussion on a future EU-US trade deal. Talks on a future EU-US trade deal began on 2013 and will continue throughout 2014. This meeting can help pave the way for a future trade and investment deals, known as the Transatlantic Trade or TTIP (Prnewswire, 2014). An EU-US trade agreement would cut businesses' costs and generate enough growth and jobs to boost the EU economy. And it would do so whilst respecting both sides' environmental, labour and consumer protection standards (Prnewswire, 2014). But Economics Nobel Laureate Joseph Stiglic say's, that in reality we see a managed trade regime, which holds the interests of corporations much more important, and the negotiation process, which is neither democratic nor transparent (King, 2014). In response to this the new United States ambassador to the European Union Anthony Luzzatto has declared his intention to take the arguments for a Transatlantic Trade deal to consumer groups, environmental groups and civil society (Prnewswire, 2014). He accepted that the presentation of arguments for a Transatlantic Trade deal had to be improved. It was not enough, he said, to speak of how many trillions of dollars might be added to EU-US trade (King, 2014). The benefits had to be made real to consumers and to small and medium-sized enterprises. He said that TTIP also stood to bring benefits to consumers through more trade and lower prices. On climate change, he saw "a misperception that the US is not doing enough". "We share the same goals. We are going about it in different ways," he said (King, 2014). The US was on track, he added, to meet its emissions reduction targets – through a switch from coal to shale gas, through greater energy efficiency, through federally imposed standards on cars and trucks, and through investment in clean energy. Also Gardner said that he would be spending a lot of time with the new European Parliament that is to be elected in May, since its stance on TTIP would be crucial (King, 2014);

- As negative example can be the reunification talks between the Greek and Turkish communities on Cyprus. A solution in reunification talks between the Greek and

Turkish communities on Cyprus started in March, 2014 after a freeze of 18 months (Vogel, 2014). In a departure from previous failed talks, the two sides will explore from the start where concessions in one area could lead to compromise in another. One tense area is freedom of movement, on which the Turkish Cypriot side believes that a final settlement will require permanent derogations from EU law that are proof against legal challenge. But it does not meet the Greek Cypriots and could also present a problem for the Commission (Vogel, 2014). In the Greek part of the island Democratic Party (Diko) is generally seen as more hostile to the idea of a compromise solution (Vogel, 2014).

According these examples we can understand, that importance of the exchange of information and management of expectations in conflict prevention are crutial. It is necessary to understand the differences of emotions in other cultures that we could solve more effectively international conflict in negotiations. In the next part we intend to review in more detail the influence of the exchange of information on the performance and prevention of conflicts in business negotiations.

Information is one of the main components of negotiating power – more information about the other side of negotiations we have, the better we can understand its expectations and therefore to ensure conflict prevention. Information is essential for the development of future negotiation strategies: identifying the current context of the negotiations, goals of the other side, negotiating history, expectations and so on. In order to establish a mutually beneficial agreement both sides of negotiations should seek the smoother exchange of information.

Of course, this may depend on the ambitions of negotiations side - whether it wishes a long-term or short-term cooperation. This may result the fluency on the exchange of information. For long-term cooperation negotiating sides should be more open and cooperative, because any distortion or silence of information can ruin future agreements. Hereinafter will be an overview of the scientific literature, that examines the exchange of information, effectiveness and efficiency of negotiation, and the satisfaction of negotiating parties. Due to the increased demand to increase limited resources for organizations is important to appear efficiently and effectively in the negotiations (Schwarz et al., 2010). Despite the importance of effectiveness and efficiency in negotiations it is remarkable that both in literature and in practice, the negotiations were analyzed only as a result of efficiency (Clopton, 1984, Churchill et al., 1985; Oliver et al., 1994; Sharland, 2001 Smith, Barclay, 1993). Until now the researchers and practitioners were less interested in effectiveness of negotiation (Schwarz et al. 2010). This may be due to the emphasis on the exchange of information in negotiations (Weitz 1981, Alexander et al., 1991,

Thompson, Hastie, 1990, Thompson, 1991; Neal, Northcraft 1991). Due to this fact uncertainty in process of agreements (due to information asymmetries between buyers and sellers) can be minimized by improving the exchange of information and improving the quality of decision making (Stigler, 1961; Dawes, Lee, 1997; Knobloch, Solomon, 2002). During the negotiations huge efforts are being made to the continuing information search and its transmission that makes a negative influence to the effectiveness of the negotiation process (Schwarz et al., 2010). Schwarz et al. (2010) conducted a simulation of negotiation, results showed that the groups which before the negotiations had more information, reached a more efficient and effective results, as well got greater satisfaction with the negotiations. The analysis showed that the open exchange of information must be aspirational with long lasting negotiations (Schwarz et al., 2010). The negotiation process has to be understood as a process of social interaction (Lewicki, Litterer, 1985), where the uncertainty is reduced by mutual exchange of information (Knobloch, Solomon, 2002). The results show that reduction of information asymmetries may stimulate more integrated agreements. It depends on the preferences of the negotiating parties (economic and non-economic) (Schwarz et al., 2010).

It was found that the achievement of integrative results are then, when all of the negotiating sides have high non-economic goals (Schwarz et al., 2010). In negotiations when the buyer and the seller have non-economic aspirations for the target to develop long-term relationship (characterizing them by trust) is necessary an open flow of information (Koeszegi, 2004). Open flow of information can be undesirable when one of the participants in the negotiations have a strong economic endeavor. This is due to the fact that the participants can use the information asymmetry in order to maximize their results. Open flow of information is dependent on the situation in which negotiations take place (Murnighan et al., 1999). In terms of the effectiveness of negotiations, Schwarz *et al.* (2010) results could not confirm the relationship between the reduced information asymmetry and effectiveness of negotiation. The results show that in both subgroups (one with reduced information asymmetry as well as full information asymmetry) there is no significant difference in the duration of the negotiations (Schwarz *et al.*, 2010). It should be noted that Schwarz *et al.* (2010) carried out the negotiations experimentally and negotiations have been simpler than in practice. Information asymmetry can affect the effectiveness of some negotiation situations by reducing the complexity of the negotiation tasks (Hakansson, Wootz, 1975). Schwarz *et al.* (2010) results can confirm the relationship between efficiency and effectiveness and satisfaction as in study of Voeth *et al.* (2006). The results showed that

satisfaction is dependent on the negotiator's preferences and information asymmetry situation. When negotiating side is cost-oriented the individual result has the greater influence to satisfaction of the negotiations than achieved integrative result (Schwarz *et al.,* 2010).

This case is characterized by information asymmetry when negotiator does not reveal his real wishes. Integrative result has a strong influence to satisfaction of negotiations if the negotiating parties are based on non-economic aspirations until information asymmetry will be reduced. Results show that in negotiations it is important to get as much information as possible (Brodt, 1994). Information about the opponent's goals and preferences is of great importance (Thompson, 2008). Negotiating strategy is planned considering the exchange of information (Cross, 1969). It should be noted that the pursuit and sharing of information are associated with costs.

Buyer-seller relationships in the industry are often long-term, but despite the economic factors non-economic factors are crucial (and Voeth Herbst, 2008). Economic systems such as game theory has been proposed as the economic outcome of the negotiations, but not as non-economic aspects (Thompson, 1990). It is argued that the negotiators are motivated by their own interests and the interest to the other side. This can be illustrated with a variety of definitions of the negotiations (Williams, 1993, Schwarz et al., 2010):
-   The negotiations where both sides are satisfied;
-   The negotiations, which gives satisfaction;
-   The negotiations, which gives the most money;
-   Negotiations, where almost is entrenched the other side.

In order to seek a mutually satisfactory agreement is needed cooperation between the negotiating parties (Thompson, 2008). If the buyer and seller are in conflict with regard to their objectives in negotiations, it is possible to reach an agreement that would be optimal for both sides (Raiffe, 1982). The negotiations between the buyer and seller with strong non-economic factors are effective when the fulfillment of individual requests is maximized according to the preferences of the opponent. At this point, non-economic expectations seem less important and effective negotiation is defined as the fulfillment of personal requests without considering the opponent's requests (Schwarz et al., 2010). Certainly in order to achieve general agreement it is not an easy task (Schwarz et al., 2010). This is due to the fact that the negotiations have information asymmetry: the buyer and seller do not know each other's preferences. This leads to the potential uncertainty (Thompson, 1995). In order to circumvent such uncertainty situation and in order to

achieve mutual satisfaction with the agreement, the exchange of information is of great importance (Putnam, Roloff, 1992). In this context, we can see that the exchange of information between two parties of negotiation is a key criterion (Schwarz *et al.*, 2010). Schoop *et al.* (2008) found that communication interaction is the basic factor influencing the negotiations. In this context, negotiation is defined as quantitatively rating the efficiency and effectiveness of (Neely *et al.*, 1995).

Due to the increasing competition sellers and buyers are forced to seek streamlined negotiation (Schwarz *et al.*, 2010). In this context, the negotiation efficiency can be described as an indicator of the objectives and preferences (Butler, 1999, Purdy *et al.*, 2000; Drucker, 1974). Agreement in negotiations should increase the benefits of negotiating parties. The kind of negotiated preferences depends on situation and conditions of the relationships, for example: in case of long-term buyer-seller relations, for both economic and non-economic requirements (such as relationships) are usually important. The effectiveness of negotiation can be understood as the ratio between the information exchange efforts and negotiating production (Drucker, 1974; Schwarz *et al.*, 2010). Effective negotiation requires economic activities for obtaining and transmission of information Effective (Schwarz *et al.*, 2010), such range should occur before the cost-benefit analysis. In operating costs case information exchange is comparable against the benefits for obtaining such access (Schwarz *et al.*, 2010, Stigler, 1961).

From the overview of the researched literature we see a significant contribution of recent years scientists (Schwarz et al., 2010; Thompson, 2008; Sharland, 2001; Purdy et al., 2000; Herbst Voeth, 2008) in examining the exchange of information and its impact on negotiations gives for conflict prevention. However, these studies are missing elements of the overall study of streamlined negotiations. Because till now the investigations were made only on separate or few items (for example: the exchange of information and satisfaction, negotiation efficiency and satisfaction, uncertainty of information, the exchange of information and long-term cooperation). Although it is not easy to perform but the real negotiations are assessed by the other side not only on a few elements but as a whole. It should be built on advice of H. Mintzberg do not perform experiments, investigations of separate elements, but investigate certain life processes - real negotiations, their communication, because it is the only way to avoid errors due to the reliability of experiments. Next will be analyzed management of expectations and their impact on negotiations and conflict prevention.

Dealing with expectations in negotiations occurs when future negotiating teams are formed, individual negotiators roles in team, preparation for future negotiations with the other part of the negotiations, during negotiations or by analyzing satisfaction with current results of all negotiating parts.

Understanding the expectations of other negotiating side can influence on the outcome of the current negotiations, further cooperation or potential conflicts. In order to manage the expectations of another side is necessary to find out the values of partner in preparing for negotiations and to managed information in such style, that enable understanding the values of the other side together with the context of negotiations, that we can develop useful for us expectations of another side, which will help to protect against further conflicts in negotiations.

The management of expectations is a key factor trying to survive in a complex world of competition (Mittilä and Järvelin, 2001). Participants of business constantly are assessing relationships in existing situations of business. Evaluation criteria may be different from the existing criteria of relationship in order to deal with a new partner (Mittilä and Järvelin, 2001). Comparison of standards has a crucial role in the assessment of current situation, which reflects the expectations and perceived efficiency. Often the evaluation of future relations comes from past experience. Management of relationship can be addressed to management of the existing situations, existing needs and wishes of the other side. Business relationships tend to be long-term in their nature, and management of relationships should be concentrated on the future of relations (Mittilä and Järvelin, 2001). Management of expectations is one way to manage future business relationships. Business participants, who are seeking to survive in conditions of high competition, management of expectations is the essential thing. The aim of this paper is to develop strategies and tactics of expectations management in business environment (Mittilä and Järvelin, 2001).

Alderson and Martin (1965) wrote that expectations arise from the values and information (Mittilä and Järvelin, 2001). Today values and information are in spotlight of scientific researches. Business mainly consists from the evaluation of the future today, for example evaluation of expectations. According Ojasalo (1999) the nature of expectations may be uncertain, unclear, ambiguous, realistic or unrealistic. The customers who have clear expectations, have a clear, conscious view about their desires on the further cooperation. The customers who have not clear expectations, they do not think actively about all aspects of future cooperation (Mittilä and Järvelin, 2001). Clients with a clear expectation know when their expectations are met and when are not (Mittilä and Järvelin, 2001), unclear

expectations are revealed then, when they were not met. In case of miscellaneous expectations customers expect something, but they are not sure about that something. If expectations of such customers are not met, they are unhappy, but they do not know what is wrong. Realistic expectations are reducing unrealistic expectations (Ojasalo, 1999; Mittilä and Järvelin, 2001). Expectations are a driving force in business (Mittilä and Järvelin, 2001). Different stakeholders have different expectations: clear or obscure, directed toward the organization. The interested individuals often tend to seek high returns from their investments, employees - a long-term job opportunities and higher wages, customers are looking for high quality products at a competitive prices (sometimes low), problem solving and so on, as the public has expectations for the company, which is in the market (Mittilä and Järvelin, 2001). The company in order to survive must set, prioritize and manage different expectations. Expectations can be formal or informal. Official expectations are based on the objectives and strategies that are expressed clearly or unclearly in the company. Informal expectations are associated with the evaluator's individual desires or aspirations even (Järvelin, 2001). Expectations always focus on the two different aspects: the content and level. Expectations of the content can be related to the technical, economic and social aspects of the relationships between the manufacturer and the customer. These aspects can be linked with the existing relations of operations, or may be focused on their future (Holmlund, 1997; Järvelin, 2001; Mittilä and Järvelin, 2001). Informal and formal nature of the relationship and their content may be used for identifying the sources of expectations (Mittilä and Järvelin, 2001). Expectations are related in part to official sources, such as technical, economic, social and political that are related to the relationship and context, partly stems from the personal, informal evaluator's expectations. Sources of expectations can play a critical role in the management of expectations, because developements of expectations can arise due to the changes in their sources (Mittilä and Järvelin, 2001).

Expectations are associated with technical aspects, they can vary due to the quality standards of quality modifications, or proposed new business models on Internet. Expectations are related to the economic aspects can vary due to general economic fluctuations. Expectations that are associated with the political aspects may change due to new laws on industrial mergers or acquisitions. Expectations that are associated with social aspects may vary due to organizational changes in the companies of partners, depend on organizational culture, relationships, where participants have different roles (Mittilä, 2000; Järvelin 2001; Mittilä and Järvelin, 2001).

Processional information is best acquired through the company's employee understanding and interaction with the clients, with whom they are communicating. Espionage is not acceptable, but it is an effective way to obtain valuable and delicate details. In order to manage successfully expectations companies have to follow even the smallest changes in the client's and be able to spread the use of this information in their enterprise (Mittilä and Järvelin, 2001). In the management of expectations it is important to understand the context of the negotiations. In international negotiations, it is not so easy to do this, because of the language, distance and cultural barriers, which may lead to potential conflicts of interests in negotiations. Examining the expectations of partners is necessary to identify the sources, which influence the decisions of the other side, understanding of the agreement and appearance of potential conflicts. Therefore, organizations often have customer's databases in which are recorded their history. Such database can reduce the preparation time for negotiations and after changes in negotiating team remains as part of the information. In the management of expectations important is the communication model, how another side of the negotiations tends to communicate and exchange information. It can depend on national culture of negotiating side, organizational culture and its experience of negotiating. Further research should explore in more detail the process of managing expectations during negotiating. The next section will analyze intercultural business communication and its relationship with the prevention of conflicts in the negotiations.

In the negotiations can occur various misunderstandings or conflicts among negotiating parties of the same culture. In the case of cross-cultural negotiations is need to know the key elements of incompatibility of the negotiating parties. In the international business communication can take place misunderstanding of different cultural symbols. Since negotiation process is not available without communication, therefore cultural impact to international business negotiations is significant. Culture is an important variable influencing the international negotiations and performance. Values and norms that are part of the culture can influence negotiations stronger or weaker (Christopher et al., 2005). Some authors (Liu et al., 2012) argue that culture, accountability and group membership can determine not only approach in relationship of negotiations and after it (negotiated rates), but also may affect the results of negotiation, for example, a zero-sum perception of negotiation and total benefits. Culture, accountability and belonging to the group may influence the negotiation process, possible outcomes, and approach focusing on the relationship continuity can mediate between culture, accountability, and results of the negotiation group (Liu et al., 2012). The

intercultural negotiation is a complex process of interaction between two or more companies, organizations, or their compounds, originating from various nations and seeks to define their mutual dependence (Rao and Schmidt, 1998).

These authors note that the negotiators' tactics are influenced by several important factors: the negotiators trust owning alternatives, conflict background, time available, social harmony, ethics, etiquette, political affiliation, and cultural distance. Luo and Shenkarb (2002) wrote that the national negotiating teams express negotiating behavior and style, arising from geography, history, religion, and political forms. Conflicts between the negotiation partners frequently arise due to differences in perception, preferences, behavioral styles and objectives. The risk of transaction failure arises due to each country's opportunistic behavior and private initiatives (Buckley and Casson, 1988). Differences in culture, legal pluralism, monetary factors, ideological diversity, and greater uncertainty separate international business negotiations from one culture negotiations (Luo and Shenkarb, 2002). Culture and expectations between them affect all business transactions, and is a factor including business ethics (Pitta et al., 1999). It is noted (Pitta et al., 1999) that corporate culture is based on the time-tested and traditional practices, prevailing business practices and ways of thinking for a long period, which lasted for hundreds or even thousands of years in which the business and culture developed in relevant country. Christopher and Cousin (2005) found that cultural values create differences in negotiating norms, so it is useful to identify and understand the relationship between another country's culture and negotiation strategies. The negotiator's behavior is perceived in dependence on the other negotiator's focused attention to behavior of the other side, the ability to know him, to understand and to conduct the assessment. Therefore, if only in one of these circuit elements occurs an error, you can expect failure or misunderstanding.

The practice of international negotiations increasingly highlights the structure of arising conflicts and disputes. The international negotiations are becoming more universal (Kremenyuk, 1988) than ever before and are able to integrate formal and informal conflict resolution procedures. Modern participants in the negotiations become increasingly interested not only in their self-interests, but also seek to meet their partners' interests (Kremenyuk, 1988). Brett represents cultural impact on the negotiations (Brett, 2001) schematically as follows: culture influences negotiators' interests and priorities that influence the potential of an integrated agreement, and this one influences the types of agreements. Also negotiators culture influences on the negotiation strategies, and interaction model, which ultimately affects selection of the agreement type. In some cultures, bargaining is acceptable and even

required. In other cultures, bargaining might be considered impolite or even offensive (Larson and Seym, 2010, Khalil, 2011).

When analyzing incompatibilities of different cultures it is possible to use analysis of Hofstede's cultural dimensions. This can be extremely useful in design of international business negotiations. When negotiating at international level, it is essential to collect and systemize information, not only about the other side of the negotiation, but also about the context of the negotiations. This may be the impact of other entities that affect changes in the legal, political processes, and many other important factors in a particular negotiation situation. Intercultural communication is an integral part of such factors as the negotiation's environment, culture, ideology, bureaucracy, law, stability and other. All these factors influence the process of negotiations. Therefore, the essential influencing factors must be taken into account when creating strategies of negotiation. The atmosphere of communication in international negotiations in terms of outcome can be: positive, neutral and negative. In the first case, negotiators show solidarity, assess the status of each other, help each other, in negotiations prevail slack positive social-emotional atmosphere, when exist joking, is shown satisfaction. In the second case social-emotional factors are less responsive for negotiating parties, they are changing opinions, perform analysis and are changing with the results of analyzes, calculations, conveys or asking about mutual desires, feelings, exchange tips, directing requests in the right direction, provide operational autonomy. In the third case prevail intense negative socio-emotional atmosphere, negotiating parties may indicate dissatisfaction, passive dissent of proceed only formally, in the negotiations tension is felt. Displayed hostility, degraded status or argued angrily. One of the most important parts of the international negotiations is the ability to understand the structure of the negotiations and to create an atmosphere of trust. This can be achieved by clarifying status of participants, recognizing them, showing solidarity with another part of the negotiations and helping each other.

In order to ensure efficiency of communication negotiating parties frequently require repeated approval of information by partial changing direction of the negotiations or providing new information. In the international communication exist situation assessment problem also when the negotiators need opinion of another side, calculations, analysis, rendering the wishes and feelings in order to assess properly situation. In order successfully control the process, the negotiators should be able to direct properly the other negotiating party, to provide advice, and provide operational autonomy. Each side hopes to give efficient solutions while for this is necessary to see if another side of the negotiations shows consent,

understanding, or otherwise supports the opponent's position. In international negotiations can prevail tension between the negotiating parties, which can be neutralized or reduced by showing satisfaction with jokes, offering a range of support and so other. The biggest problem in intercultural negotiation is language. In international trade negotiations are very important cross-cultural communication, understanding and evaluation of cultural, ethical, emotional, and other differences (Suvanto, 2000). Misunderstandings in communicating can affect objectives of business relations and successful negotiations are based not only on knowledge of the business but also on cultural and economic bases of the other party (Suvanto, 2000). The author points out that both sides can understand the business terminology, concept and purpose of the transaction, but some words, or even non-verbal communication can lead to misunderstandings between the parties, which may affect the outcome of the negotiations. The assessment of impact takes into account the particular case and reasonable decision, and thus perception of the negotiators themselves as, for instance the concept of negotiation atmosphere can mean different things to different people and can be dependent on the negotiating environment (Dee, 2011). Business includes negotiations and negotiating (Pitta et al., 1999), different cultures have different thinking patterns and ways of how to solve problem, culture forms the basis for ethical behavior and determines what is ethical and what is considered unethical. Special literature says that the negotiating strategy and tactics are actions or communication between the two parties (and runs around them) influencing on the results. If the negotiation strategy is aimed to achieve long-term goals and is based on mutually acceptable values, then tactics used in negotiation process must be ethical and moral. Successful international negotiations require the appropriate intercultural understanding, be able to communicate successfully and understand cultural and ethical perspectives and needs of another party, the participants should prepare for negotiations responsibly, that is to know in detail the other side of negotiations, will determine whether the negotiators will be competing strongly or will tend to cooperate (Suvanto, 2000). Lincke (2003) proposes to consider the language of the negotiator, understanding it as a summary of the negotiators psychology. The author shows that the negotiator's psychology influences his speech, which is reflected in his behavior. Van Aswegen (1983) identified cultural factors that affect communication, intercultural communication and negotiation. These factors are: perception, philosophy, values, religion, attitudes (stereotypes, prejudice and ethnocentrism), roles, time factor, language, non-verbal communication. In the negotiation information is greatly appreciated and style of communication plays significant role in intercultural

communication (Christopher et al., 2005). When communication with potential customers is distant it is important to remote communication technique. The primary goal of remote communication is to arrange a meeting in which negotiator should have more negotiating powers than remotely.

Nonverbal communication can perfectly illustrate the differences of transferable values between different cultures. Intercultural negotiations are influenced by power of negotiator status, inequality, also works negotiators approaches affecting the perception, behavior and communication. Trust between negotiating parties can also be cross-cultural problem, depending on what cultures people negotiate. The symbols are only one communication phase and has a direct influence on the content of the message, which negotiator transmits by communicating and when the other side accepts it. A positive outcome of negotiations depends on the message content and common values. Significance of signs and symbols can be determined only in communicating. Intercultural communication directly affects negotiations. Negotiations are impossible without communication. Because the existence of intercultural differences between cultural dimensions of negotiations may occur the inevitable incompatibility: understanding of symbols differences, language barriers, different behaviors, gestures, and so on. For obvious reasons of cost the negotiations frequently are organized by remote interactive way. There are various technical means in remote negotiations: email, phone, mail, video conferencing, chat boards, text messages, bargaining and other online media. With the help of video conferencing in the international negotiations is possible to use more negotiating powers than for example by phone, e-mail, text messages, etc. These all technical measures differ from one another in response speed. In some cases, it is better to communicate by e-mail, mail or telephone as having more time to prepare an answer or proposal. For example video conference solutions must be accepted more operatively. Therefore it is difficult to use a variety of negotiation support systems. From the literature reviewed, we see that cross-cultural communication in business negotiations are facing new challenges in the context of the rapid changes in media of communications, the globalization changes, changes of the values in different cultures. This assessment is important for prevention of conflicts in intercultural business negotiations, which can help to achieve smoother interactions between participants and results.

4. ANALYSIS OF CULTURAL DIMENSIONS AND IMPACT ON INTERNATIONAL BUSINESS NEGOTIATIONS

The international business representatives from different countries when preparing for a business partnership or the transactions, often are analyzing traditions, differences, properties of other countries. Businesses in order to facilitate business process are trying to adjust to the peculiarities of the other party. In order to achieve this can be analyzed cultural dimensions which can convey the essential incompatibilities between the parties. Analyzing incompatibilities between different cultures there can be used the analysis of Hofstede's cultural dimensions. This can be very useful in the design of international business negotiation processes because it can convey the differences between the different cultural dimensions among the negotiating parties.

Intercultural differences dimensions may influence the negotiation process between representatives of different cultures. There may be different understanding of the various symbols or actions in different cultures. So, before the start of international negotiations it is necessary to get acquainted with other cultural features, or even to hire mediator who knows this culture well. In special literature it is recommended to communicate in the international negotiations with intermediaries who are familiar with the culture of the other party and having legal background, because they may have the knowledge about cultural and legal aspects in the negotiations about the other party.

Context of the negotiations at the international level is faced with the differences between various cultures: a long-term attitude towards communication, the power placement, the uncertainties avoiding, emotional differences between the negotiating parties and others. These and other differences in cross-cultural dimensions can influence the process of negotiations between the representatives of different cultures. May vary understanding of various symbols or actions in different cultures. Impact of negotiation strategies for the final results are significant, therefore, in the preparation phase of negotiations it is necessary to examine the cultural dimensions of the other party. In special literature are observed that for the negotiating team during negotiations with other cultures is needed to adapt. Therefore, it is necessary not only to get acquainted with other's cultural dimensions, but also with the existing differences, which may arise difficulties in communicating. One should also to predict potential cross-cultural conflicts, misunderstandings and the measures to prevent them. Therefore, in the article are analyzed cultural dimensions described in the world literature. In

scientific literature can be found a lot of the concepts of culture and they are very different. So in the article will be presented contributions of several authors.

Culture is a set of beliefs and values (Javidan and House, 2001), Hosted By (1991) write that culture is the collective programming of thinking that distinguishes members of one group from the other in terms of values forms, beliefs, assumptions, expectations, perceptions and behavior. Cultural values are desired practice and cultural practice of people, show people's perception of everything what is being done in their countries (House et al., 2002). It can be argued that culture is a set of shared attitudes, values, goals, and practices, according to which described institution, organization or group affects all aspects of society and human life (Gaygisiz 2013). Culture is defined as a constellation of slightly interconnected values, practices and norms, by which are shared related group of people of a certain nation (Chiu et al. 2010). Culture consists of a set of values and practices that have been developed and maintained from generation to generation (Markus and Kitayama 1999). Culture reflects the values and thinking patterns, feelings, emotions, and behavior of identifiable groups. Though many nations have a modern and civilized-developed infrastructure, culture shows how human civilization interacts among each other (Pitta et al. 1999). That author states that the primary cultural values are transmitted by educational process of children of that culture members, in the process of socialization, education, and religion. There are also secondary factors which influence ethical behavior, they cover the differences in the laws between nations, adopted in human resource management systems, organizational cultures, and professional cultures, and codes of conduct (Pitta et al. 1999).

Cultural values shall determine what do members perceive as important, and the cultural norms specifying what does it mean appropriate or inappropriate behavior (Christopher et al. 2005). Also, these authors argue that the cultural values and norms have an impact on how does situation is perceived and how are they responding to other people's behavior. Culture is a complex in which there are knowledge, belief, art, moral norms, customs, and skills that are required from the human in the society concerned (Johnson 1962).

It can be argued that there is no common definition of culture concept in the literature. Therefore, this work will treat that culture is a set of behavioral practices and norms, perceptions, beliefs and values, which are imposed to individual by society. Hofstede has identified four dimensions of cultural change. He conducted a study that reviewed the international corporations of 50 countries and three regions (in original report in 1980 he analyzed data from 40 countries, when later in 2001,

the countries surveyed increased from 40 to 50, and an additional 14 countries of three regions) (Lincke 2003).

Hofstede's (2001) concept of cultural classification is based on the idea of individual's mind programming. An individual in the process of socialization from the surrounding environment gets models which act his thinking, feelings and behavior. If an individual child or young person receives certain values and attitudes, he is considered as a "culture bearer" (Pruskus 2004). Values are key components of the mind programs and are the basis of culture. So Hofstede (2001) have defined the culture as "the collective programming of the mind which separates the members of one group from another."

Culture is a system of collective behavior, which is determined by values. These cultural values determine how the individual or a social group are responding to the current environment. Hostede proposed the paradigm (Pruskus 2004), which identified five problems of cultural dimensions (the facing every culture, and solves them in their own way), according to which separate cultures can be described and compared:

1. Power distance;
2. Uncertainty avoidance;
3. Individualism - collectivism;
4. Masculinity-femininity;
5. Long-term - short-term orientation.

The prevalence of these dimensions reflects the culture in which individuals act as carriers and multipliers of national treasures (Pruskus 2004). Power distance - is associated with request or non request of inequality in society, as well as with dependence and interdependence levels. This dimension shows how many people recognize that over their management hierarchy are those within power. In cultures with a higher power dimension, managers and subordinates keep each other unequal. Therefore they do not worry and take it as unavoidability, with which is a need to be reconciled. Here the government is centralized, and are experts from the subordinates to carry out orders. Lower power distance cultures, managers and subordinates are treated more equal and there are no such strict boundaries separating them.

Uncertainty avoidance dimension expresses ambiguity, lack of tolerance and the need for formal rules. It shows the extent to which people in a given society feel vague threat situations and tries to avoid them. In high uncertainty avoidance countries with a low uncertainty avoidance, various rules and procedures are emphasized less because it is more reliance on common sense and generalizations.

Individualism - collectivism dimension indicates the extent to which individual interests have priority above the group interests. In countries where is strong individualism or weak collectivism, the individual and the family are emphasized. Here the priority is given to respect for the person and individualism of the family, or in a strong collectivism, collectivity is appreciated because personal identity is based on membership in a group. Individualism and collectivism - these views expresses two poles: a tendency more quickly to meet the personal needs (individualism), or to see the interests of the group (collectivism).

Masculinity - femininity dimension describes what society tends to emphasize: persistence and a performance targets (eg, wages and promotion), or care, and personal goals (eg, friendly atmosphere, good relationships with managers and other staff). For this reason, feminine society better adjusts to gender differences than masculine society.

Long-term-short-term orientation dimension defines how quickly members of the public expect results. Long-term orientation provides performance-oriented rewards in the future, it encourages perseverance and frugality. Provides a short-term orientation to the past and present times related properties namely the promotion of respect for the traditions and social obligations. House and others (House et al. 2004) conducted a ten-year research program known as GLOBE, in order to examine culture through values and practices. They presented nine cultural dimensions with explanations:

- *Power distance*. To what extent do members of the public expect that power is distributed equally. It shows what part of the Community. Maintain inequality among its members, individuals and groups stratification of power, authorities, prestige, status, wealth and tangible assets (Hofstede 1980, 1991, House et al., 2004).

- *Uncertainty avoidance*. To what extent do members of the public based on social norms, rules and procedures in order to reduce the uncertainty of future events. This dimension reflects the people's actions to avoid obscure situations, norms, values and beliefs, which are defined in the rules, laws, regulation.

- *Focus on the future*. This dimension shows how many people are involved into future-oriented behavior when delaying to meet the current needs but there are projects and investigation into the future. It reflects the degree to which the community is paying a higher priority to long-term efficiency, and is targeted for capacity strong and wishes deal with future uncertainties and to formulate future goals and to achieve their implementation, to develop strategies which could meet future aspirations (Javidan, House, 2001; Ashkanasy et al. 2004).

The institutional collectivism. This dimension reflects the degree that reflects the organizational and public institutional practices to encourage and evaluate the collective distribution of resources and collective action. It shows how many people in the community are integrated into a cohesive group, how much the group goals have priority over the individual goals, how much people point the relationship with the group, and how much a person can engage in group activities and make larger or smaller differences between the group members and people who are not in the group (Gelfand et al. 2004).

- ***Group collectivism***. This indicator reflects the extent to which a lot of people feel the pride of fidelity and consistency in their organizations and families. It reflects the degree to which attention is paid to the family and the pride of dependence and devotion to (loyalty) organization (House et al. 2004).

	Hofstede and others (2010)	Hall and Hall (1994); Hall (1976)	Tsang (2011)	Chow and others (1998)	House su kolegomis (2004)	Javidan & House, 2001	Ashkanasy et al, 2004	Gelfand et al. 2004	Heales et al. 2004	Javidan 2004	Emrich et al. 2004	den Hartog, 2004	Schwartz (2006, 1992)	Inkeles and Levinson (1969)	Triandis (1995)	Chinese Cultural Connection	Clark (1990)	Trompenaars (1997)	Dorfman and Howell (1988)	Smith et al. (1996)	Keillor and Hult (1999)	Steenkamp (2001)
Power Distance	X				X								X	X		X	X		X	X		X
Masculinity-Femininity	X												X			X		X				X
Uncertainty Avoidance;	X				X								X			X	X		X			X
Individualism - Collectivism	X												X	X	X	X	X			X		X
Long-Term-Short-Term Orientation	X																					X
Confucian Dynamism	X		X													X						
Low And High Context Negotiations		X																				
Integration- Attitude Towards Work			X																			
Integration - Approaches To People			X																			
Moral Discipline			X													X						
Status And Relationships			X																			
Moderation			X																			
Face				X																		
Orientation To The Future					X	X																
Institutional Collectivism					X		X															
Group Collectivism					X																	
Humane Orientation					X			X														
Activity Orientation					X				X													
Gender Equality										X												
Assertiveness											X											
Domination / Harmony													X									
Autonomy / Anchoring													X									
Egalitarianism / Hierarchy													X								X	
Term Of Personality														X								
Relations With The Government														X								

The Main Problems And Conflicts														▓						
Sincerity Of The People																▓				
Integration																▓				
People's Concerns																	▓			
Relations With The Government																	▓			
The Ratio Of Risk																	▓			
Neutrality / Emotionality																		▓		
Universalism/Particularism Individualism / Omunitarianizm																		▓		
Attitude To Time																		▓		
The Specific/Diffuse Achievement/Assignment Attitude To The Environment																		▓		
Paternalism																			▓		
Loyal Involvement/Utilitarian Involvement																			▓		
Conservatism / Egalitarianism National Heritage/Cultural Homogeneity / Belief System /																			▓		
Consumer Ethnocentrism																				▓	
Skill / Good Training																					▓
Fast And Slow Information	▓																				
Territoriality	▓																				
Personal Space	▓																				
Mono Chronic And Poly Chronic Time	▓																				

Figure 10. Comparison of cultural dimensions (prepared by the author)

- Orientation to humanity.

It is a measure of the degree, which evaluates how strong teams, encourage and reward individuals for being fair, altruistic, generous, caring and good to others (House et al., 2002). It reflects how people are tolerant to errors (Healy et al. 2004), friendly, sensitive, and the harmony (Javidan and House, 2001).

- *Performance orientation*. It shows how groups promotes and rewards group members for performance improvement and competencies. This reflects how much society encourages its members for innovation, quality and productivity improvement (Javidan, 2004).

- *Gender equality*. This indicator shows how groups seek to reduce gender inequality. It reflects the extent to which society seeks to reduce the differences between women's and men's roles in the home, in organizations and communities (Emrich et al., 2004).

- *Assertiveness.* This indicator shows how much individuals are assertive, conflict and aggressive in relationships with others. This reflects the degree which describes how individuals in society are stubborn, tough, dominant and aggressive in social relationships (den Hartog, 2004, p. 403).

Below in Figure 10 give 22 in scientific sources 47 mentioned intercultural dimensions. Unfortunately, not all in the literature mentioned dimensions are empirically tested, for example in sufficient detail as Hofstede's cultural dimensions.

In the preparation of the international business negotiation strategies it is important to understand the influence of different cultures and the impact on the negotiation communication. In strategy it is necessary to provide for a variety of possible cross-cultural misunderstandings/incompatibility avoidance techniques. Therefore, it is important to know and understand both the own and of the other party the most important elements of cultural differences. The next section will examine impact of culture on negotiations.

Various misunderstandings in negotiations may occur among the same culture of the negotiating parties also, in the case of negotiation between different cultures it is necessary to know the basic elements of the incompatibility of the negotiating parties. In the international business communication can take place misperceptions of symbols of different cultures. As the negotiation process without communication is impossible, therefore, impact of culture on the international business negotiations is significant.

Culture is an important variable influencing the international negotiations and performance. Values and norms which are included in culture, can affect the negotiation either stronger or weaker (Christopher et al. 2005). Some authors (Liu et al. 2012) argues that culture, accountability and group membership can determine not only approach to relationships in the negotiations and after (negotiated rates), but also likely to influence and the outcome of negotiations. For example, a fixed "pie" perception and overall benefit. Culture of accountability and

ownership of the group may affect the negotiation process and potential outcomes, and approach-oriented relationship continues to mediate between culture, accountability, and the group outcome (Liu et al. 2012). Intercultural negotiation is a complex process of interaction between two or more companies, organizations, or their compounds, originating from a variety of nations and seeks definition of their mutual dependence (Rao and Schmidt, 1998). These authors point out that negotiators tactics are influenced by several key factors: the negotiators trust, possession of alternatives, conflict background, time available, social sustainability, ethics, etiquette, political affiliation, and cultural distance. Luo and Shenkarb (2002) writes that the national negotiating team expresses negotiating behavior and style, resulting in geography, history, religion, and policy forms.

Negotiating partners, conflicts often arise because of the differences in perception, preferences, behavioral styles and objectives of the transaction to fail is to risk for each country of opportunistic behavior and private initiatives (Buckley and Casson 1988). Differences in culture, legal pluralism, monetary factors, ideological diversity and greater uncertainty distinguished international business negotiations from one cultural negotiations (Luo and Shenkarb 2002). Culture and expectations between cultures affects all business transactions, culture is a factor covering business ethics (Pitta et al. 1999). It is noted (Pitta et al. 1999), the corporate culture is based on the time-tested and traditional practices prevailing business practices and way of thinking for a long period, which lasted for hundreds or even thousands of years, during which, and has formed a business culture in the country. Christopher and cousin (2005) found that cultural values creates a negotiating rate differentials, so it is useful to find and to understand the relationship between the other country's culture and negotiation strategies. Negotiator behavior is perceived depends on the other negotiator's focus on the other side of behavior, ability to learn, to understand and to conduct the evaluation. Therefore, if only one of the circuit elements an error occurs, you can expect failure or misunderstanding.

In some cultures, bargaining is acceptable and even required. In other cultures, bargaining might be considered impolite or even insulting (Larson and Seyman 2010, Khalil 2011). Authors Larson and Seyman (2010) write: "Different cultures and different religions can lead to dramatically different reactions for the same behavior, such as.: In the Jewish religion, the basic principle of truth significance is dependent on the other side - the listener. If words cause misunderstanding and are confusing the other side, then it is not allowed according to Jewish religious

doctrine and tradition. But if these words not disappoint the other side even if these words are lying, they are allowed."

When negotiating at international level, it is important to collect and organize information not only on the other side of the negotiations, but also on the context of the negotiations. It may be, effect legal changes, political processes, and many others important factors in a particular bargaining situation of other entities that have an influence. In the next section will be examined the context of intercultural of negotiations.

In negotiation strategy negotiating context is an important component, so without bargaining context, it would be difficult to know what the bargaining power in negotiations you should use, what tactics should be chosen. Cross-cultural context of negotiating may be conditioned by legal environment, organizational values, cultural values. These variables must be taken into consideration, otherwise it would be difficult to understand objectives, strategies, tactics and relationships of other side of the negotiation. Cultural context conveys the picture of a whole culture that enables to understand structure of ethical decisions. In the context of culture main attention is given on: not for cultural differences, not to see whether any negotiating tactic is ethical or not - but for how negotiators see the situation and what variables they will take into account during the decisions-making process (Rivers et al. 2003). These authors notice that morality and philosophy of culture operates the organization's values, the legal environment, and the perception of the other side. Authors point out that the objectives of the organization, the legal environment, culture, morality and philosophy have influence for the choice and implementation of negotiating strategies. It is also emphasized that morality and philosophy of culture have an impact on ethics of monetary relations.

Authors (Lewicki et al 2001) observes that environmental context consists of the political and legal pluralism, external stakeholders, cultural, and ideological differences, instability, and the various changes in foreign government control and bureaucracy, currency fluctuations and exchange conditions. All these factors have an impact for direct (immediate) context also. Direct context includes:
- The relative bargaining power of the negotiators;
- The essential needs of the negotiating parties;
- The level of negotiating conflicts;
- Negotiating relationships (before and after negotiations);
- The desired outcome of the negotiations;
- Direct stakeholders.

The negotiation process and the final results are influenced both by environmental context and direct (immediate) context. The negotiators from different cultures (countries) are using different negotiation strategies and communication patterns within the country and between countries (Lewicki et al. 2001), those authors report two types of contexts that affect the negotiations: the environmental context in which the negotiator has no impact over or supervise; the immediate context in which the negotiator is affecting context, and may have little control over.

In the negotiations between business entities is relevant pre-negotiation phase. In this phase, it is necessary to determine the context of the negotiations. In international / intercultural negotiations to do so is even more difficult. Context of the negotiations often consists of previous experience with the other negotiating party, its competitors, partners, suppliers, and other stakeholders. The business relationships appear between businesses of different countries In the globalization process. But it is not easy without negotiating experience to see the context of negotiations in international negotiations.

In this case information about the other negotiating party must be collected and analyzed. It can be done by asking subjects related to the other negotiating party, gathering information on Web search sites, analyzing company performance and experience. There is also required to explore the expertise, experience and so on about the negotiators of the other party.

In preparation for international negotiations must be taken into account the fact that the negotiator may not be necessarily representative of the same country and culture. Negotiating parties can hire a representative / expert from another side of negotiating, to help during the negotiations. Therefore, before the negotiations this must taken into account. Also it can be beneficial to hire expert from another country for the possibility to learn more about the context of the negotiations prevailing in the market of that country / region.

As regards the experience in the market is difficult enough to know for new businesses about their own and other business context. This can take a lot of time, so in this situation without the expert assistance it would be difficult to achieve effective results in the negotiations.

5. COMMUNICATION AND SUPPORT OF INTERNATIONAL BUSINESS E-NEGOTIATIONS

Internet, computing and communication technologies provide new opportunities to design and implement programs that may support the negotiators. In the

international remote negotiations negotiation support system plays a significant role. Electronic negotiation systems can be an effective tool dealing with complex problems in managing large amounts of information. In this article the analysis was done on the global scientific literature of international electronic communication in business negotiations. The paper investigated the electronic support systems for business negotiations. In the conclusions the authors provides suggestions on how to facilitate negotiation support system, to determine a more precise context of the negotiations, as well as suggestions for further negotiations research.

Intercultural communication directly affects negotiations. Negotiations are impossible without communication. The existence of intercultural differences between the cultural dimensions in the negotiations may result in unavoidable inconsistencies: symbols understanding differences, language barriers, different behavior patterns, gestures and so on. For obvious economic reasons in negotiations communication frequently is in a distance interactive way. There is a variety of technical means in distance negotiations: email, phone, mail, video conferencing, chat boards, text messages, multimedia online bargaining and others. Information collection, analysis and presentation should be effective negotiations, especially when the information is needed in expeditious negotiation situations, for example video conferences. Electronic negotiation systems can be an effective means of dealing with complex problems in managing large amounts of information. Electronic negotiation systems can be specialized and directed to facilitation of specific processes or to be universal for all processes.

Intercultural communication is an integral part of such factors as bargaining environment, culture, ideology, bureaucracy, law, stability and so on. All these factors have an impact on the negotiation process. Therefore, developing negotiation strategies is necessary to take into account key factors affecting. This section will review the most important factors that influence international negotiations.

The outcomes of communication atmosphere of international negotiations may be: positive, neutral and negative. In the first case, negotiators show solidarity, evaluates the status of one another, help each other, negotiations dominated by slack positive socio-emotional climate in which each is joking, showing satisfaction. In the second case, the social-emotional factors is less influenced, the negotiating parties exchange views, perform analysis and change analysis, calculations, convey, or asking about mutual desires, feelings, exchange tips, leads / calls directed in the right direction, allows for autonomous action.

In the third case consists predominantly intense negative socio-emotional atmosphere, the negotiating parties may indicate dissatisfaction passive opposition,

to act in a purely formal negotiations feels voltage display hostility, degrading status angrily defended or argued.One of the most important parts of the international negotiations is the ability to understand the structure of negotiations and create an atmosphere of trust. This can be achieved by drawing the status of participants, recognizing them in showing solidarity with the other side of negotiations and helping each other.

To ensure communications effectiveness negotiating parties often require re-validation of information, amendment to the direction of negotiations or presentation of new information. In international communication there is the problem of the evaluation of the situation, the negotiators needed. Opinion of the other side of negotiations, calculations, analysis, wishes and feelings of rendering help to assess properly the situation. To successfully control the process, negotiators should be able to consistent direction of other negotiating party, to provide advice and give action autonomy.

Each side hopes for a fruitful decisions and there is necessary to see whether the other side of the negotiations shows agreement, understanding, or otherwise supports the opponent's position. In international negotiations may prevail tension between the negotiating parties, which can be neutralized or reduced, showing satisfaction with jokes, offering a wide range of assistance, etc.

In intercultural negotiations, the biggest problem is the language. In international business negotiations is important intercultural communication, cultural, ethical, emotional and other differences in the perception and estimation (Suvanto 2000). Misunderstandings in communicating can affect business relations objectives, and successful negotiation is based not only on the business knowledge, but also on cultural and economic bases of the other party (Suvanto 2000). This author notes that both sides can understand the business terms and concepts and purpose of the transaction, but some words or even non-verbal communication can lead to misunderstandings between the parties that can affect the outcome of negotiations. The assessment of impact takes into account the particular case and a reasonable person's decision, and thus the perception of the negotiators themselves, as an example negotiating atmosphere concept can mean different things to different people and can be dependent on the negotiating environment (Dee 2011). Business involves bargaining and negotiating (Pitta et al. 1999), different cultures have different thinking patterns and ways how to solve problems and culture forms the basis for ethical behavior and determines what is ethical and what is considered unethical. International negotiations have many elements, such as intercultural communication, the zone of influence, coalition formation processes, problem

solving, growing the bargaining power of the parties, bilateral agendas, and discussion.

In special literature is written that the negotiating strategy and tactics are the action or communication between the two parties (as well as running around) influencing the results. If negotiation strategy is aimed to achieve long-term goals and is based on a mutually acceptable values, then the negotiation process and tactic must be ethical and moral. A successful international negotiation requires the promotion of intercultural understanding to allow a successful communication to understand other cultural and ethical attitudes and needs. Participants must prepare responsibly for the negotiations, in detail will know another side of the negotiations and determine whether the negotiators will be competing strongly or tend to cooperate (Suvanto 2000). Lincke (2003) proposes to consider the negotiator's language and understanding it as a negotiator psychology summary. This author shows that the negotiator's psychology affects speech, which is reflected in the behavior of a negotiator. Van Aswegen (1983) identified cultural factors that affect intercultural communication and communication in the negotiations. These factors are: perception, philosophy, values, beliefs, attitudes (stereotypes, prejudice and ethnocentrism), roles, time factors, language, non-verbal communication.

In the negotiation process the information is much appreciated and the style of communication plays a very important role in intercultural communication (Christopher et al. 2005). Despite cultural differences, the optimal outcome of the negotiations can be achieved if in the negotiations will be three key elements of success (Christopher et al. 2005):

- All the negotiating parties must assess the exchange of informatikon;
- Be a tool for achieving informatikon;
- Both sides in the negotiation process must be willing to get information.

Laid down standard features which can often put up barriers for successful negotiations (Suvanto 2000):

- Negotiating environment;
- Culture;
- Ideology;
- Foreign bureaucracies and organizations;
- Foreign law and government;
- Different currencies;
- Instability and rapid change.

In intercultural interaction play cultural, social, ethnic variations that works in interactions between individuals in complex of societies.

Negotiator in communicating remotely with potential customers is an important remote communication technique. The initial distance communication objective is to arrange a meeting during which the negotiator should increase bargaining power than is possible remotely. The most important steps in the remote before the negotiation of communication:

1. The optimum communication state (negotiator focus interview);

2. Greeting;

3. Caller identification

4. Introduction. Further communication can facilitate the other details of the information received. Request side or the other right time to communicate.

5. Calls target. This step is necessary to give the call target, which demonstrate the potential benefits of the meeting, as well as intrigue the other side to meet. During the interview should not provide all information, especially which would be provided at the meeting, arguing that it is possible to do so only at the meeting.

6. Meeting required. The importance of the meeting is significant because of opportunities to exploit more bargaining power than in remotely. In calls accuracy is brought the meeting intrigue which encourages to meet and to obtain the additional information.

7. Alternative timing techniques. Potential meeting time should be combined by the negotiator to favor a few alternatives going to a more accurate time. For example: Is it better for you to meet on Monday or Thursday, in the first half of the day or after 14 hours, etc.

The development of the needs of other side of negotiations is an actual aspect in the negotiations. From this point belongs success of counterparty. The demands development technique may include:

a) Determining the situation of another side of negotiations (actual problems/needs). At this stage there are considered or even prompted by the existing problems / needs. These problems / needs before the negotiations could not exist, but the negotiator can discover and present them.

b) Justification of solutions to these problems / needs. At this stage, the arguments are presented why it is necessary to deal with these problems and needs.

c) Argumentation the suitability of the proposed decisions. At this stage the estimation is given for potential problems / needs solutions performance.

All the demand development phase must be specifically targeted to the negotiator's useful direction. Negotiations usually are managed by those who ask targeted questions and they lead the conversation in the direction of benefit, and managing the situation. Prior to the negotiating conversation it is possible to prepare for interview scheme, in order to better manage the negotiating process. During the conversation is necessary to ask as many questions so exploring the needs of other side and the current situation, position. Most importantly is that the questioning would be tactful, unobtrusive and will not spill to interrogation. You should not forget to provide information about yourself, and organization you represent. During the meeting you need to figure out the most important criteria according to which the deal will be evaluated. You also need to get all the information that is required to submit the proposal. When proposal was made it is appropriate to consult the counterparty perspectives and possible future steps.

The following will be presented question types and their applications:

A. *Situational*. These are mostly neutral questions in order to clarify the situation, position. With these questions you should not abuse.

B. *Problematic questions*. When problems and the needs of the other side of the negotiations are identified.

C. *Actualizing questions*. These questions may prompt to another side the possible consequences of negotiations problems. These questions should be the most.

D. *Referring questions*. Referring questions should lead to a negotiator's proposed solution benefits. These questions should be at least - a few.

After the questions which asked other side of negotiations they can feel that they more deeply have understood own problems and the necessary solutions. This can be achieved by the successful outcome of the negotiations. In negotiations are a variety of situations in which appear different contradictions. Those conflicts can be managed in the following ways:

1. When the contradiction is transferred to the reason:

a) Hearing of contradiction;

b) The reason adjustment (for example, why not?);

c) The answer to the reason.

2. Blocking. When is given condition that after the dissipation of contradiction the deal will be. For example whether it is the sole reason why deal is not been concluded? If the answer is "Yes", then must be asked whether the deal be if the contradiction will be resolved. If the answer is "No", then are eliminated other contradictions until remain the last and before removing it will be requested a deal.

Nonverbal communication can perfectly illustrate the communication during the transferred values between different cultures. Intercultural negotiations are influenced by negotiator's power, status, inequality, also act negotiators attitudes that affect perception, behavior, and communication. The trust between negotiating parties there may also be cross-cultural problem, depending on what cultures people negotiate.

Symbols are only one communication phase, and it has a direct influence on the content of messages that transmit communicating negotiator and the other side it takes. A positive outcome of the negotiations depends on the unity of message content and meaning. Signs and meanings of symbols can be determined only in communicating.

In order to fully explore the negotiations communication and innovation are necessary to know and understand the key negotiation parameters and principles. The principles of negotiations are essential for the design of various negotiations support systems. The next section will examine negotiations parameters and principles.

Over the past decades advances in computing and communication technologies appeared in a variety of communication and support measures. So in this section will be made review about the basic negotiations support systems which help the negotiators more quickly and economically to accept efficient solutions. Internet, computing and communication technologies provide new opportunities to design and implement programs that may support the negotiators, mediators and arbitration (Braun et al. 2006).

Electronic negotiations systems (ENS) are using internet technologies that the negotiators could communicate (Kim et al. 2007). Therefore in the next section will be more widely reviewed electronic negotiations systems and their typology. Since 1970, various systems have been designed so as to meet the complex negotiation tasks: conflict detection, management and distribution, consensual search, agreement stability assessment and balance analysis (Kersten, Lai 2007). Programs such as group decision support system (GDSSs), group support systems (GSSs), and meeting support systems (MSSs) have functions which aim to resolve conflicts and to organize (Fjermestad, Hiltz 1999).

NSS (negotiation support system) the minimum content: DSS (Decision Support System) and communication, where DSS is focused on a user because it helps them to understand and formalize the goals and desires, and is focused on the problems because it helps users to understand the structure of the problem, search for solutions and to perform sensitivity analyzes (Kersten and Lai 2007). NSS provides

support that works with the negotiation process, providing support for users to understand the other side of the negotiator priorities and potential limitations prescribed by their actions, offering the possible coalitions and advising on agreements (Kersten and Lai 2007).

Table 3 below presents main dimensions NSS, which are divided into context, process, and outcome measurements.

Table 3. Key constructs in NSS (Kersten, Lai 2007)

Contextual dimensions	Process dimensions	Result dimensions
User • Individual characteristics • Number of users • Knowledge of the opponent • Orientation	Process • Concession type structure • External communication • Type and number of tenders • Message number and type of • Frequency of offers and messages • Regulations, issues and opportunities for modification • Process length	Agreement • The negotiations resulted in • Use the value • Efficiency • Justice • Satisfaction • Trust
Task • Type of problem • the degree of conflict • Time pressure • The degree of anonymity • complexity • Context • Communication Model	Perception • Expectations • BATNA • reservation Levels • Aspiration Levels • Subtleties and the error • Settings • The opposing disclosure	Assessment of the other party • Degree of cooperation • Friendliness • Willingness to work • Satisfaction • Trust
System • DSS model • Incoming / outgoing media • Communications Media • Protocol • Mediation, intervention • Support Phase • Free text communication	Approach • Degree of cooperation • Confidence • Focus on the task	Process evaluation • The length of evaluation • Satisfaction with the process
		Evaluation of the system • Ease of Use • Utility • Use Intentions • Effects on behavior and outcomes

Context dimensions are divided into user tasks and system. Process consists of the dimensions: process, perceptions and attitudes. The results consist of agreement, assessment of the other party, process and system evaluations.

NSS (negotiations support system) tools and features must be designed according to users (Kersten and Lai 2007):

A. Free to use in their decision-making powers.

B. Represents themselves and / or management interests.

C. Dependent on their ability to achieve their goals.

D. May terminate the process on their own will.

E. You may not agree with every proposal, ask for another proposal and offer a response.

NSS has four main sub-systems, it has a language system (LS) consisting of messages and presentation system (PS) consisting of the messages that are delivered to the user (Holsappl *et al*. 1996). NSS has problem processing system (PPS). This system uses the knowledge system (KS). The result is given from KS to the PS.

Negotiation support system (NSS) is a program which implements the models and procedures, has the communication and coordination facilities, and is designed for two or more countries and / or contained in a third negotiations party (Kersten, Lai 2007). Some systems focus on the effectiveness of communication, information sharing and documentation of negotiations coordination (Turel, Yuan 2007), these systems are more focused on the process support than to the problem support, they lack the DSS component.

In Table 4 below are presented negotiations support functions, which are divided according to the following parameters: the problem, participants, consent, boundaries, position, strategy, action, negotiation rules for intervention.

Other systems have extended support giving to the other side's actions and reactions to the anticipation and constructive arguments (Sycara 1990). In order to include all these systems there have been proposed the creation of electronic negotiations systems (Insua et al. 2003). In these days the internet plays an important role in business communication. Cyberspace provides more opportunities for quick and effective negotiators to analyze exchange of information. In order to do this effectively is necessary to identify the key electronic negotiations systems and their applications. Next section will examine the basic electronic negotiations systems.

Table 4. Functions that a NSS could perform in support of a negotiation (Holsappl et al. 1996)

Parametres	Possibilities of support
Problems	Set the dimensions of negotiations problem. Set each dimension value for each entity. Set boundaries for each dimension.

	Formally present problem space.
	Set the possible problem space.
	Space of the process reflecting the problem.
	To supplement and support changes in problem space.
Participants	Knowledge about the participants.
	Completion of knowledge about the participants.
The consent limits	Set of one or more participants in the consent limits.
	Change the limits of consent players.
	Monitor and record the participants consent limits.
	Calculated limits of agreement.
Position	Show the position in problem space.
	Present all possible positions in space of consent.
	Provide all the possible positions in agreement area.
	Calculate the relative values of all positions between the consent limits.
	Detect when the situation is at the boundary of agreement.
	Monitor all the players and keep track of changes.
	Measure current or potential positions variances.
	Find variance trends between the each point of negotiations process.
Strategies	Monitor participants previous strategies and analyze changes.
	Provide participants strategies.
	Design, select and monitor strategies.
	Notice the need of coalition and monitor it.
	To analyze the potential effects of forming coalition.
Actions	To get the position of all the candidates to be able to move around chosen strategy.
	To choose whether to recommend new position situation of the possible positions.
	To capture the history of all players actions and analyze changes.
	To predict participants' actions.
Negotiating rules	Collect and maintain knowledge about the negotiations rules.
	Protect the participant's behavior that he would keep compliance with rules.
	Detect when the potential actions may violate.
	Recognize potential deadlock situation.
	Recognize when it is better to terminate the negotiations.
Intervention	To introduce participants about the intervention action and vice versa.
	Recognize the time and situation in which the intervention is necessary.

Electronic negotiations systems can be an effective means of solving complex problems in managing large amounts of information. Electronic negotiations systems can be specialized and targeted for specific processes to facilitate or to be universal for all processes.

Negotiations are complex when examined all the complex issues, because of it into the various phases of negotiations and tasks the computers were included (Kersten and Lai 2007). Recently, electronic commerce had replaced the traditional business techniques and skillful agents are making business processes more efficient in electronic commerce (Ren et al. 2011).With the help of electronic

commerce, people can easily publish information, negotiate with opponents, and search for items.

Negotiating agents play an important role in electronic commerce and became very popular, but e-commerce is a relatively closed and static, is also not realistic (Ren et al. 2011). In a rapidly changing environment agents involved in the negotiations may be unsuccessful due to environmental changes and their unforeseeability, depending on the dynamics of e-commerce, negotiations agents should adapt their negotiation strategies, respectively (Ren et al. 2011).

Negotiations network is usually referred to as electronic negotiation and the systems they use are called electronic negotiations systems (ENS). ENS is an information system that employs web-based technologies that are installed on the network. In defining the concept of ENS this is a program installed on a network, which can help to one or more of the negotiators, mediators. In this order are employed e-mail, mail chat boards, and video streaming in the negotiations, the same as are used in automatic negotiations or auctions (Braun et al. 2006).

As about the ENS as a program to assist in the negotiations, which is posted on the network and adding to the range of the negotiating framework, it can help to one or more of the negotiators, mediators or assistants, this includes e-mail, chat, video streaming is used in negotiations (Lempereur 2004), a program used to facilitate (Bichler et al. 2003), the automated negotiation and auctions (Jennings et al, 2001), and programs, which includes both negotiations and auction mechanisms (Teich et al., 2001).

Early NSS use has been limited because (Braun et al. 2006):
1. Limitations of information and communication.
2. Restricted computer literacy managers.
3. Model structure complexity, often based on rationality, which requires a significant amount of user input.
4. Insufficient attention to the psychological and sociological factors in negotiations.

Negotiating framework agents have advantages on automation of structured problems, so these agents can work well-defined and structured in terms of the negotiations, as for these agents is not necessary to perform all the actions (Braun et al. 2006).

Electronic negotiations systems (ENS) use internet technologies and media that the negotiators could communicate. The main challenge for the development of electronic negotiations systems (ENS) is that the system must be suitable to the context, which may vary in different negotiations situations (Kim et al. 2007).

When negotiations are conducted face to face (called Face to Face - F2F), the context is defined by interpersonal relationship patterns, which are usually implicit and the negotiations that are supported by systems must have a well-defined context, that the system could provide effective support (Kim et al. 2007). While the context of the negotiations is changing in every question so application of specific systems is limited. Context dependency is one of the major problems which hinder the development of ENS the main goal and adaptation of practice (Kim et al. 2007). One way to mitigate the dependence on the context is to separate protocol from execution. Adapting the component-oriented approach to protocol makes it possible to ENS development efficiency and modification process improvement.

For negotiation support and automation was designed four types of programs (negotiated support system - NSS; electronic negotiations boards - ENT; negotiations programs-NSA agents, negotiations for agent assistance - NAA) and DSS (decision support system were designed to support individuals in the negotiations. These models evolved mixed model variations (in management science, operations research, decision science and artificial intelligence) that have to interact with their users, data collection, calculation and storage (Kersten and Lai 2007). Some systems, for example NSS can have agent systems that automate simple and mundane tasks, the other system (ENTS) can use common tools from software engineering, computer science: database, SQL, security (Kersten, Lai 2007).

Kersten and Lai (2007) present electronic negotiation typology and their definitions:
- Negotiation Support System (NSS) is a program which implements the models and procedures has the communication and coordination facilities, and is designed for two or more countries and / or situated in a third negotiation activity party;

- E-negotiations system (ENS) is a program that employs web technologies and is deployed in the network for the purpose of facilitating, organizing, supporting and / or automation negotiators and / or third party activities;
- E-negotiations boards (ENT) is a program that provides a virtual space for negotiators (negotiating boards) and tools that they can use through bargaining activities;
- Negotiating software agents (NSA) is a program that is actively involved in meaningful negotiations and decisions are carried out on behalf of human or artificial basis;

- Negotiation agents aid (NAA) is a software agent that provides a timely human negotiator and / or third party advice, criticism and support according to the specific context.

ENT is simply a virtual meeting place where parties can publish proposals and messages, which can be seen only they (and potentially a reliable third party), this service is provided to organizations that provide services and ancillary services, mediation, legal and competitive analysis (Rule 2002). Two other types of software systems which have been successfully used in various aspects of the negotiations and have potential in various important roles, which is based on agent technology programs. Agent software technologies have three main characteristics (Kraus 1995): operates autonomously on behalf of others, and they can be reactive and proactive in addressing a variety of actions, convey the appropriate level of skills such as learning, collaboration, and mobility. These characteristics allow designers and developers to construct and implement software agents, which are able to cooperate and negotiate (Rule 2002).

NSA systems target is to automate negotiations activities in which agents are able to perform all the negotiations or register selected negotiations activities according to the appropriate principles (Jennings et al., 2001). These agents are not directly involved in negotiations, they observe the process and provide their managers (the negotiators) with information and knowledge about the problem, process, and / or colleagues (Chen et al. 2004). Other systems are based on the same design and technology, with the purpose to provide an intelligent and independent advice, criticism and support for one or more of the negotiating parties.

ENS can be differentiated according to acumen and degree of autonomy. Some systems may negotiate by human principles, the other can perform specific actions, while the other can't do anything without concrete specifications, these different roles and skills in negotiating programs allows us suggest two different environments in which they work, that is, (Kersten, Lai 2007):
- Negotiating social system which consists of a negotiator seeking for consensus and opportunities but not necessarily the program is used by one or more of the negotiators;
- Negotiating a socio-technical system in which program is an important and active unit involved in conflict management and resolution.

The difference between the social, technical and socio-technical system is useful for such processes as in the negotiations because of the variety of different roles the program may reflect the roles and play them (Kersten and Lai 2007). The system

can support one or more of the negotiators (Kersten and Lai 2007), and it can support the coalition and to perform one or a lot of negotiating activities, this program can be used as a facilitation or as a mediator, while the DSS is active and involved in many activities in negotiating. He becomes a member of the Social - Technical system.

NAA target is to help the negotiators (third party) to reach an agreement, which they crave, these agents provide important knowledge and information about colleagues, process, and the problem they are working analysts and experts (Kersten and Lai 2007). NAA can be designed to assist one negotiator than anyone and give the negotiator a competitive advantage over others. NAA differs from the NSS their autonomy and mobility, and possible bias. Given the typology of participatory programs can be divided into three types (Kersten, Lai 2007):

1. The passive system is a single-purpose tool or system that requires users fully control their actions. The passive system can be divided:

a) Passive communication systems that help users interact with partners located in different places, convey to them your thoughts, suggestions and arguments. These systems can provide storage, organization, information received incentives;

b) Passive computing system can help to calculate that what is difficult. This is often a complex mathematical and statistical formulas which allow for users to summarize, to test and compare solutions or suggestions. But they have no chance to check the assumptions, their completeness, to seek solutions that are not fully defined;

c) Passive visual system can help users to display data used in various forms, graphs, maps and other visualization techniques.

2. Active mediation-support system that helps users to formulate, measure and solve complex problems, concession building and offers construction, process and consensus evaluation. These systems have components of problem structuring and solution, as well as the evaluation and answers construction components.

3. The proactive intervention-mediation system has the same capabilities as the active support-mediation systems, but they can coordinate the activities of negotiating, to criticize the actions to offer what recommendations should be made and what understandings can be accepted. In order to use these capabilities, these systems use the knowledge and specific intelligence so being able to follow the process and negotiation activities.

There are three people's roles in computer systems - as a neutral party (Kersten and Lai 2007):

1. Computer-facilitated negotiations, when the program is used as a tool to allow the negotiating parties to communicate, store and swap information. In these negotiations, only communication and coordination is required. Technologies such as e-mail, chat boards, video streaming allows the parties to communicate. Communication channels and bandwidth are defined by technology and may result the parties communication. This technology is passive.

2. Computer support for negotiations based on the program with condition that will be reduced the opening efforts in the negotiations, will expand their ability to assess a problem and determine possible solutions. The condition is to provide information to the negotiator that he would not have received. This makes better understanding of the problem and learning about their prospects (and their opponents). This method is actively involved in the negotiations. This system must be able to support cognitive effort, which is needed for negotiations. Simulation systems and programs for priority setting are such examples.

3. Computer mediational negotiation uses the program assist the parties to reach a consensus. This program involves the heavy moments and offers directions, which may reduce the degree of conflict. It offers the potential trade-offs and offer concessions, which may lead to the consensus. Objective of the program is to be something similar to the man- mediator, who is active in the process so to reach an agreement. These types of programs can attempt to explain the rationale against the other party actions.

The differences between the programs that are used to facilitate, support and mediate creates two categories of systems (Kersten and Lai 2007): 1) a program that extends the physical capabilities and 2) a program that expands the intellectual capacity. The program facilitates the communication as e-mail does – stores, sorts, moves information. The program plays an important role in out of sync communication between geographically separated people, it has major influence on the way how people will present their arguments and will interact with each other, as well as influence to their skills but it is not the target to expand mental capacities (Kersten and Lai 2007).

The negotiation process works through the phases and activities. For the negotiator is very important how the negotiation process works because it can be important criteria for the classification (Davey and Olson 1998), the system can be designed to support the automation of one or more activities in the phase or during any negotiations. Four types of systems are distinguished (Davey and Olson 1998):

1. Planning and preparation systems, which are designed to help one party to organize private or public information, to identify alternatives that are acceptable to this side. Determine the value function or decide to use a different evaluation scheme to prepare negotiation strategies and tactics. They are used before negotiation planning phase.

2. The evaluation system is designed to construct alternatives and assess their consequences, to select an alternative that is presented as a proposal and assess the proposals of the other side. These systems are used on one side. The evaluation systems can be used during all negotiations or through selected phases.

3. The intervention system supports people mediators or arbitration and provides mediation and arbitration services. Intervention system can be used during activities such as agenda setting, exploration, formulation, analysis and exchange of proposals and arguments supply as well as the consensus achievement.

4. Process systems are designed to both negotiators individuals and the groups, they operate in the negotiation dynamics and procedures. They provide electronic communications media, and can provide all the support tools that are in the planning, assessment, and intervention. Process systems can be in all negotiations and in all phases.

Electronic negotiation support and automation activities can be classified in two technical perspectives (Kersten, Lai 2007): a process that focuses on using a variety of models and procedures (decision support), and the interaction, which focuses on communication between people and systems (communication). Electronic media is the active interface development and has three main functions (Kersten, Lai 2007):

1. Transportation and storage.

2. Search and selection.

3. The formatting and presentation.

Traditional elastic ENS system is Lim and Benbasat SNA architectural model (1992). Free negotiation support systems are the programs that layout in one or more computers. This system has a specific task on behalf of the negotiator. The main activities are coordination of tasks and different systems, perform actions, this coordination can be carried out by dedicated program that communicates with other participants of system, decentralization of coordination among the systems is also possible (Kersten and Lai 2007).

In negotiations electronic negotiating support systems may be useful in negotiating remotely with other national partners (customers, suppliers, colleagues and others.). Knowing the available technology options to support the negotiations, it is possible to adapt them in   supporting of individual processes, but it should be

noted that adaptation of the negotiating support system for specific situation should not request more resources than the process itself without negotiation support systems, otherwise the negotiating support system would be meaningless. Negotiating support system is relatively new, so every day as technology is advancing, it can be improved in different ways and used to solve the problems of today, such as negotiation support systems adaptation for situations in negotiating context, negotiation support in order to avoid cross-cultural differences, negative impact on negotiating process, performance and results, and other things.

6. STRATEGIC MANAGEMENT SCHOOLS AND BUSINESS NEGOTIATION STRATEGY

In order to develop a reasonable negotiating strategy is necessary to rely on strategic management principles and techniques. This article examines the issues on the application of strategic management theory for negotiations. In the article is given an overview of strategic management science researches, presented scientific positions on the substance of the strategic management process, its structure, and prospects for studies in this area. In article are examined worldwide scientific approaches to strategic management and different schools of strategic management. A survey of the key provisions of strategic management schools showed that not all of them may be useful in practice of negotiations. However, merging and adapting their individual elements for specific cases can be an excellent tool for strategic analysis of the negotiating situation, for development and implementation of negotiation strategy. The highest probability to adjust strategic management theories for preparing strategies of negotiations and their implementation are associated with ideas developed by entrepreneurial, cognitive learning, environmental and power strategic management schools. Considering the increasing internationalization of negotiations there are important theoretical and practical concepts of strategic management culture school. This paper will provide an overview of the main theoretical perspectives on negotiations strategic management.

Strategic management is a set of managerial decisions and actions that determines the long-term performance of the company (Tseng and Hung 2014; Candemi and Zalluhoglu 2013; Asan and Soyer 2009; Altiok, 2011; Senturk 2012; Chou *et al*. 2014). One of these solutions is a set of activities components in negotiating. In order to manage effectively company there is a

need for permanent monitoring of company's activities and environment, appropriate response to events requiring changes. Negotiating is dynamic process and requires a lot of resources in order to prepare it properly with regard to future environmental changes. These activities are very important as often have impact on the success of company, so it is necessary to take this into account in preparing the company's negotiating strategies. Consequently in further it is appropriate to review schools of strategic management and their relation with the negotiating activity.

In order to form a reasonable strategy for negotiations, the basic reference must be made on strategic management principles and techniques. Knowledge of basic concepts and schools of strategic management is the starting point for the formation of an effective negotiating strategy. The paper analyzes the development of strategic management researches over the past few decades, with emphasis on their application for preparing the negotiating strategy and its implementation. Reviewing the history of strategic management it can be seen that the subject of scientific study over the past few decades, evolved from small company's strategic goals and objectives toward the broad strategic issues of the organizations. The increasing globalization also influences, as company's activities are less restricted by barriers of geographical distance. In particular, this was revealed the by H. Mintzberg, who described ten schools of strategic management at different angles of view to approaches, methods and techniques of strategic management.

Examining scientific researches of strategic management issues can be mentioned such scientists who are working in this area: Molina-Azorín (2014), Mintzberg *et al.* (2003), Rialp-Criado *et al.* (2010), Hijji (2014); Vasiliauskas (2004), Guerras-Martín *et al.* (2014), Pricop (2012), Martinet (2010), Morita *et al.* (2011), Colovic (2012), Nixon and Burns (2012), Modell (2014), Hatif *et al.* (2012), Uygun and Altın (2011), Tseng and Hung (2014), Okumus (2010), Kwon (2012), Chou *et al.* (2014), Bitmiş and Ergeneli (2011), Ackermann and Eden (2011), Luo *et al.* (2011), Erdil (2013), Çınar and Karcıoğlu (2013), Kuosa (2011) and others. In order to reveal applicability of theories and concepts of strategic management schools in the negotiations it is appropriate to review the development of strategic management researches and to present scientific results in the field of strategic management and to forecast current research perspectives.

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Strategic management research topics have been developed in the 5-6 decades of 20[th] century - moving from the research of financial planning in the 50's to globalization and learning organizations today. In the 60's strategic management dealt with business planning and formalization of the planning process (Jofre

2011). At 70's market positioning has become a major problem facing companies with expertise in growing economy – the research and theories mostly focused on market's dynamics (Tseng and Hung 2014; Jofre 2011). In the next decade, attention has been addressed for acquiring resources, their development analysis and enterprise skills, as well as focused on different problems of competitive advantage. After 2000 year strategic management focused on the new coming economy, based on the growth of knowledge and the role of communication in business. Therefore, has been interest in new themes - innovation and technological changes (Ackermann and Eden 2011). Today (Tseng and Hung 2014; French 2009), it is proposed to focus on the very essence of globalization where are relevant such topics as business ethics, standardization of the international market, global strategy. Within the strategic management as a field of study and practice, attention changed from specific internal problems of companies to wide (complex) system dynamics outside the organization (Ackermann, Eden 2011).

Strategic management has been proposed in the 80's in Pittsburgh conference, which was organized with a specific purpose - to define business policy paradigm (French 2009; Jofre 2011). Business policy concept was reframed as a strategic management and was defined as (Jofre 2011): "... a process that is linked to the organization's entrepreneurial activity is innovating and growing, and more, is associated with the development and implementation of the strategy, which is the activity guide of organization". This brief description defines that the discipline of strategic management implies both strategy development as well as implementation. In the scientific literature are found a variety of definitions of strategic management:

- "Strategic management is a process of analysis where strengths, weaknesses, opportunities of an organisation and its threats are used to develop its mission, goals and objectives" (Çınar and Karcıoğlu 2013);
- Rokooei *et al.* (2011) defines that "strategic management is disciplined effort to produce fundamental decisions and actions that shape and guide: what is an organization, what it does, and why it does it?";
- Vasiliauskas A. (2004) notes that strategic management is understood in most general sense, is related to the organization - teamwork uniting the team, with its own goals and means to achieve those objectives;
- Hijji K.Z.A. (2014) notes that "Strategic management is the ongoing process concerned with the identification of strategic goals, vision, mission and objectives of an organization along with an analysis of its current situation, development appropriate strategies, puting these strategies into action, and evaluating, modifying or changing these strategies up to demand";
- Strategic management is the concept of enterprise management ability to maneuver properly the forces acting between the environment and the strength with

which it competes. This maneuvering requires the investments into competitive techniques of management which can produce the maximum financial benefits to the enterprise. Companies are winning or losing in dependance on their ability to manage companies development process (Senturk 2012).

In light of these definitions of strategic management it can be stated that strategic management is an ongoing development and implementation of strategic plan, which is carried out by subject, using available resources, in order to influence the organization to adapt to changes of the environment, which is a key factor in the existence of the organization.

In reviewing the history of strategic management researches can be noted that the scientific interest of the authors varied from small businesses to broad problems going out of organization boards. The researches were also influenced by the increasing globalization of the world, when the company's activities are less restricted by distance barriers. By analysing scientific literature, we see that the definitions of strategic management have similar views. In terms of business negotiations, it should be stressed that the company's negotiation strategies can not cross with the company's strategy.

In the negotiations is difficult to make strategic decisions in advance, because of external context and turbulent changes in the environment - they usually emerges in the course of negotiating. However it is possible to prepare in advance alternatives for strategic decisions, alternative tactics, alternative and complementary negotiating steps by providing for possible future situations and thus to be prepared for possible negotiating challenges. The heads of organizations also are taking part in strategic management of company and are creating alternatives for strategic decisions - in order to adapt to the competitive environment, are participating in defining mission and goals, are making internal and external analysis, researching of competitors, allocating of resources, and so on. This is particularly important for organizations, where the negotiating activity takes an important position, so the inclusion of the negotiators in the organization's strategic management can provide useful insights, because they have the chance to see the dynamic changes in the market, competitors' actions. In the next section we will review schools of strategic management and their relation with the negotiation activity.

In this chapter we will review the concepts of strategic management schools and their application to the creation and implementation of negotiating strategy. H. Mintzberg studies enable to see the strategic management process from ten different angles of views. His work prolonged Jofre (2011), who provided those approaches in the current and future perspective. Strategic management process in the company is based on its management and staff perspective to the company's vision, mission and long-term goals, operational plans, constant adjustment to its strategic objectives. On the basis of scientific works results made by Mintzberg *et al.* (2003) it can be argued that the strategic management and strategic thinking are

two different processes. Mintzberg *et al.* (2003) suggests that strategic management theory and practice is focused on main three perspectives and involves ten different schools of thought. The main perspectives of strategic management are (Jofre 2011) normalizing perspective; descriptive perspective; configuration perspective.

Each perspective covers a few schools of strategic management concepts and insights. Normalizing perspective of strategic management focuses on how strategy must be formulated (Çınar, Karcıoğlu 2013; Luo *et al.* 2011). Descriptive perspective of strategic management focuses on the strategy profile - on how is strategy formulated (Jofre 2011). Configuration perspective of strategic management integrates the essential approache to normalizing and descriptive perspectives and focuses on how are strategies formed and how do they operate.

Mintzberg carried out taxonomy of ten strategic management schools assigning each school of strategic management to one of three perspectives: normalizing (design, planning, positioning school), descriptive (entrepreneurial, cognitive, learning, power, cultural, environmental school), configuration (configuration school).

Strategic management and management strategies schools were analyzed by these researchers: Mintzberg *et al.* (2003), Rialp Criado (2010).

These authors argue that the strategy of design, planning and positioning schools are mainly focused on how the company's strategy-making process should be, knowing that it is rationally oriented, formal and planned (deliberate strategy) (Rialp Criado *et al.* 2010; Luo *et al.* 2011). The organization-oriented approaches (entrepreneurial, cognitive, learning, power, cultural, environmental) are focused on the research, which analyze how does act in real life creation and implementation of strategy (emergent strategy). Finally, integrated configuration as a holistic approach, are arguing that both deliberate and the emerging strategy can be combined together (Rialp Criado *et al.* 2010). Not all concepts and insights of strategic management schools are applied in practice of negotiations activities. However, combining a number of their elements, taking into account the specific situations, their fundamental scientific ideas can be a great tool for strategic management in negotiating activities. In light of these facts in negotiating most applicable are the entrepreneurial, cognitive, learning, environment and the power schools of strategic management. Furthermore, for examining aspects of the internationality of negotiations there are valuable ideas of culture school, which will be described in more detail below.

Entrepreneurship School. Entrepreneurship school treats strategy as a manager's perspective or vision. For this reason, vision can be understood more as a

manager's inspiration than a detailed plan. Here strategies are flexible, they give directions, which can be settled and changed depending on experience of manager (and vision) (Jofre 2011). The concept of entrepreneurship is related to the fact that entrepreneurship is engine of the capitalist economy. One person - an entrepreneur - has the ability to identify opportunities to transform something mundane into something different. Therefore, this ability can be called a vision. Even in the first half of the last century, an influential scholar and economist Joseph Schumpeter argued that the ability to make new combinations, or doing new things or doing things that are done in a new way, is the main feature of entrepreneurship. Under the entrepreneurial perspective, strategy is defined as the process of creating and achieving vision, in which business leaders establish a common framework to generate and implement strategic decisions. Vision intuition and innovation capabilities play a key role there. The strategy is created then when leader directs his idea into real things. Every company, organization may have a vision of a creative leader, which he controls during the implementation of the strategy. The shift of strategy from the precise project plan or positions, as it is proposed in other strategic approaches, to the vague visions and broad prospects, mostly are useful in a specific context (start-up, business niches, etc.) when the idea is developed by a powerful leader (Rialp Criado *et al.* 2010).

Key statements of entrepreneurial school about strategy formulation are rare related to personal leadership and strategic vision, and mental properties of the leader (Çınar and Karcıoğlu 2013; Mintzberg *et al.* 2003). Strategy of the company, the organization is determined by such elements as a vision, direction, identity and integration, which are not easy to formalize and quantify. These things are very important for small businesses, strategies, processes in which the leadership role is more critical than in larger companies. Systematization of such strategies is very limited, because the personal characteristics that determine leadership cannot be easily replicated and consolidated (Çınar and Karcıoğlu 2013). The leader provides the company vision and wisdom which belongs only for him. If a leader leaves - a company or an organization may become strategically blind. The schools contribution to the strategic management practices is high, but their contribution to theory is too poor. School of entrepreneurship admits leader as architect of a strategy. Mostly business executives or most senior employees are managing strategic negotiations of corporate. Negotiation strategy is based on their bargaining power and mental qualities: intuition, their solutions and experience's wisdom and history. In analyzing approaches of Entrepreneurial school in strategic management there are a lot of similarities to the negotiation strategy, design and implementation.

Head of negotiating team is an important component. He determines further negotiating progress and preparation for them. Manager's leadership is one of the negotiating powers, which influence is significant for negotiating strategy formulation and implementation. Leadership of the head of negotiations team can help to manage effectively the negotiating process itself. However it is not sufficient to use ideas only of this school for business negotiations. Therefore further we will review ideas and concepts of other schools.

Cognitive Approach School. The Cognitive approach in strategic management argues that strategy formation is a mental process, developed in people's minds by models, charts, definitions, and other forms (Luo *et al.* 2011; Mintzberg *et al.* 2003). Cognitive knowledge is information processing when structural maps of knowledge are formed and all concepts are found, which are required for the preparation of the strategy. New branch of this approach is a neutral approach, based more on subjectivity than constructiveness (Rialp Criado *et al.* 2010). In this case, strategy development and implementation process depend from the experience of major player and his past subjective knowledge. A large emphasis is placed on the qualitative data, for example, managerial experience – is trial and error analysis (Rialp Criado *et al.* 2010). Cognitive school makes focus on creative thinking of a strategist. In terms of this school manager (strategist) develops strategies based on their own experience and understanding of life. Cognitive approach school claims that the strategist has the experience, which he uses in his job. As shown by the facts, the works of Cognitive school have been very productive in research of strategic groups and non-strategic investment (non-strategic investment (as opposed to investment), providing that business will reduce/liquidate the company's assets under ethical or financial reasons. For example, the company's sales department will be repealed, which has not been sufficiently concerned with things that the company does best) (Jofre 2011). Scientific output of Cognitive strategic management school is constantly growing and it is believed that in future will have even more influence on strategic management. The context of negotiation and cognition of the other side of the negotiations are essential elements. The deeper will be known negotiating context and another side of the negotiation, the more bargaining power you can create, which is the basis for the negotiation strategy. The works of representatives of Cognitive approach school in strategic management have practical advantages in forming negotiating team, which activities in negotiation work experience has a great importance.

Learning Approach School. The managers have everyday work maps or cognitive

models, which encourages them to perform certain actions in appropriate circumstances (for example, competitor actions in response to the price reduction) (Chou *et al.* 2014; Jofre 2011). These cognitive models can be more detailed in terms of different relationships between many variables - suppliers, needs, price, time, etc. They can affect the behavior of a manager and can become the decisive action map under uncertainty (when map is followed despite anything). This approach to strategy formulation has a number of modifications. An innovative approach is described as a learning activity. During the period of environmental changes strategies which successfully occurred are maintained, and other inappropriate strategies are eliminated. According to another view (called adaptive strategies model), the strategy is concentrated on development a combination of perspectives between opportunities and threats in the external environment and the organization's set of resources and capabilities (Çınar and Karcıoğlu 2013; Rialp Criado *et al.* 2010). Adaptive strategy develops itself in the context of decentralized organizations that are working as an open environment systems. The third approach is the dynamic capability perspective. It is oriented to develop and improve the unique capacities, that are difficult to simulate or replicate by other competitors, for which the company's strategy can be sustainable. Based on such learning and dynamics-based approach to strategies development, policy-makers participate in the management of a company, organization, strategy formulation and implementation, as all these elements are interrelated (Rialp Criado *et al.* 2010). The strategy process is also a process of cognition and the dynamics of the process is complex and still unknown. According to this, there is a need for further investigation of human cognitive processes and cognitive psychology. Understanding people's thinking is critical for understanding formation of the strategies. However, from the managerial side the role of human cognition and psychology as a conceptual framework is poorly tested until now. Furthermore, learning requires specific conditions, certain environmental stability and durability of the trends. If everything is changing too fast, an organization, a company may be unable to cope with increasing demand and rapid flow of new information. But scientists say that learning is possible in disordered conditions also. Based on chaos theory, which was proposed by physicists in order to understand complex systems and environments, in the management theory chaos is opposing organizing, planning and policy. This implies dynamism and unpredictability, but eventually recognized, that in a dynamic organization balance is not eternal condition, but is only for a certain period of time, when the changes take place. In this context, negotiating strategy is formed by learning. Operational problems are taking place

because of the crisis or unexpected changes. Some scientists who sympathize this theory state that problems can deliberately arise to enhance the creation of new knowledge and learning (Jofre 2011). Otherwise, we can create chaos under the order. And chaos could lead to a new order. The development of such orders (for example, production schemes or methods, products, technologies, services, resources and assets) are acquired in getting a certain strategic advantage (Mintzberg *et al.* 2003). Critics of this school argue that though the importance of strategic learning is undeniable, but too much focus on learning may eventually lead to the disintegration of the strategies (Chou *et al.* 2014). Learning is important and requires time and certain formalities in the organizational system. However, as many things arise spontaneously, therefore the leader cannot rely on learning in all cases. The crisis is probably the most appropriate model to describe this situation. In this situation, a strategist cannot wait for the new learning, which will be at the appropriate time. During the crisis, from the company is required decisive, preventive action, often in advance, which is already covered by a particular leader's vision.

Companies in negotiations frequently are represented by their authorized representatives. Therefore, in order to set the limits in the negotiations is helpful for these representatives to follow negotiations with existing schemes (provide a response to possible opposing steps). These schemes may be changing and need improvement taking into account their application and experience. The applicability of this school has great potential in the negotiations - particularly in the negotiation support systems.

School of Environmental Approach. Representatives of this school argue that the environment is not a major external force, but is a major determinant of the strategy process (Jofre 2011). Under this approach, company or organization is more passive and the environment gives strategic direction. Representatives of this school argue that in extreme cases, policy is dependent on external forces and organization's ability to make a strategic choice is limited (Chou *et al.* 2014). The outside context of the organization shows the different dimensions in which the strategist can build strategy of the organization. The Environmental school arose from the contingency theory - the theory of behavior, which concludes that there is no best way to organize a company, to manage the company and so on. The postulates of that theory say that the optimal treatment strategy depends on the balance of internal and external situations. The representatives of Environment school conclude that the more stable environment becomes, the more formal can be

an internal structure of the organization. The company naturally finds its position (niche) in the environment (Chou *et al*. 2014), and if the company fails to do so, it would perish as a natural ecosystem. The environment of companies and organizations may vary by degree of stability, complexity, diversity, hostility and a variety of combinations. In terms of this school, strategy is a response to the forces acting in order to adapt properly company or organization for the changing characteristics of the environment (a combination of) (Mintzberg *et al.* 2003). It is proposed to be agressive (at risk) in strategies, in response to a dynamic environment (for example: greater diversity and complexity of the market). In unforeseen cases theory is considering whatever response can be expected from companies, organizations in collision with the relevant environmental conditions, strongly limiting the preparation of strategy. These approaches are related to the environment and can be grouped according to the choice-driven perspective (or limitation) school, which describes the formation of the strategy as a passive, reactive process, with a number of environmental factors. Here the strategy-making process is designed to improve coordination and accuracy. Max Weber saw that organizations are formed on technical and managerial logic. When logic increases, the bureaucracy is also expanding. The modern scientists developing Weber ideas proposed institutions theory, emphasizing the institutional pressures (pressures with which organization faces in their environment) (Jofre 2011). This theory states that the organization is facing pressure from other organizations and from organization itself. According to this vision in the environment there are two types of resources: economic and symbolic (Chou *et al*. 2014). Economic resources are material, such as money, land or machinery. Symbolic resources are intangible - such as goodwill, good reputation, honor and so on. According to this vision, strategy is focused on search for the best ways in order to obtain economic resources and their transformation into symbolic resources. The purpose of such strategic vision of organization is to protect organization as much as possible from environmental uncertainties (Jofre 2011).

Environmental approach school is most criticized for, that the organizations do not have a strategic choice (Chou *et al*. 2014). This approach completely ignores the organizational skills to choose the direction or position. In real life, the environmental impact is recognized, and is assumed that it is not the strongest factor. Modern management claims that environmental limits are less visible for a variety of environmental mergers and networking (Jofre 2011). Therefore in such conditions it is almost impossible to define the limits of the environment and the components. The relationship between the organization and the environment in the

view of strategic management is more mutual, not unilateral, as formulated in the environmental school. These school ideas can be adapted to the negotiation strategy formulation and implementation processes, in terms of negotiations with the representatives of other cultures and necessity to learn better negotiating context. The better we shall discover another culture and context of the negotiations, the more negotiating power we will be able to form. Adapting to a different cultural environment and to a better context, especially in intercultural, knowledge can help to avoid a wide range of uncertainties and misunderstandings within the negotiations. Therefore to continue it is appropriate to examine in detail the cultural school approach to strategic management.

Cultural Approach School. Formation of strategy according to the ideas of the Cultural approach school is seen as a social process associated with culture, a system of shared values and norms which influence can be important sometimes in deterring major strategic changes (Rialp Criado *et al.* 2010). Managers developing company's strategy can be affected by the dominant organizational culture based on common interests and integration. The values of culture can have a significant impact on policy-making, as it allows making decisions that are meaningful and provide references to the relevant behavior. In contrast to the power school, strategy formation according to culture school does not seek profit for themselves but seeks to effect community (Jofre 2011). Strategy formation is based on social cultural force, which includes individuals and their features in whole. Such force can have impact to strategic stability, and sometimes actively promotes strategic changes. Cultural approach school concludes that culture is everywhere, but at the same time it is unique. Culture affects everything and makes each organization unique (Mintzberg *et al.* 2003). Strategic management today recognizes the dual nature of culture. The history of the school starts from the mid-80s, when culture became important part in management. Up to that time Japanese companies, which were quite successful in the international arenas, were able to do a variety of things other than the United States and Western European companies - it was treated as a result of the Japanese culture (Jofre 2011). Many management concepts and ideas are based on the culture, practitioners in USA applied culture for each element. However, such efforts did not help to understand better the strategy itself. Culture in this context represents motivation of a company or organization. Paradoxically, but Learning school can be more easy to understand by examining the cultural differentiation, by comparing Japanese corporations and their cultural differences with Western companies (Jofre 2011).

From an economic point of view culture requires a competitive advantage of companies, organizations (Chou *et al.* 2014). In this case culture is not just a group of people acting through social activities, it is both interaction between them and resources. The material culture requires material resources (for example, computer) or intangible resourses (for example, scientific knowledge). Attitudes and values create objects, which in turn are creating and shaping the values. The ways in which organizations develop their skills and resources are the results of culture, social environment allows them to act, to manage the available resources. While the logic of this school is simple, and it is valuable to management, but it has been criticized for the lack of clarity of the concept. Promoted strong culture can deny the possibility of occurrence necessary changes. Changes can take place when culture is opposing. Culture with dominant values is facing stagnation. Culture can promote resistance to changes. This approach has been criticized for uniqueness of influence to the competitive advantage - states that if company is successful, it is unique (Jofre 2011). In the real life, the uniqueness is an important strategic advantage, but in the economy not all businesses are unique: many companies may just do what others do, but just more efficiently. From a theoretical point of view, the contribution of this school to strategic management is large - when culture is considered as a strategy guide. However, the less scientific knowledge is available in the field of cultural changes of companies, organizations - you should change the organizational culture in order to improve the organization's strategic activity (Chou *et al.* 2014; Mintzberg *et al.* 2003).

Speaking about negotiations through the prism of the uniqueness, negotiation itself is unique, since equal negotiating situations almost do not occur. It is especially noticeable in the interaction between representatives of different cultures, as in such case of the negotiations occur various inconsistencies: language comprehension, ethics, and so on. Ideas of this school may be useful in developing and implementing international business negotiation strategies.

Power School Approach. Mentioned above schools, does not deal with the role of power and politics. Power school of strategic management pays special attention to politics and power. Power theory is used in negotiating strategies in order to define opportunities of the negotiating parties. This school treats strategy process as clear impact on the process. Power is the impact of technique, which is based not only on economic instruments, but also on political pressure (Mintzberg *et al.* 2003). However, using the power only for the benefit of organization, both as in politics, has illegality side. This means that the use of secret operations which weaken its competitors (for example, the cartel), or open actions in order to achieve

cooperation agreements (alliances) - can be considered of uncertain legality. Political games in organizations promote the recognition of individual characteristics such as emotions, dreams, fear, jealousy, hopes, aspirations, expectations, and other (Jofre 2011). The role of these characteristics in the processes of strategy formulation and implementation is evident. Thus, the power theory contribution to strategic management is significant.

Power and political perspective to the strategy formation submit as the negotiation process between different interest groups and stakeholders, both internally and in its relations with the outside world, where each part has its own goals and objectives (Mintzberg *et al.* 2003). According to this view, the strategic decision-making process is related to the power. Political orientation, micro-power, describes the development of the strategy within the organization as essential political process, involving negotiating, persuasion and confrontation between domestic players, who share the power. Other orientation - macro power - describes organization as a unit, which uses his power to get benefits from others (partner alliances, joint ventures, and other network connections) in order to negotiate collective strategies for satisfying own interests (Kuosa 2011; Rialp Criado *et al.* 2010). According to this model, the strategy can be defined as focused on definitions, which allows the organization and its environment to be understandable by various stakeholders. According to this policy-making model, the reality is socially created and defined in the social exchange process, in which perception can be approved, changed, modified depending on its overlap with others perceptions (Rialp-Criado *et al.* 2010). The organizations tend to seek lower dependence on other players and the environment (formation of a monopoly), or sometimes they make cluster in order to interact with the environment (partnership) (Kuosa 2011; Jofre 2011). The environment also can be a national market in which companies and organizations are trying to present themselves as competing or cooperating (Tseng and Hung 2014). The Government determines the conditions and guarantees to companies, organizations. Companies will adapt to these conditions or will try to change them, either individually or in groups. Often, companies, organizations use their political influence - the power - to do so (for example, promote, offer, support for legal changes to open new market opportunities and reduce the competitiveness of competitors) (Jofre 2011). It is suggested that the most effective way to control power of the external player or pressure groups, is to control their behavior. This is the main objective of the strategic maneuvering. Of course, this mean, that is encouraged the use of politicians, as not causing the physical (depleting) confrontation (Kuosa 2011;

Mintzberg *et al.* 2003). The main idea of criticism of Power school: overestimation the role of power and policy strategy (strategy formation, covers power of, but is not limited) (Jofre 2011). In the light of roles description on tricks, games and moves in strategic processes, it is possible to say that they are instant, frivolous factors for strategic management.

Thoughts of this school on effects of power to strategy formulation are very suitable for business negotiation strategy development and implementation. In the negotiations the power of negotiating side is one of the most important keys of negotiating strategy. Therefore, in terms of negotiating strategy should be analyzed and rely on the bargaining power. There can be identified some of the key elements of the negotiation power: preparation, communication terms, ethics, emotion management, time management, expectation management and other. These elements of the negotiation power are the most important factors in the success of the negotiation strategy. Therefore, in further studies it is appropriate to examine their influence on the negotiation strategy development and implementation.

7. THE USE OF GAME THEORY FOR MAKING RACIONAL DECISIONS IN INTERNATIONAL BUSINESS NEGOTIATIONS

In business negotiations the main objective of decisions-making processes is based on powers of negotiating sides to select alternatives that would be acceptable to both sides (more or less), to find the point of equilibrium of mutual needs and opportunities. In order to assess the relationship between the powers of negotiating sides it is appropriate to use mathematical methods to facilitate the search for alternative solutions and their evaluation. For support of making rational solutions in business negotiations is appropriate to use game theory methods, as they enable to analyse the interactioning forces on achieving their goals. This is particularly relevant in international business negotiations, where participants of negotiations from different cultures can be faced with number of uncertainties. In the article is performed the analysis of the applicability of game theory for business negotiations. The article reviews the development of game theory, examines the typology of game theory, limitations of its application and vulnerabilities. In the article is proposed algorithm, which combined game theory approach with heuristic algorithms in order better reflect the specifics of negotiations. Such algorithm can be used to support strategic decisions in negotiations and is useful for better understanding strategic management of negotiating processes.

The main objective of negotiations is the decision making process to choose the options that would be acceptable to both sides - to find equilibrium points of mutual needs and opportunities. In order to understand better the relationships between participants operating in the negotiation process, it is appropriate to use mathematical methods to facilitate the search of an alternatives and decision-making. For supporting negotiations the most appropriate is game theory, as it is method best suitable to analyze the interaction of objects which have their own goals. This is particularly important in international business negotiations, where between the representatives of the different cultures in the negotiations can arise a number of uncertainties.

In the modern business world, decision-making becomes extremely important activity. Furthermore, it is common that individuals or organizations are creating coalitions, when they are negotiating on projects and conduct procurements. Negotiation is a wide range of activities, which includes the prior negotiation and post-negotiation analysis, at both local and social levels. Strategic decision-making in negotiations might ensure the companies future. Therefore for the adoption of major decisions is the need for detailed analysis of future negotiations interaction, which would allow better understanding the priorities and interests of another side's of negotiations. The game theory can help to achieve these objectives, since game theory exactly is only a mathematical discipline that deals with the interaction of objects, having their targets (Rufo *et al.* 2014). It is a powerful tool for understanding the relationships that are developed in cooperation and competition processes. The main objective during the negotiations in decision-making processes is to choose alternatives that would be acceptable to both sides, and it should be carried out within a reasonable period of time (Marey *et al.* 2014; Chuah *et al.* 2014; Suh and Park 2010; Rufo *et al.* 2014; Lin *et al.* 2014; Oderanti *et al.* 2012;). The different interests of friction, such as competition, or other challenging situations are derived from illegal practices, are often encountered and which are expected from human relations. The nature of the subject of negotiations arise from a variety of disciplines, such as artificial intelligence, economics, social sciences and game theory (Marey *et al.* 2014; Baarslag *et al.* 2014, Chuah *et al.* 2014). The models of strategic negotiation have a wide range of application, they can be used for resources and task allocation mechanisms, for conflict resolution measures, and for decentralized information services (Baarslag *et al.* 2014, Rufo *et al.* 2014).

The possibilities of the application game theory for management tasks were examined by various scientists of the world: Aurangzeb and Lewis (2014); Brown

& Shoham (2009); Rufo *et al.* (2014); Marey *et al.* (2014); Chuah *et al.* (2014); Suh and Park (2010); Lin *et al.* (2014); Oderanti *et al.* (2012); Deng *et al.* (2014); Hao *et al*. (2014); Houser and McCabe (2014); S Yu *et al.* (2013); Pooyandeh and Marceau (2014); Yuan and Ma (2012); Wilken *et al.* (2013); Annabi *et al.* (2012). Therefore in further we will explore this complex game theory and important aspects of the negotiations.

7.1. Restrictions on the application of game theory

Negotiation is based not only on the basis of rationality, but also on other factors, such as emotions, moral understanding, uncertainty avoidance, time orientation awareness (long or short), and others. Of course, the game theory has been very successful in developing a deeper understanding of how decisions of rational players are carried out in circumstances of interaction with other party, but one of the critics of game theory is that players who behave irrationally might benefit more, thus the basis of rational itself for the games theory simply hampers it (Hao *et al*. 2014; De Bruin 2009; Kelly 2003).

Game theory is based on the assumption of rationality, but there is a need for further experimental evidence to support the assumption that individuals choose to perform the important strategies and complex decisions under an element of uncertainty and rational basis (Pooyandeh and Marceau 2014; De Bruin 2009; Kelly 2003).

Rationality can be defined as a categorical behavior derived solely from the cause (Kelly, 2003). Whereas individuals can have ability to find the cause, so rationality dictates behavior with which everybody can agree and all individuals are guided by their ability to find the cause and therefore to formulate a uniform behavior (Houser and McCabe 2014; De Bruin 2009). The rational players are behaving by universal rules, which are guided by rationality, if for player is not possible to select a specific strategy, then it is called irrationality. However, sometimes it is rational to behave irrationally, consequently it is important to define the concept of rationality. The importance of this concept is far more than semantics because the success of game theory and negotiations analyzed depend on it. This may mean different things in different contexts for different people, however this is the basis of game theory and negotiation.

Another important element of game theory, which is open to criticism, it is the uncertainty. Since choice of strategy is not necessarily rational, very often this is due to culture or experience, rather than rationality. Rationality is significantly

related to norms, the understanding of rationality arises from the development of individual, culture, traditions (Marey *et al.* 2014; Frederick 2010). For the equilibrium of Nash mixed strategy uncertainty is particularly harmful, because if one player hopes that the other side will behave in one way, so he will not have reason to do otherwise. It is believed that if the players have the same information, then they must necessarily have similar beliefs, but not always the rational players will submit identical proposals or will reach similar agreements, even the same information was available.

Rationality means maximally effective decisions and behaviour, which is based on the available information. If the negotiators have a different perception of rationality, then in such case support of negotiations cannot be effective, unless they are seeking to know the culture, traditions, experience and information of another side of negotiations.

The third criticism of game theory is the inconsistency, which is promoted by irrationality. Rationality is concerned with the environmental control on achieving a systematic and methodical understanding of the sequence of actions (Basel and Bruhl 2011). Logical thinking and behavior are also based on rationality. If rational beliefs are those, which are based on consistency, while rational arguments - on logical rules. In games performance the game theory proposes to keep the cases of inconsistency as occasional (Kelly, 2003). For this purpose are applicable errors in the games.

These restrictions point out that the basic weakness of game theory is rationality, as theory itself deals only with rational games. WHEREAS how to handle them, in conditions of entirely not clear the basis of game theory - the concept of rationality and the causes encouraging irrationality? In reality, people are not always rational (for example, decision-making may be influenced by emotions of the individual), and rationality itself can be interpreted in different ways, as the rules of the individual rationality can be influenced by prior experience, the region's culture (Wilken *et al.* 2013), moral awareness, and other factors.

In the next part we will try to combine the game theory approach with heuristic algorithms in order to create algorithm for better reflection the specifics of the negotiations. The developed mathematical model can be successfully used to support strategic decisions of international negotiations.

7.2. The algorithm of international business negotiation process

Negotiations are based on the knowledge of the other side of negotiations, consequently tactics of strategy may vary at each point. Therefore, it is appropriate application of heuristic algorithms for better reflection of negotiation. Methodology of this algorithm was created on the base of *game theory* (Deng *et al.* 2014; Hao *et al.* 2014; Houser and McCabe 2014; Shoham and Brown 2009; Suh and Park 2010; Yu *et al.* 2013; Pooyandeh and Marceau 2014; Yuan and Ma 2012; Marey *et al.* 2014; Wilken *et al.* 2013; Annabi *et al.* 2012; Zavadskas *et al.* 2012), on *heuristic theory* (Zhang *et al.* 2014; Azar 2014; Wang *et al.* 2011), on *graph theory* (Arsene et al. 2012; Pancerz and Lewicki 2014; Yu and Xu 2012; Xu *et al.* 2013; Darvish *et al.* 2009) and on *multi-criteria decision analysis* (Zavadskas *et al.* 2014; Ginevičius *et al.* 2014; Nassiri-Mofakham *et al.* 2009; Wibowo and Deng 2013; Lourenzutti and Krohling 2014).

Each issue of negotiations will be examined only once, without returning to it. Heuristic algorithm will "conduct" through strategies-winnings of negotiator, which are giving the maximum aggregate benefits. For attaining to find them will be used the optimization rules (Hurwitz, Wald, Werner and other), the sequence of negotiations questions will be set up so that issues will start from the most important, so that the further course of the negotiations would not be in vain. For example, finding out at last issue, that another side of negotiations can not meet the basic criteria, and therefore negotiation costs incurred before that date were in vain.

This optimization task complex, as previous individual winnings of the earlier questions do not provide the most useful total winnings of all questions of negotiations. This means, that it is necessary to look for the best value of the agregate winnings of all negotiations, it means to solve the global optimization task. For example: if in the negotiations are solved three negotiating issues, so in each question we choose from the available alternatives. Although the winnings of the first two questions by each question has not been the most useful, but their selection has led to the best alternatives of winnings on the third question, which in the final result gave the maximum possible benefit of the whole negotiation process.

After defining a priority list of the negotiating questions, must be pointed out that each of them is negotiated with a set of potential negotiating partners. The set of the negotiator's alternatives is finite and in each question consists of t alternatives. Denote alternatives of i-thquestion $b_{i,j}, = 1, 2, 3, \ldots, t_i$. Then a set of all alternatives of i-th question will be marked $w_i = \{b_{i,1}, b_{i,2}, \ldots, b_{i,t_i}\}$, and $w_1 \times w_2 \times w_3 \ldots w_n$ is the set of all possible scenarios of negotiations, where for

each question is selected one possible alternative, n is the number of negotiating questions.

By checking b_0 the start of negotiations, we can represent the whole negotiation process with the graph-tree (Fig.1), where the arc of graph $H_{i,b_{ij}}$ denotes the winnings, which we have after choosing j-th alternative for resolving i-th question.

$$\max_{k \in w_1 \times w_2 \times w_3 \dots w_n} \left(\sum_{i=1}^{n} H_{i,b_{i,j}} \right), j = 1, \dots, |w_i|, \qquad (1)$$

here:

H - the winnings of negotiations according to the Hurwitz rule,
n – the number of negotiation questions (top marks the negotiations start and end),

The top b_0 marks the beginning of the negotiations, the tops b_{ij} represents i-th question of j-th alternative. The arc of graph $H_{i,b_{ij}}$ denotes the winnings that we have after selecting j-th alternative for resolving i-th question $j \in w_1 \times w_2 \times w_3 \dots w_n$.

Next, as an example is presented Hurwitz formula, which we will use in order to find the best winnings of the negotiator on the negotiating question under uncertainty:

$$H_{u,w} = \max_{u} \left[\gamma \min_{z} a_{uz} + (1 - \gamma) \max_{z} a_{uz} \right] \text{ (the best maximum decision); (2)}$$

$$H_u = \min_{u} \left[\gamma \max_{z} a_{uz} + (1 - \gamma) \min_{z} a_{uz} \right] \text{ (the best minimal decision). (3)}$$

Here:

H - winnings of negotiator's question by Hurwitz rule.
a_{uz} − negotiator's winnings, which he may get if he have done move u in case the opponent will make a move z.

A set of negotiator's moves is finite and consists of s moves, which are numbered:
u = 1, 2, 3, ..., s.

We will accept the assumption that set of possible moves of the opponent are complete, consisting of k moves. Number the the moves z = 1, 2, 3, ..., k.

γ - hope parameter;

γ - the coefficient, which ranges from 0 to 1 in the formula, we see that if a $\gamma = 1$, then Hurwitz criteria coincide with Wald, that is pessimistic criterion. If $\gamma = 0$, we obtain an optimistic solution, that is one that allows you to get the maximum winnings. What size of coefficient γ will be chosen depends on the type of decision - optimistic or pessimistic - negotiator will choose. Perhaps his most acceptable coefficient is $\gamma = 0.5$, because it is a situation where the chosen medium solution is between pessimistic and optimistic.

This game is possible to write down with the help of the so-called matrix of winnings and to call it gambling matrix. The form of zero-sum games is:

$$\Gamma = \{S_1, S_2;\ A\}. \quad (4)$$

In applying it for solving the negotiating objectives can be said, that the set of the first negotiator's strategies (pure strategies) exists $S_1 = \{S_{11}, S_{12}, \dots, S_{1s}\}$.

And the set of the second negotiator's pure strategies $S_2 = \{S_{21}, S_{22}, \dots, S_{2k}\}$. S_1 ir S_2 is finite and known $A = \|a_{uz}\|_{sxk}$. Winnings function is a set of moves of negotiators is finite and consists of the moves, which are numbered u = 1, 2, 3, ..., s. We will accept the assumption that the set of possible moves of your opponent are complete, consisting of k moves. The moves are numbered z = 1, 2, 3, ... , k.

Game matrix is used to find the most advantageous strategy for negotiating question. Every finite gambling has decision in the field of pure or mixed strategies, and the net value corresponds to the inequality: $\alpha \leq v \leq \beta$. If $\alpha = \beta = v$, this solution with clear strategies is a saddle point (only one optimal strategy for each player). Number α is called the lowest slot value, β - the biggest slot value, v - is called the value of the net playing or playing price.

The adaptation of game theory methods to specific tasks of negotiations needs to have indicators of efficiency, which can express the ratio of the optimal value, be independent from matrix types. We'll use method of simple adding weighting (SAW) exponential expression, applying different exponents. The best of the minimum criteria values and the maximum values for the best case, when normalized values are limited in the range [0, 1]:

$$a_{uz} = \left(\frac{\min\limits_u c_{uz}}{c_{uz}}\right)^3, \text{ if } \min\limits_u c_{uz}\ positive; \quad (5)$$

$$a_{uz} = \left(\frac{c_{uz}}{\max\limits_u c_{uz}}\right)^2, \text{ if } \max\limits_u c_{uz}\ positive. \quad (6)$$

The latter formula we will use for normalization of the negotiation questions parameters in order to facilitate the processing of negotiating results and for getting comparative values.

Having the original data on the relevance of indicator's of negotiation questions it is necessary to determine weighs of indicators, characterizing the negotiation questions. Knowing the relevance of the negotiating questions indicators, each of these values can be determine in such a way:

It is selected the most important indicator of negotiating question - a_{ger};

For the best value of analysed indicator is given 1 scour of significance value ($a_{ger} = 1$);

It is determined the percentage (q_v) of remaining indicators values (b_v) is worse than the best ($a_{ger} = 1$);

For the values of indicators are given the relative values ($a_v = 1 - q_v/100$);

The relative values of all indicators (q_v) are converted in such a way that their sum would be equal to 1: $\sum_{v=1}^{m} q_v = 1; v = 1,2,\ldots,$ m.

The negotiation process can be represented by the graph (Figure 11). A top b_0 marks the start of the negotiations, the top b_{ij} represents i-th questions of the j-th alternative, and the arc of graph $H_{i,b_{ij}}$ denotes the winnings, which we have after choosing j-th alternative resolving i-th question. Below is a global optimization task with a fixed number of negotiation questions, which were envisaged before the negotiation.

Fig. 11. The graph of negotiation (Source: created by the author)

The developed negotiation algorithm we will use for strategy formulation of international business negotiation, specifically to electronic business negotiations, for international business negotiations to support international business negotiation context, for modeling and simulation of cross-cultural business negotiations. The testing of these negotiation strategy models will be described in the next chapter in order to adapt them for solving difficult, high complexity negotiating questions and problems. We will determine whether the developed algorithm is effective as a stand-alone business negotiation engine, and whether it is appropriate for support of international negotiations.

7.3. Application of the model to support e-business negotiations

Fast internet technology and intellectual development, the intensity of their use in recent years have caused the interest in the optimal negotiation strategies search, conflict prevention, in solving various issues related with negotiations, to begin introduction of electronic innovations. In order to ease the decisions, which must be based by some information or decision reasoning, in management of various processes are widely used decision support systems. Decision Support Systems Engineering - is the most common branch of Engineering Sciences that deals on

how to create artificial systems of any nature or character.

Electronic negotiation systems can be an effective means of solving complex problems in the management of large amounts of information. These negotiations systems can be specialized and targeted to facilitate the specific processes or to be universal for all processes. Decision support system, can rely on a variety of sources must allow users to transform enormous quantities of raw data analysis problem-solving and decision-making needed information reports. The negotiation process becomes more complicated when there is a whole set of problems considered, and designed for optimal negotiating strategy.

Recently, e-commerce changed the traditional business methods as innovative measures make business processes more efficient in cyberspace. Electronic business people can easily publish information, to negotiate with opponents, and to seek the necessary tools. The negotiations tools are very important in e-mail business, but the e-mail business is quite closed and static, it does not adequately reflect the reality of the business dynamics. In a rapidly changing environment, the negotiation e-business tools in business can be successful for a variety of environmental changes and their non-prediction is based on e-mail business dynamism. In business negotiations, the tools should be more flexible and more adaptable to the changing environment.

In order to verify the ability of developed algorithm for negotiation strategy formulating model to support business negotiations, we will try to make simulation of a few business subjects negotiating.

Negotiations will be dealt with 3 questions, where in each of them we will have to choose from three potential partners. Each potential side of negotiations has to give 4 alternative proposals. For assessment of the relevance of negotiation questions indicators are employed the experts of negotiating team.

Below in Table 5 are presented results assessed by experts on relevance of negotiation questions indicators. As well there is determined compatibility of expert opinions-coefficients of concordance, which are satisfactory. On next step is presented normalized decision matrix, in which are applied the weighs of indicators. The Table 6 presents the normalized gaming matrix according the weighs of indicators.

Table 5. Normalized as that for procurement of gaming matrix (Source: created by the author)

Gaming matrix of 1 negotiating question of 1 alternative			Gaming matrix of 2 negotiating question of 2 alternative			Gaming matrix of 3 negotiating question of 3 alternative		
W1H1	A1	A2	**W1H2**	A1	A2	**W1H3**	A1	A2
R1	0,777	0,355	R1	0,816	0,585	R1	0,464	0,804
R2	0,299	0,359	R2	0,781	0,717	R2	0,389	0,843
Gaming matrix of 1 negotiating question of 2 alternative			Gaming matrix of 2 negotiating question of 2 alternative			Gaming matrix of 3 negotiating question of 2 alternative		
W2H1	A1	A2	**W2H2**	A1	A2	**W2H3**	A1	A2
R1	0,794	0,383	R1	0,873	0,854	R1	0,638	0,738
R2	0,455	0,433	R2	0,836	0,730	R2	0,558	0,718
Gaming matrix of 1 negotiating			Gaming matrix of 2 negotiating			Gaming matrix of 3 negotiating		

question of 3 alternative			question of 3 alternative			question of 3 alternative		
W3H1	A1	A2	**W3H2**	A1	A2	**W3H3**	A1	A2
R1	0,832	0,611	R1	0,905	0,927	R1	0,517	0,748
R2	0,667	0,578	R2	0,888	0,928	R2	0,529	0,755

In the next table we will compare the results with various gaming optimization rules. We have selected the following rules: Hurwitz, Wald, Savage and Niehaus, Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann (Appendix 1). Respectively in accordance with applicable optimization rules were adopted similar data for all rules: the hope factor 0,5; the probability of occurrence 0,25.

Table 6. Results of gaming according to different optimization rules (Source: created by the author)

Negotiation winnings results using Hurwitz optimization rule					Negotiation winnings results using Bernoulli-Laplace optimization rule				
Hurwitz	H1	H2	H3		Bernoulli-Laplace	H1	H2	H3	
W1	0,538	0,700	0,616		W1	0,447	0,725	0,625	
W2	0,589	0,802	0,648		W2	0,516	0,823	0,663	
W3	0,705	0,908	0,636	Sum	W3	0,672	0,912	0,637	Sum
MAX	0,705	0,908	0,648	2,261	MAX	0,672	0,912	0,663	2,247
Negotiation winnings results using Wald optimization rule					Negotiation winnings results using Bayes-Laplace optimization rule				
Wald	H1	H2	H3		Bayes-Laplace	H1	H2	H3	
W1	0,299	0,585	0,389		W1	0,447	0,725	0,625	
W2	0,383	0,730	0,558		W2	0,516	0,823	0,663	
W3	0,578	0,888	0,517	Sum	W3	0,672	0,912	0,637	Sum
MAX	0,578	0,888	0,558	2,023	MAX	0,672	0,912	0,663	2,247
Negotiation winnings results using Savage and Niehaus optimization rule					Negotiation winnings results using Hodges and Lehmann optimization rule				
Savage and Niehaus	H1	H2	H3		Hodges and Lehmann	H1	H2	H3	
W1	0,777	0,816	0,843		W1	0,373	0,655	0,507	
W2	0,794	0,873	0,738		W2	0,450	0,777	0,610	
W3	0,832	0,928	0,755	Sum	W3	0,625	0,900	0,577	Sum
MAX	0,832	0,928	0,843	2,602	MAX	0,625	0,900	0,610	2,135

In the Table 7 and Figure 12 are presented summary results of the negotiations winnings by optimization rules. It is shown which negotiator's offer was with the highest winnings under different optimization rules as well as the total wins of all questions.

Table 7. Negotiation winnings scoreboard by optimization rules (Source: created by the author)

	The normalized expression data			
Rules of optimization	**Winnings of negotiation questions**			**Totals of all questions winnings.**
	H1	**H2**	**H3**	
Hurwitz	W3	W3	W2	2,261

	0,705	0,908	0,648	
Wald	W3	W3	W2	2,023
	0,578	0,888	0,558	
Savage and Niehaus	W3	W3	W1	2,602
	0,832	0,928	0,843	
Bernoulli-Laplace	W3	W3	W2	2,247
	0,672	0,912	0,663	
Bayes-Laplace	W3	W3	W2	2,247
	0,672	0,912	0,663	
Hodges and Lehmann	W3	W3	W2	2,135
	0,625	0,900	0,610	

Fig. 12. Negotiation winnings distribution under different negotiation issues, applying different optimization rules (Source: created by the author)
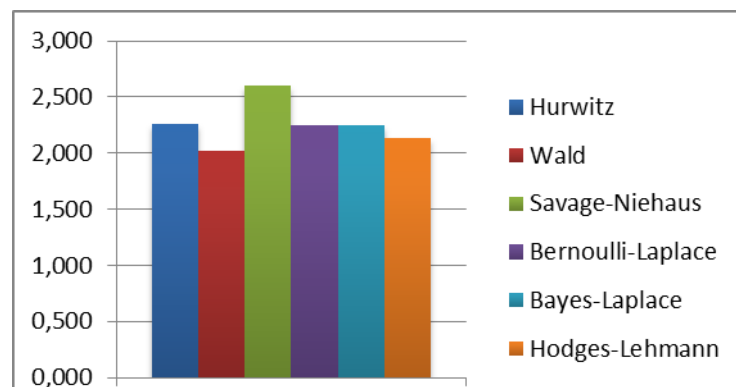
Fig.13. The aggregated results of all negotiations questions, applying different optimization rules (Source: created by the author)

The results chart in Figure 13 show that optimistic – the maximum winnings provide Savage and Niehaus optimization rule, the smallest winnings provide - Wald rule. Accordingly, Hurwitz, Bernoulli-Laplace and Bayes-Laplace rules showed very similar results, and Hodges and Lehman slightly larger winnings than the minimum winnings having demonstrated by Wald rule.

From presented results we can see that the algorithm has helped to find the

optimal way for the negotiation strategy in negotiations with other business entities. To make a selection of principles and rules can negotiators possessing high qualifications and experience in this area. In order to determine which option is the best is needed to assess specifics, goals and context for each individual task.

8. ASSESSMENT OF NEGOTIATING POWER IN PREPARATION   OF INTERNATIONAL BUSINESS NEGOTIATIONS STRATEGIES: CASE OF WHOLESALE TRADE

Recently businesses need to find the new ways to ensure business growth and competitiveness in the international market. Cultural diversity of international business brings new challenges in the development and implementation of negotiation strategies of businesses, in cooperation with foreign partners. At present business solutions are used for development and implementation of negotiating strategies for international business, which are not universally suitable for business development in all situations in context of globalization, with current challenges, which are characterized by increasing risk, uncertainty and cultural differences. New challenges in international business negotiations are caused by formation of common cultural and information space in a global scale, the new demands for information technology progress in development of international competition and accelerating innovation processes. International business negotiation strategy development and implementation are setting the essential features and causal relations and is relevant in practice by creating in each negotiation case the unique negotiation strategy, focused on maximizing the effectiveness of the international business with the aim of more efficient use of business negotiation potential – the negotiating power. In scientific problem solving it is necessary to offer such instruments, which would take into account bargaining power of participants in negotiations, and would allow real implementation of business strategies and constitute an appropriate contribution to their development. The article aims - to design a theoretical model for preparing and implementing strategies of international business negotiations, based on evaluations of bargaining powers and to verify experimentally its relevance and applicability.

The modern business world faces with a huge multicultural diversity and its inherent specificity, requiring adequate theoretical solutions in the organization and management of international business. International business development under conditions of globalization determines that representatives of many different cultures are participating in different   negotiations. This leads to additional difficulties in modeling the negotiating strategic decisions and ensuring their

support. Therefore, there is an obvious need to develop adequate models of real bargaining situations, assessing the potential of the negotiating parties - their bargaining power. In this article is checked authors created model, which is designed to help in developing strategies of international business negotiations, based on the assessment of bargaining power. This model will be tested in a typical area of international business negotiations - in wholesale trade. The model is based on the game theory methods in order to find the optimal strategy of negotiations, to customize the optimization rules for international trade negotiations under uncertainty. The created model is designed for the development and implementation of strategies based on the assessment of bargaining power, for the analysis of the strategic actions in the negotiations and strategic decision-making. The complexity and systematic of negotiating issues determines the need to take into account the abundance of criteria for assessing the situations, processes and negotiating potential. For this purpose we use multi-criteria analysis by using experts. The results indicate that created model can be used to support international business and e-business negotiations as an independent systematic element of negotiating process (standalone or in part, requiring intervention by the negotiator).

8.1. Model for developing strategy of international business negotiations based on evaluations of the negotiating power

In our opinion the development and implementation of negotiation strategies must rely on evaluation of negotiating power. As knowledge of negotiation situations may take place during the negotiating process the strategy and tactics of actions (steps) can vary with each new issue. The analysis of scientific literature (Ginevičius *et al.* 2013; Ginevičius 2008; Tamošiūnas 2011; Zavadskas *et al.* 2015; Zavadskas 2004) shows that the application of heuristic algorithms in creation model for development and implementation the negotiating strategy in order to assess the bargaining power and to reflect better the progress of negotiations is promising. We define the condition that each negotiating issue will be considered only once, without returning to it. The heuristic algorithm will seek to find wins strategies, generating the greatest aggregate benefits in negotiations. For this purpose will be used optimization rules, proposed by various scientists (Hurwitz, Wald, Savage and Niehaus, Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann). We provide rankings of negotiation issues so that matters will go from the most important to least important, in order to ensure that the further course of negotiations would not be in vain. For example, finding out in the final stage of negotiations, that the other side can't meet the basic criteria (the negotiating team

has not the person empowered to sign the agreement or contract), it turns out that all the costs of the negotiations have been made in vain.

This optimization task is quite complicated because of the single most useful wins of the previous negotiation issues do not necessarily will provide the most useful amount of total winnings of all the negotiating issues, which implies that you must look for the best value of total wins in negotiations - to solve the task of global optimization. For example: in negotiations are settled three issues in each of them solution is selected from available alternatives. Although the wins from the first two questions were not the most useful but their choice has led to wins from the best third questions alternative, which brings the maximum possible benefit of the whole negotiation process.

After defining the priority list of negotiating issues, we must emphasize that on each issue is negotiating with a set of potential negotiating partners. Assume that negotiator has a finite set of alternatives and each issue consists of t alternatives. Let us denote alternatives $b_{i,j}$, $j = 1, 2, 3, \ldots, t_i$ for the i-th question. Then the i-th question of all alternatives set of values is denoted $w_i = \{b_{i,1}, b_{i,2}, \ldots, b_{i,t_i}$, and $w_1 \times w_2 \times w_3 \ldots w_n$ is the set of all possible negotiation scenarios when for every issue is selected one from the available alternatives, n is the number of negotiating issues.

Noted b_0 as start of negotiations, the whole negotiation process can be shown in a graphic-tree (Fig. 1), where the arcs $H_{i,b_{ij}}$ denotes winnings after we have chosen the j-th alternative to resolving the the i-th issue.

$$\max_{k \in w_1 \times w_2 \times w_3 \ldots w_n} \left(\sum_{i=1}^{n} H_{i,b_{i,j}} \right), j = 1, \ldots, |w_i|, \tag{1}$$

there:

H - the negotiators issue as winnings according to the chosen optimization rule (Hurwitz, Wald, Werner etc.);
n - the number of negotiating issues (peaks mark the start and end of negotiations).

The peak b_0 marks the start of negotiations, peaks bij notes the j-th alternative of i-th question, and the arcs $H_{i,b_{ij}}$ indicates winnings, which we could have by selecting j-th alternative in solving the i-th issue $j \in w_1 \times w_2 \times w_3 \ldots w_n$.

Further, as an example, we shall provide Hurwitz formula, which will be used in order to find the best issue winnings for negotiations at the uncertainties:

$$H_u = \max_u \left[\gamma \min_z a_{uz} + (1 - \gamma) \max_z a_{uz} \right] \text{ (the best maximal decision);} \tag{2}$$

$$H_u = \min_u \left[\gamma \max_z a_{uz} + (1 - \gamma) \min_z a_{uz} \right] \text{ (the best minimal decision).} \qquad (3)$$

Where:

H – negotiator winnings on negotiating issue by Hurwitz rule. a_{uz} – negotiator winnings, which he is able to get if he will do the move u in case if opponent will make a move z.

Negotiators set of moves is finite and consist of the moves which will be numbered: u = 1, 2, 3, ..., s.

We accept the assumption that opponent's set of possible moves is finite and consists of k moves which are numbered: z = 1, 2, 3, ..., k.

γ - hope parameter; γ - a factor that varies from 0 to 1. In the formula we can see that if $\gamma = 1$ so Hurvico criteria coincide with Waldo, this is with the pessimistic criterion.

If $\gamma = 0$, we obtain an optimistic solution, one that allows you to get the maximum winnings. What size coefficient to choose depends on the type of decision - optimistic or pessimistic - negotiator chooses. Perhaps it is the most acceptable factor $\gamma = 0.5$, because this is a situation where the average solution is selected between pessimistic and optimistic. This gambling can be written by the so-called winnings matrix array and is called gambling. Zero-sum games form:

$$\Gamma = \{S_1, S_2; A\}. \qquad (4)$$

Applying it to the negotiating challenges it can be suggested that the first negotiators set of strategies (pure strategies) is $S_1 = \{S_{11}, S_{12}, ..., S_{1s}\}$, and set of pure strategies of second negotiator is $S_2 = \{S_{21}, S_{22}, ..., S_{2k}\}$. S_1 ir S_2. They are finite and known. Function of winnings is $A = \|a_{uz}\|_{sxk}$. Negotiators moves set is complete, it consists of s moves, which are numbered as u = 1, 2, 3, ..., s. We accept the assumption that opponent's possible set of moves is finite and consists of k moves z = 1, 2, 3, ..., k.

Gambling matrix is used to find the most advantageous strategy for negotiating issue. Every play has a finite solution in pure or mixed strategies and the net value of solution complies with the inequality: $\alpha \leq v \leq \beta$.

If $\alpha = \beta = v$, then solution with clear strategies is a saddle point (only one optimal strategy for each player).

The number α is called the lowest slot value, β - largest gambling value, v is called the net value of gaming or gambling price.

By using game theory methods for specific tasks it is needed efficiency indicators of a pure value which must express relationship with optimum value and

must be independent from matrix.

We shall use simple additive weighting method (SAW) of exponential expression using different degree of measure criteria values in cases of the best minimal and the best maximum values, when normalized values are limited in the range [0, 1]:

$$a_{uz} = \left(\frac{\min_u c_{uz}}{c_{uz}}\right)^3, \; if \min_u c_{uz} \; advantageous, \qquad (5)$$

$$a_{uz} = \left(\frac{c_{uz}}{\max_u c_{uz}}\right)^2, \; if \max_u c_{uz} \; advantageous. \qquad (6)$$

The latter formula we will use for the normalization of negotiations indicators in order to facilitate the processing of the outcome of negotiations and to obtain comparative values.

Keeping the initial data about the importance of indicators on negotiating issues, it is necessary to determine the significance of parameters characterizing the negotiating issues (Ginevičius *et al.* 2014; Ginevičius *et al.* 2008; Berth *et al.* 2000; Mandow Cruz 2003; Wibowo, Deng 2013; Azar 2014). Indicators significance will show how many times the usefulness rate of one or another negotiating issue is higher (lower) than another indicator's usefulness. Knowing significance of the negotiations issue parameters there can be determined each of their values in such a way (Ginevičius, Podvezko 2008a; Ginevičius, Podvezko 2008b; Ginevičius *et al.* 2008; Stewart *et al.* 2013; Ehtamo *et al.* 2001; Martin Ramos *et al.* 2010; Lourenzutti, Krohling 2014; Chang, Wu 2011; Azar 2014; Keršulienė 2008):

1. Elected the most significant indicator of negotiations issue - a_{ger};
2. For the best value of analysed issue is given 1 point value of significance $(a_{ger}= 1)$;
3. It is determined by how many percent (q_v) the values of remaining indicators (b_v) are worse than the best $(a_{ger}= 1)$;
4. It is determined by how many percent (q_v) the values of remaining indicators (b_v) are worse than the best $(a_{ger}= 1)$;
5. It is determined by how many percent (q_v) the values of remaining indicators (b_v) are worse than the best $(a_{ger}= 1)$;
6. For indicators values are granted the relative values ($a_v = 1 - q_v/100$);
7. The relative values of all indicators (q_v) are converted in such a way that their sum would be equal to one:

$$\sum_{v=1}^{m} q_v = 1; v = 1,2,\ldots, m.$$

We use multiple criteria evaluation in case of using game theory methods when the issue of negotiations deals with more than one indicator. This estimation of few normalized indicators will be used in gaming matrix in order to find the winning of negotiations issue.

The negotiation process can be shown in the graph (Figure 11).

The peak b_0 marks the start of negotiations, peaks b_{ij} marks the j-th alternative of the i-th issue, and the graph arc $H_{i,b_{ij}}$ indicates winning which we have after choosing the j-th alternative in solving the i-th issue. Below is given a global optimization task for a fixed number of negotiating issues, which are foreseen in negotiating agenda before negotiations.

Table 8 presents theoretical model of international business negotiation strategy based on estimation the negotiating power. In the model are made ratings of bargaining power for three subjects: the negotiations participant, his opponent, the competitor of negotiations participant. The negotiating power of these subjects is assessed according to their importance in the negotiations participant's strategy, which is based on the bargaining power estimation. These entities directly influence decision-making in preparing negotiating strategy.

In the model evaluation of negotiating power of all subjects of negotiations and preparing strategy of negotiations are carried out in this order: first is carried out non-linear normalization of the indicators of negotiation issues; multi-criteria evaluation of negotiations issues indicators; gaming matrix is used to find the most advantageous negotiating strategies on the issue; optimality rules are used to find the maximum win of the negotiations issues; optimization task is solved to find the maximum win for the negotiations; finally, the comparison of assessed negotiating powers is carried out and decision-making.

Created model for negotiating strategy development will be used for preparing international business negotiation strategies based on the bargaining power assessment. This negotiating strategy development model later will be used in solving complex issues and problems of negotiations. We will investigate whether model designed is effective for support of international business negotiations in case of wholesale.

8.2. The methodology of the empirical study designed to test strategy development model based on the assessment of negotiating power in international business negotiations

In this paper, empirical studies attempts to analyze negotiating strategy based on

the assessment of bargaining power in a typical field of international business negotiation - in the case of wholesale trade. In order properly adjust and check the created model of business negotiation strategy based on evaluations of bargaining power in international negotiations. This study is necessary, because it can show the potential applicability of the model and check its basic settings. In the empirical study are used the following research methods: logical analysis, logical generation. comparison of findings and generalization techniques; mathematical and statistical methods of data analysis used in processing and analyzing empirical data obtained through studies of statistical analysis performed using SPSS (Statistical Package for the Social Sciences) software. Game theory methods (Xu *et al.* 2012; Pena *et al.* 2014; Cevikel *et al.* 2010; Panda *et al.* 2014; Zavadskas *et al.,* 2004; Apynis March 2007; Žilinskas 2007) and multiple criteria evaluation are used to carry out an assessment of business entities bargaining power in international business negotiations, in order to choose effective strategic decisions in international business negotiations. This is done using MathLab software.

The study raised the following hypothesis:

H1: International business negotiation practice. There is a lack of dispositions and possibilities for a reasonable and adequate assessment of various business entities negotiating power, according to one of the circumstances of multiculturalism occurring in modern conditions of business internationalization and to the distance negotiating technology and e-business development opportunities.

H2: international business negotiation strategies based on the assessment of bargaining power give effective results in negotiations compared to the negotiations, which are not based on the assessment of bargaining power.

The first (H1) and second (H2) hypotheses will attempt to prove with the help of analysis of preparing negotiating strategy based on the assessment of bargaining power in a typical field of international business negotiation - in the case of wholesale trade. Empirical research is oriented towards search of the basic parameters of model and justification of its application.

Following is given a diagram of empirical studies (Fig. 14).

Table 8. International business negotiation strategy and the preparation of the theoretical model based on bargaining power estimation (composed by the author)

	Subjects interested in negotiations	Negotiations participant	Negotiations opponent	Competitor of negotiations participant
No.	The order of application of the algorithm formulas	Mathematical expressions of steps of the algorithm		

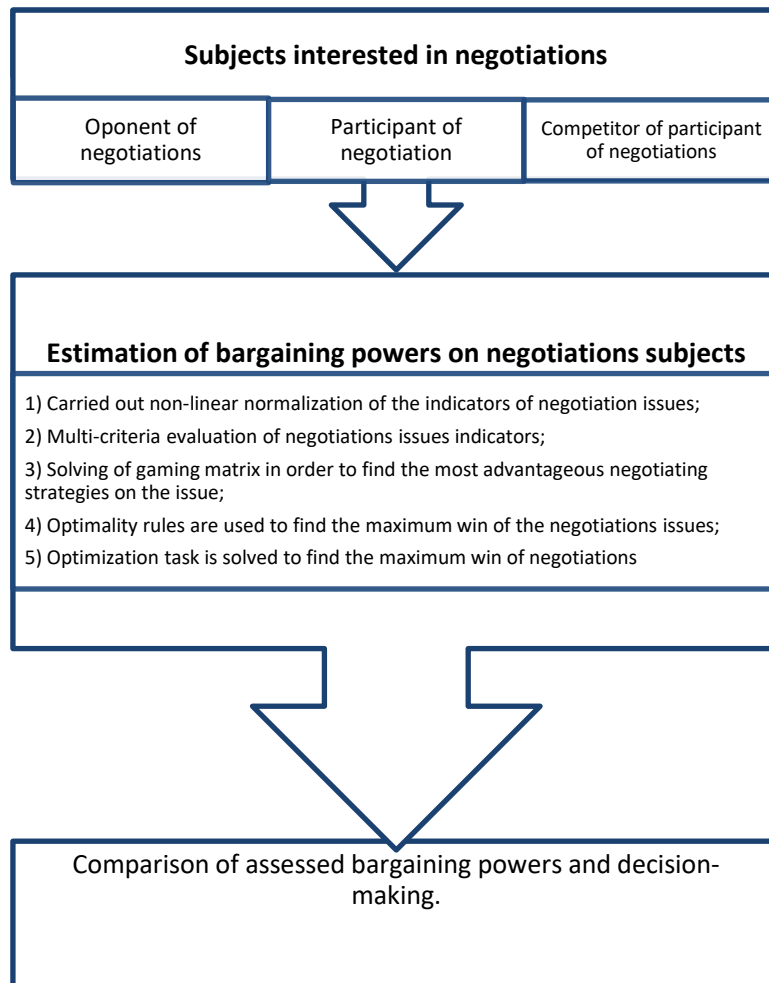| 1.	Is performed nonlinear Peldschus normalization of negotiations issue indicators.	$$a_{uz} = \left(\frac{\min\limits_u c_{uz}}{c_{uz}}\right)^3 \; if \; \min\limits_u c_{u\;z} \; favorable,$$ $$a_{uz} = \left(\frac{c_{uz}}{\max\limits_u c_{uz}}\right)^2 \; if \; \max\limits_u c_{uz} \; favorable.$$
2.	Multiple criteria evaluation on negotiation issues indicators.	1. Election of the most significant indicator of negotiations issue - a_{ger}; 2. For the best value of analysed issue is given 1 point value of significance ($a_{ger}= 1$); 3. It is determined by how many percent (q_v) the values of remaining indicators (b_v) are worse than the best ($a_{ger}= 1$); 4. For indicators values are granted the relative values ($a_v = 1 - q_v/100$); 5. The relative values of all indicators (q_v) are converted in such a way that their sum is equal to one: a. $\sum_{v=1}^{m} q_v = 1; v = 1,2,\dots, m.$

3.	Gaming matrix is solved in order to find the most advantageous strategy for negotiating issue.	The form of zero-sum games: $$\Gamma = \{S_1, S_2;\, A\}.$$ Applying it to solve the negotiating issues you may suspect that a set of the first negotiators strategies (pure strategies) is $S_1 = \{S_{11}, S_{12}, \dots, S_{1s}\}$, and a set of the second negotiators pure strategies is $S_2 = \{S_{21}, S_{22}, \dots, S_{2k}\}$. S_1 ir S_2 are finite and known. Function of winnings is $A = \|a_{uz}\|_{sxk}$
		   A set of negotiators moves is finite and consists of s moves, which will be numbered u =1, 2, 3, …, s.
		   We accept the assumption that your opponent's set of possible moves is finite, which consists of k moves. These moves shall be numbered z=1, 2, 3, …, k.
		 Every finite gambling has a solution in pure or mixed strategies and the net value reflects the $$\alpha \le v \le \beta.$$ If $\alpha = \beta = v$, then solution with clear strategies is a saddle point (only one optimal strategy for each player).
		 The number α is called the lowest slot value, β - largest gambling value, v is called the net value of gaming or gambling price.

4.	The optimality rules are usedin order to find the maximum win of the negotiations issue (as the example is provided Hurwitz rule).	$$H_u = \max_u \left[\gamma \min_z a_{uz} + (1 - \gamma) \max_z a_{uz}\right] \text{ (The best maximal decision)};$$ $$H_u = \min_u \left[\gamma \max_z a_{uz} + (1 - \gamma) \min_z a_{uz}\right] \text{ (The best minimal decision)};$$ Where:
		 H – the participants winning of negotiation issue according Hurwitz rule,
		   a_{uz} – the winning, which participant could get if he will make the move uin case if his opponent will make the move z.
		  Negotiators moves alternatives set is complete and consists of *s* moves, which will be numbered u = 1, 2, 3, ..., s.
		 We accept the assumption that opponent's possible set of moves is finite and consists of *k* moves z = 1, 2, 3, ..., k.
		 γ – the hope parameter, γ - a factor that varies from 0 to 1.

5.	Optimization task is solved in order to find the maximum winnings of negotiations	$$\max_{k \in w_1 \times w_2 \times w_3 \dots w_n} \left(\sum_{i=1}^{n} H_{i,b_{i,j}}\right), j = 1, \dots, |w_i|,$$ Where: H – the participants winning of negotiation issue according Hurwitz rule, n – amount of negotiating issues (the peaks note the start and the end of negotiating issue). Noted b_0 as the start of negotiations, the whole process of negotiations can be presented as graph-tree (Fig. 1), where graph arc $H_{i,b_{ij}}$ indicates the winnings, which can be achieved by selecting j-th alternative in solving the i-th issue $$k \in w_1 \times w_2 \times w_3 \dots w_n.$$ After defining the priotity list of negotiation issues, let us note, that on each negotiating issue there negotiations with a set of potential partners of negotiations. Let us assume that set of negotiator's alternatives is finite and each issue consists from *t* alternatives. Alternatives of i-th issue will be noted as $b_{i,j}, j = 1, 2, 3, \dots, t_i$. Then i-th issue set of all alternatives we shall note as $w_i = \{b_{i,1}, b_{i,2}, \dots, b_{i,t_i}\}$, o $w_1 \times w_2 \times w_3 \dots w_n$ which is set of all possible nagatiations scenario, when on each issue is selected one from possible alternatives, n is amount of negotiations issues.
6.	Comparison of bargaining powers and decision making	Strategy of international business negotiations based on estimation of bargaining powers.

Fig. 14. Empirical Research Scheme (composed by the author)

The case of wholesale trade is the most common in international business negotiations. The research is carried out taking into account the specifics of this sphere. After checking the suitability of this model in typical case there could be considered further studies about its applicability in other areas. In this study, are used game theory methods, heuristic algorithm (Berth *et al.* 2000; Mandow Cruz 2003; Wibowo, Deng 2013; Azar 2014; Tamošiūnas 2011), multi-criteria evaluation.

For multi-criteria assessment of negotiations are invited the experts from the spheres of relevant negotiating concrete cases. There are analyzed subjects involved in the negotiations and their negotiating objects, who are representing a typical international business negotiation case. Specific details on the subjects and objects of negotiations are confidential in order not to disclose their trade secrets, so presentation of research data is limited. However, the presented data enable to reflect investigation process and its results.

For empirical verification of the model it is appropriate to rely on game theory

methods, because it allows to analyze the interaction of objects having their own goals. This is particularly important in international business negotiations where representatives of different cultures are meeting, and this creates a lot of uncertainties. In order to develop the international business negotiation strategy based on the assessment of bargaining power, it is appropriate to use game theory methods that help to create a model for preparation of effective strategies. Game theory is described as a set of methods for handling conflict situations. Its purpose is to prepare recommendations in accepting rational solutions for the participants of conflict (Bivainis, 2011). To use of game theory methods always is available when it is possible to foresee options of negotiators activities, analyzing one version of each negotiating party (the player) (Keršulienė, 2008). Of course, game theory can't fully define the decisions in all cases of negotiations but practice has proven that game theory methods are the perfect tool helping to make reasonable and appropriate strategic decisions. In many situations of business negotiations negotiators often must make decisions under uncertainty. Of course, in the assessment of bargaining power we tried to reduce this information deficit, but this was not possible to achieve fully due to the large number of variables. Therefore, there are invoked various rules for calculating the optimal strategies.

8.3. Characteristic of a typical case for strategy development based on the assessment of negotiating power in international business negotiations

We will continue to study characteristic of a typical case for strategy development based on the assessment of bargaining power in international business negotiations – wholesale trade case. We will review the importance of this activity in the EU and Lithuania. The analysis has been prepared on the basis of data from Eurostat (in 2015), the Ministry of Economy of Lithuania (in 2015) Department of Statistics of Lithuania (in 2015 and in 2014) and the Bank of Lithuania (in 2015).

Wholesale trade. According to the Lithuanian Department of Statistics (2015) in 2014 year Lithuanian exports of goods amounted to 24.4 billion EUR, import - 26.5 billion EUR. Lithuania mainly exported to Russia, Latvia, Poland and Germany. Mostly goods of Lithuanian origin were exported to the EU (almost 70 per cent of the total exports). The main partners of Lithuanian exports were Germany, Latvia, the Netherlands and Poland (Lithuanian Department of Statistics, 2015). Most of the goods were imported to Lithuania from Russia, Germany, Poland and Latvia. Goods imported from the EU countries increased by 7.2 percent in value and amounted 63.8 percent from the total Lithuanian import. Russian imports decreased by 14.8 percent and amounted 27.6 percent of the total import of

Lithuania (Lithuanian Department of Statistics, 2015). Due to unfavorable geopolitical changes, a decline in export prices, the devalued currencies of Russia and other Commonwealth of Independent States not only in Lithuania, but also in the European Union (EU (28)) declined exports of goods, which Lithuania traders are re-exporting and due their competitive opportunities. Slow growth of exports of goods and services can be partially linked to the geopolitical situation in the eastern part of Europe and the slowly recovering demand in Western markets. The sustained tension between Russia and Ukraine, it seems, has worsened and the overall investment climate for companies particularly related to Eastern European markets. In the last quarter of 2014 year export was inhibited by some factors (Lithuanian Ministry of Economy, 2015): complicated geopolitical situation in the region (the Russian embargo of the EU food industry and agricultural production, as well as other Russian-Ukrainian conflict escalation aspects), falling export prices for products and quite slope Western markets demand (Lithuanian Ministry of Economy, 2015). Re-exports during 2014 year fourth quarter grew by 4.6 percent (throughout 2014 - 8.7 percent). Despite trade restrictions and the worsening economic situation in Russia and on the markets belonging to the Lithuanian trade, logistics and transport company found enough business opportunities for East-West (EU-Russia) supply chain (Lithuanian Ministry of Economy, 2015). As we can see, the latter activities in EU and Lithuania are significant. Therefore, in further research will be carried out of strategy development based on the assessment of bargaining power in international business negotiations in wholesale trade.

8.4. Wholesale strategy development based on the assessment of negotiating power in international business negotiations

This study will examine model of strategy development based on the assessment of bargaining power in international business negotiations - case of the wholesale trade.

It will allow to check out the adequacy of created negotiating strategy development model for business negotiation support based on the assessment of bargaining power, there will be carried out assessment of bargaining power through negotiation stakeholders, according which will be prepared strategy. The study will include 4 international business entities. Next are described the participants and the context of negotiations.

Situation and its context. Retail chain renovates its stores in Lithuania, Latvia and Estonia. He is looking for a supplier of external cladding panels. The supply agreement would be concluded for a fixed period and substances. Lithuania has

already renovated a number of shops with these matters. Suppliers must have their own warehouses in Eastern Europe according the request, the plates should be delivered within a few days.

Business entities who are interested in negotiations:

Participant No. 1 – competitor for negotiation participants No. 3 and No. 4. This business entity is the supplier of facade panels with extensive operating experience. This participant sells other construction materials for negotiating opponent (the participant No. 2). However, until now he has not sold facade panels for negotiating opponent because the latter buy facade panels from the participant No. 3.

Participant No. 2 - the contracting business entity - negotiating opponent. This is a retail chain that searches good quality, but cheap facade decoration. This negotiation opponent is looking for companies which can supply materials reliably without interruptions.

Participant No. 3 - entity who gets negotiation support. This participant supplies facade panels for 5 years. Participant No. 2 carried out many construction projects from the supplied materials, so switching can cause inconvenience, as there may be different shades of boards and other parameters.

Participant No. 4 - is a competitor for negotiations participants No.1 and No. 3. This competitor supplies facade panels from Asia. However, this business entity had several cases where products had quality problems and did not meet the standards. That was publicized in press and held pre-trial investigations.

The winnings of negotiations will be assessed in relation to the business entity which purchases products. The negotiating with other business entities will take part in these international negotiations (1 formula). The criteria by which proposals will be evaluated in accordance to other business entities: duration (months), price (in euros), the probability of delays to pay (per cent). The results of probability on delivery time, price and delay to pay will be minimized (5 formula). For the evaluation importance of negotiating issue criteria are invoked experts from negotiating team (10 wholesale trade sector experts - project managers, managers, brokers and clients). Concordance rate is calculated to determine the compatibility of the expert opinions Appendix 2, (16-19 formula). Then is given a normalized decision matrix (5-6 formula) in accordance with the relevant criteria and calculated the total value of alternatives.

In another step we shall compare gaming performance by applying different rules of optimization (4 and Appendix 2, 7-15 formula). There was a choice of following rules (Appendix 2, 7-15 formula): Hurwitz, Wald, Savage and Niehaus,

Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann. Accordingly, under the applicable rules of optimization there were adopted the same source data for all rules: the hope factor of 0.5; and the probability of the event 0.25. Each entity provides 4 offers of alternatives. However, the accuracy of the negotiating results is determined by the possible uncertainty of information. Therefore, to reduce this negative impact on the lack of information, in order to reduce uncertainties there have been used credit information on business entities. In Annex 1 are presented evaluation data of initial negotiation proposals. There are selected the optimality criteria and consequently are chosen the best rates. The experts from negotiating team are employed to assess the relevance of negotiations issues criterion. Next there are given results of the expert's assessment on indicators significance (Appendix 1, Tables A.1 and A.2).
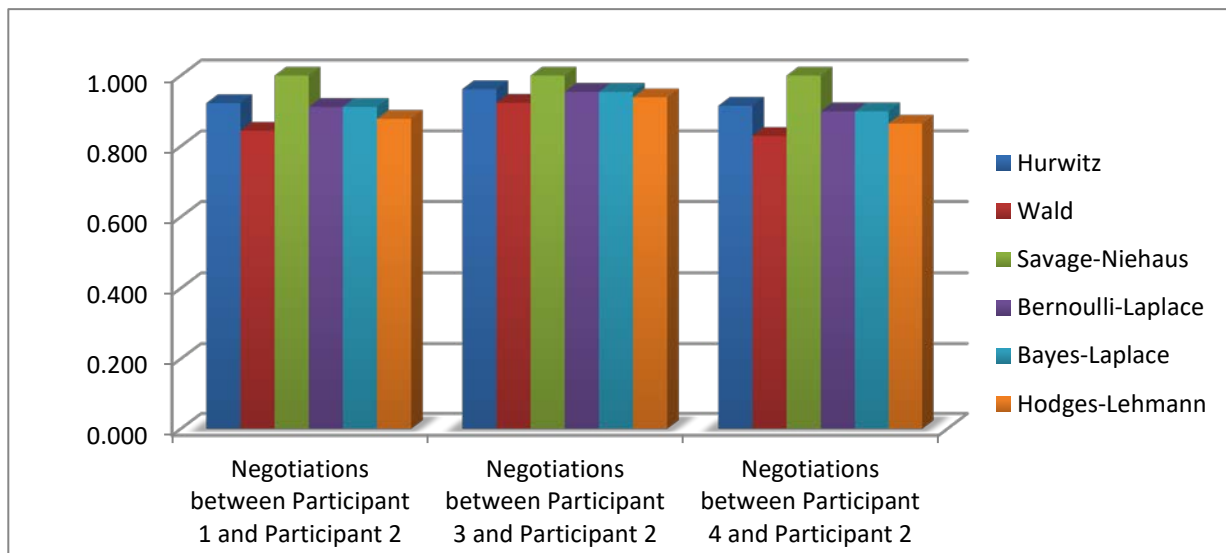
Fig. 15. Participants of the negotiations winnings distribution in wholesale trade case, using different optimization rules (normalized values)

There are defined criteria for significance. There are also determined compatibilities of experts opinions - concordance coefficients (Appendix 2, 16-19 formula), which are satisfactory. In the next step is presented normalized decision matrix (5-6 formula), in which are adjusted criteria for significance. In A.3 - A.5 tables (Appendix 1) are provided gaming matrix normalized according importance of the criteria (Formula 4). Figure 15 compares the results of gaming observed with various optimization rules. The diagram (Fig. 15) provides summary of the results of winnings on the negotiation support (under Article 4, Appendix 2, 2.8 - 16.2 and 1 formulas), according to optimization rules. There is displayed information which negotiators proposal was with the biggest winnings according to different

optimization rules, as well as the cumulative winnings for all issues. In Figure 16 are given support of winnings of wholesale trade business negotiations in each question under different optimization rules: Hurwitz, Wald, Savage and Niehaus, Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann. Optimization rules enable us to simulate various situations in the negotiations, to see the maximum, average and minimum winnings. The choice of principles and rules must carry out negotiators with high qualifications and experience in the fields concerned.

In order to determine which option is the best it is necessary to assess specifics, goals and conditions of each task, so there are offered such cases for use: in the examination of multiple negotiations and making a lot of decisions it is advisable to apply Bayes (Bayes-Laplace) and Hurwitz principles. If negotiations are single, it is better to apply the minimax and Savage-Niehaus principles. If under certain conditions is unacceptable even minimal risk it should be based on the principle of Wald. If it is possible partial risk, then it is applicable Hodges and Lehman rule to calculate the optimal strategies. In considering the negotiation strategies support for wholesale trade business negotiations, it can be noted that the strategic principles of the negotiations can vary in each question. Results chart shows that optimistic - the highest win provides Savage and Niehaus optimization rule, the lowest winnings - Wald rule. Accordingly Hurwitz, Bernoulli-Laplace and Laplace-Bayes rules were showed very similar results, and Hodges and Lehman gave slightly higher winnings, than the lowest winnings having demonstrated the Wald rule. Figure 4 are given sum for all optimization rules winnings results.

The calculations according to the created model on evaluation of the negotiating powers set that the greatest negotiating power has participant No. 3 (the other participants had less negotiating powers to negotiate with the negotiator No. 2). While participant No. 3 did not use these study results on support of negotiations, but he have reached an agreement with the participant No.2. This confirms that it is an effective negotiation support to the development of wholesale trade.
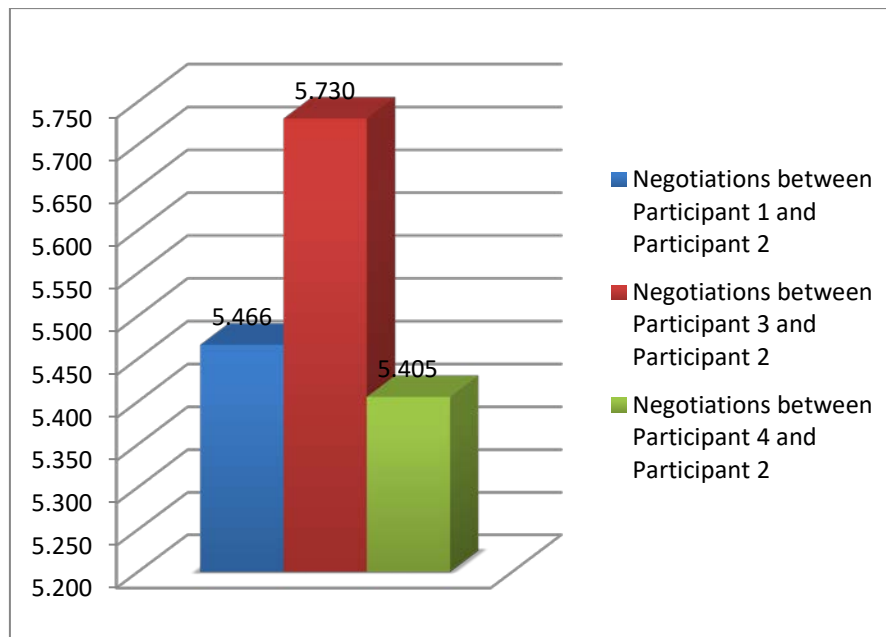
Fig. 16. International business negotiation participants negotiating power assessment sum results in wholesale trade case (normalized values)

9. PREPARATION OF INTERNATIONAL BUSINESS NEGOTIATIONS STRATEGIES BASED ON EVALUATION OF NEGOTIATING POWER: CASE OF E-COMERCE

This puts new requirements on business negotiations strategies design and implementation - in these processes must be ensured set of planned and implemented negotiating action, enabling to understand the other side of negotiating in various situations, to achieve mutual understanding, to reach a common understanding, negotiating and eventually find an optimal solution. In this work will be tested model, designed to help to develop international business negotiation strategies based on negotiation power evaluations. This model will be tested in a typical field of international business negotiation - electronic commerce. It consist the use of game theory methods, aims to find the optimal strategy of negotiations and customize the optimization rules in negotiations under uncertainty. The developed model is designed for assessment of bargaining power, analysis of strategic actions in negotiations and strategic decision-making. Taking into account the abundance of the criteria used in negotiating issues has been used multi-criterial analysis by means of expert assistance.

In study was made experimental verification of model for development of international business negotiations strategies, which can be used for electronic negotiations: both as a standalone tool or as a measure requiring partial negotiators intervention.

9.1. Characteristic of a typical case of strategy development model based on the assessment of bargaining power in international business negotiations

There will be carried out a typical case of strategy development model based on the assessment of bargaining power in international business negotiations characteristic - in the area of e-commerce. In this section we will review the importance of this activity in the EU and Lithuania. Analysis has been prepared based on data of Eurostat (2015), the Ministry of Economy of the Republic of Lithuania (2015), the Department of Statistics of Lithuania (2015, 2014) and the Bank of Lithuania (2015).

E-commerce. In 2013 year computers and electronic networks for trade (to buy or sell goods or services) used 35.8 per cent of enterprises (from 2,012 to 34.7 per cent). In 2013 year 24.6 per cent of enterprises purchased (ordered) goods or services through internet or computer networks, using electronic data interchange technology, 19.3 percent - received the orders (in 2012 year - respectively 21.9 and 22.2 percent). 12.1 per cent indicated that they received payments for goods which were sold electronically (by e-booking). In early 2014 year the use of computers and internet was among all manufacturing and service companies employing 10 or more employees. The broadband internet use 99.4 per cent of enterprises, wireless internet access - 61.8 percent, of which more than half (53.3 percent) - supplied mobile broadband cellular (mobile) telephone operators networks (Lithuanian Department of Statistics, 2014). Mobile internet access for business use 11.4 per cent of staff (2013 to 10.5 per cent). In 2014 year beginning the web site had 74.5 per cent of enterprises, 43.5 per cent of the company's website announced goods or services catalogs and price lists, 20.2 per cent - provided the opportunity to book, reserve or purchase products electronically (Lithuanian Department of Statistics, 2014). A quarter of enterprises are buying online, and one-fifth of companies get online answers, we can see that the internet and computer technology are increasingly being used in various business processes, e-commerce increasingly is used in business, so we can say that e-commerce business occupies an important place and has great potential to expand. As we see the importance of this activity is significant in the EU and Lithuania. Therefore, in further will be carried out a typical case of strategy development model based on the assessment of bargaining power in international business negotiations characteristic - in the area of e-commerce.

In our view, the development and implementation of negotiation strategies must rely on evaluation of negotiating power. However, the cognition of situation can take place in process of negotiations, so the implementation of the strategy and

tactics of actions (steps) may change with each new issue. The analysis of the scientific literature (Ginevičius *et al.* 2013; Ginevičius 2008; Tamošiūnas 2011; Zavadskas *et al.* 2015; Zavadskas 2004) shows that the application of heuristic algorithms is promising for the development and implementation model of negotiating strategy based on evaluation of bargaining power better reflect the progress of negotiations. We define the condition that each negotiating issue will be examined only once, without returning to it. The heuristic algorithm will seek to find the negotiators win strategies, which produce the maximum cumulative negotiating benefits. In order to find them will be used optimization rules proposed by various scientists (Hurwitz, Wald, Savage and Niehaus, Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann). Negotiating issues provide a sequence so that the issues go from the most important to least important, in order to ensure that the further course of negotiations would not be in vain. For example: finding out in the last negotiation phase that another side of negotiations could not meet the basic criteria (negotiating team has not the person empowered to sign the agreement, a contract), it turns out that the costs incurred until then in negotiating have been made in vain. This optimization problem is quite complicated because of that in previous talks single most useful issues will not necessarily win the best value of all negotiation issues cumulative winnings, which means the need to look the best value during the whole negotiation process, the total dividend, this is to solve global optimization problem. For example: in the negotiations are settled three questions, each question is chosen from the available alternatives, though winnings are in the first two questions, in each question they were not the most useful, but their best choice led to the third questions alternatives winnings, which in the final produced the maximum possible benefits of negotiating process. After defining the priority list of negotiating issues, we must emphasize that on each issue is negotiating with a set of potential negotiating partners. Let assume that negotiator has a finite set of alternatives and each issue consists of t alternatives. Let us denote alternatives $b_{i,j}$, $j = 1, 2, 3, ..., t_i$ for the i-th question. Then i-th question of all alternatives set of values is denoted $w_i = \{b_{i,1}, b_{i,2}, ..., b_{i,t_i}$, and $w_1 \times w_2 \times w_3 ... w_n$ is the set of all possible negotiation scenarios when for every issue is selected one from the available alternatives, n is the number of negotiating issues.

Noted b_0 as start of negotiations, where the arcs $H_{i,b_{ij}}$ denotes winnings after we have chosen the j-th alternative to resolving the the i-th issue.

$$\max_{k \in w_1 \times w_2 \times w_3 ... w_n} \left(\sum_{i=1}^{n} H_{i,b_{i,j}} \right), j = 1, ..., |w_i|, \tag{1}$$

here:

H - the negotiators issue as winnings according to the chosen optimization rule (Hurwitz, Wald, Werner etc.);

n - the number of negotiating issues (peaks mark the start and end of negotiations).

The peak b_0 marks the start of negotiations, peaks bij notes the j-th alternative of i-th question, and the arcs $H_{i,b_{ij}}$ indicates winnings, which we could have by selecting j-th alternative in solving the i-th issue $j \in w_1 \times w_2 \times w_3 \dots w_n$.

Further, as an example, we shall provide Hurwitz formula, which will be used in order to find the best issue winnings for negotiations at the uncertainties:

$$H_u = \max_u \left[\gamma \min_z a_{uz} + (1 - \gamma) \max_z a_{uz} \right] \text{ (the best maximal decision); (2)}$$

$$H_u = \min_u \left[\gamma \max_z a_{uz} + (1 - \gamma) \min_z a_{uz} \right] \text{ (the best minimal decision). (3)}$$

There:

H – negotiator winnings on negotiating issue by Hurwitz rule. a_{uz} – negotiator winnings, which he is able to get if he will do the move u in case if opponent will make a move z.

Negotiators set of moves is finite and consist of the moves which will be numbered: u = 1, 2, 3, ..., s.

We accept the assumption that opponent's set of possible moves is finite and consists of k moves which are numbered: z = 1, 2, 3, ..., k.

γ - hope parameter; γ - a factor that varies from 0 to 1. In the formula we can see that if $\gamma = 1$ so Hurvico criteria coincide with Waldo, this is with the pessimistic criterion.

If $\gamma = 0$, we obtain an optimistic solution, one that allows you to get the maximum winnings. What size coefficient to choose depends on the type of decision - optimistic or pessimistic - negotiator chooses. Perhaps it is the most acceptable factor $\gamma = 0.5$, because this is a situation where the average solution is selected between pessimistic and optimistic. This gambling can be written by the so-called winnings matrix array and is called gambling. Zero-sum games form:

$$\Gamma = \{S_1, S_2; A\}. \qquad (4)$$

Applying it to the negotiating challenges it can be suggested that the first negotiators set of strategies (pure strategies) is $S_1 = \{S_{11}, S_{12}, \dots, S_{1s}\}$, and set of pure strategies of second negotiator is $S_2 = \{S_{21}, S_{22}, \dots, S_{2k}\}$. S_1 ir S_2. They are finite and known. Function of winnings is $A = \|a_{uz}\|_{sxk}$. Negotiators moves set is complete, it consists of s moves, which are numbered as u = 1, 2, 3, ..., s. We accept the assumption that opponent's possible set of moves is finite and consists of k moves z = 1, 2, 3, ..., k.

Gambling matrix is used to find the most advantageous strategy for negotiating issue. Every play has a finite solution in pure or mixed strategies and the net value

of solution complies with the inequality: $\alpha \leq v \leq \beta$.

If $\alpha = \beta = v$, then solution with clear strategies is a saddle point (only one optimal strategy for each player).

The number α is called the lowest slot value, β - largest gambling value, v is called the net value of gaming or gambling price.

By using game theory methods for specific tasks it is needed efficiency indicators of a pure value which must express relationship with optimum value and must be independent from matrix.

We shall use simple additive weighting method (SAW) of exponential expression using different degree of measure criteria values in cases of the best minimal and the best maximum values, when normalized values are limited in the range [0, 1]:

$$a_{uz} = \left(\frac{\min\limits_u c_{uz}}{c_{uz}}\right)^3, \text{ if } \min\limits_u c_{uz} \text{ advantageous}, \quad (5)$$

$$a_{uz} = \left(\frac{c_{uz}}{\max\limits_u c_{uz}}\right)^2, \text{ if } \max\limits_u c_{uz} \text{ advantageous}. \quad (6)$$

The latter formula we will use for the normalization of negotiations indicators in order to facilitate the processing of the outcome of negotiations and to obtain comparative values.

Keeping the initial data about the importance of indicators on negotiating issues, it is necessary to determine the significance of parameters characterizing the negotiating issues (Ginevičius *et al.* 2014; Ginevičius *et al.* 2008; Berth *et al.* 2000; Mandow Cruz 2003; Wibowo, Deng 2013; Azar 2014). Indicators significance will show how many times the usefulness rate of one or another negotiating issue is higher (lower) than another indicator's usefulness. Knowing significance of the negotiations issue parameters there can be determined each of their values in such a way (Ginevičius, Podvezko 2008a; Ginevičius, Podvezko 2008b; Ginevičius *et al.* 2008; Stewart *et al.* 2013; Ehtamo *et al.* 2001; Martin Ramos *et al.* 2010; Lourenzutti, Krohling 2014; Chang, Wu 2011; Azar 2014; Keršulienė 2008):

- elected the most significant indicator of negotiations issue - a_{ger};

- for the best value of analysed issue is given 1 point value of significance ($a_{ger} = 1$);

- it is determined by how many percent (q_v) the values of remaining indicators (b_v) are worse than the best ($a_{ger} = 1$);

- for indicators values are granted the relative values ($a_v = 1 - q_v/100$).

The relative values of all indicators (q_v) are converted in such a way that their sum would be equal to one:

Table 9. International business negotiation strategy and the preparation of the theoretical model based on bargaining power estimation (composed by the author)

	Subjects interested in	Negotiations	Negotiations	Competitor of negotiations participant

	negotiations	participant	opponent	
Eil. Nr.	**The order of application of the algorithm formulas**	**Mathematical expressions of steps of the algorithm**		
1.	**Is performed nonlinear Peldschus normalization of negotiations issue indicators.**	$a_{uz} = \left(\frac{\min\limits_{u} c_{uz}}{c_{uz}}\right)^3$ if $\min\limits_{u} c_{uz}$ favorable, $a_{uz} = \left(\frac{c_{uz}}{\max\limits_{u} c_{uz}}\right)^2$ if $\max\limits_{u} c_{uz}$ favorable.		
2.	**Multiple criteria evaluation on negotiation issues indicators.**	• Election of the most significant indicator of negotiations issue - a_{ger}; • For the best value of analysed issue is given 1 point value of significance ($a_{ger} = 1$); • It is determined by how many percent (q_v) the values of remaining indicators (b_v) are worse than the best ($a_{ger} = 1$); • For indicators values are granted the relative values ($a_v = 1 - q_v/100$); • The relative values of all indicators (q_v) are converted in such a way that their sum is equal to one: ○ $\sum_{v=1}^{m} q_v = 1; v = 1,2,\ldots, m.$		

3.	**Gaming matrix is solved in order to find the most advantageous strategy for negotiating issue.**	The form of zero-sum games:
		 $$\Gamma = \{S_1, S_2; A\}.$$
		 Applying it to solve the negotiating issues you may suspect that a set of the first negotiators strategies (pure strategies) is $S_1 = \{S_{11}, S_{12}, \ldots, S_{1s}\}$, and a set of the second negotiators pure strategies is $S_2 = \{S_{21}, S_{22}, \ldots, S_{2k}\}$. S_1 ir S_2 are finite and known. Function of winnings is $A = \|a_{uz}\|_{sxk}$
		     A set of negotiators moves is finite and consists of s moves, which will be numbered u =1, 2, 3, …, s.
		     We accept the assumption that your opponent's set of possible moves is finite, which consists of k moves. These moves shall be numbered z=1, 2, 3, …, k.
		 Every finite gambling has a solution in pure or mixed strategies and the net value reflects the
		 $$\alpha \leq \nu \leq \beta.$$
		 If $\alpha = \beta = \nu$, then solution with clear strategies is a saddle point (only one optimal strategy for each player).
		 The number α is called the lowest slot value, β - largest gambling value, ν is called the net value of gaming or gambling price.		

4.	**The optimality rules are usedin order to find the maximum win of the negotiations issue (as the example is provided Hurwitz rule).**	$H_u = \max\limits_{u} \left[\gamma \min\limits_{z} a_{uz} + (1 - \gamma) \max\limits_{z} a_{uz}\right]$ (The best maximal decision);
		 $H_u = \min\limits_{u} \left[\gamma \max\limits_{z} a_{uz} + (1 - \gamma) \min\limits_{z} a_{uz}\right]$ (The best minimal decision);
		     Where:
		 H – the participants winning of negotiation issue according Hurwitz rule,
		    a_{uz} – the winning , which participant could get if he will make the move u in case if his opponent will make the move z.
		 Negotiators moves alternatives set is complete and consists of *s* moves, which will be numbered u = 1, 2, 3, ..., s.
		 We accept the assumption that opponent's possible set of moves is finite and consists of *k* moves z = 1, 2, 3, ..., k.
		 γ – the hope parameter, γ - a factor that varies from 0 to 1.		

5.	**Optimization task is solved in order to find the maximum winnings of negotiations**	$$\max\limits_{k \in w_1 \times w_2 \times w_3 \ldots w_n} \left(\sum_{i=1}^{n} H_{i,b_{i,j}}\right), j = 1, \ldots, |w_i|,$$
		     Where:
		 H – the participants winning of negotiation issue according Hurwitz rule,
		 n – amount of negotiating issues (the peaks note the start and the end of negotiating issue).
		     Noted b_0 as the start of negotiations, where graph arc $H_{i,b_{ij}}$ indicates the winnings, which can be achieved by selecting j-th alternative in solving the i-th issue
		 $$k \in w_1 \times w_2 \times w_3 \ldots w_n.$$
		 After defining the priotity list of negotiation issues, let us note, that on each negotiating issue there negotiations with a set of potential partners of negotiations. Let us assume that set of negotiator's alternatives is finite and each issue consists from *t* alternatives. Alternatives of i-th issue will be noted as $b_{i,j}, j = 1, 2, 3, \ldots, t_i$. Then i-th issue set of all alternatives we shall note as $w_i = \{b_{i,1}, b_{i,2}, \ldots, b_{i,t_i}\}$, o $w_1 \times w_2 \times w_3 \ldots w_n$ which is set of all possible nagatiations scenario, when on each issue is selected one from possible alternatives, n is amount of negotiations issues.		

6.	**Comparison of bargaining powers and decision making**	Strategy of international business negotiations based on estimation of bargaining powers.

$$\sum_{v=1}^{m} q_v = 1; v = 1,2,\ldots, m.$$

We use multiple criteria evaluation in case of using game theory methods when the issue of negotiations deals with more than one indicator. This estimation of few normalized indicators will be used in gaming matrix in order to find the winning of negotiations issue.

Table 9 presents theoretical model of international business negotiation strategy based on estimation the bargaining power. In the model are made ratings of bargaining power for three subjects: the negotiations participant, his opponent, the competitor of negotiations participant. The bargaining power of these subjects is assessed according to their importance in the negotiations participant's strategy, which is based on the bargaining power estimation. These entities directly influence decision-making in preparing negotiating strategy.

In the model evaluation of bargaining power of all subjects of negotiations and preparing strategy of negotiations are carried out in this order: first is carried out non-linear normalization of the indicators of negotiation issues; multi-criteria evaluation of negotiations issues indicators; gaming matrix is used to find the most advantageous negotiating strategies on the issue; optimality rules are used to find the maximum win of the negotiations issues; optimization task is solved to find the maximum win for the negotiations; finally, the comparison of assessed bargaining powers is carried out and decision-making.

Created model for negotiating strategy development will be used for preparing international business negotiation strategies based on the bargaining power assessment. This negotiating strategy development model later will be used in solving complex issues and problems of negotiations. We will investigate whether model designed is effective for support of international business negotiations in e-commerce.

In this paper, empirical studies attempts to analyze negotiating strategy based on the assessment of bargaining power in a typical field of international business negotiation - in the case of e-commerce. In order properly adjust and check the created model of business negotiation strategy based on evaluations of bargaining power in international negotiations. This study is necessary, because it can show the potential applicability of the model and check its basic settings. In the empirical study are used the following research methods: logical analysis, logical generation. comparison of findings and generalization techniques; mathematical and statistical methods of data analysis used in processing and analyzing empirical data obtained

through studies of statistical analysis performed using SPSS (Statistical Package for the Social Sciences) software. Game theory methods (Xu *et al.* 2012; Pena *et al.* 2014; Cevikel *et al.* 2010; *Panda et al.* 2014; Zavadskas *et al.,* 2004; Apynis March 2007 Žilinskas 2007) and multiple criteria evaluation are used to carry out an assessment of business entities bargaining power in international business negotiations, in order to choose effective strategic decisions in international business negotiations. This is done using MathLab software.

The investigation raised the following hypothesis: the use of electronic technology in distance business negotiations is a key factor and a priority for the international business development under conditions of globalization, the internationalization of the economy and management. Electronic technologies allow considerably effective distance talks in business negotiations, using the key negotiating powers. Trying to approve the hypothesis will be analyzed the development of negotiating strategy based on the assessment of bargaining power in case of e-commerce.

This study is carried out with the purpose to adjust and check out the module for development of negotiating strategy based on the assessment of bargaining power. Empirical research is oriented to the search for the basic model parameters and justification of its application possibilities.

The study aimed to examine negotiating strategy based on the assessment of bargaining power in a typical field of international business negotiation - in the case of e-commerce. Here it is aim to adapt created model on negotiation strategy development in e-commerce negotiations. This type of e-business negotiations are relevant because of their cost, both financially and on time, because after all international business negotiations can take place between distant countries of businesses, which are separated by thousands of kilometers and consequently long hours of travel time and costs. In the current investigation are used game theory methods, heuristic algorithms (Berth *et al.* 2000; Mandow Cruz 2003; Wibowo, Deng 2013; Azar 2014; Tamošiūnas 2011), multi-criteria assessments.

The experts are employed for multi-criteria evaluation of negotiating issues according to the specific areas of negotiation cases. The work deals with bodies involved in in the negotiations and their subjects to negotiation. It reflects the typical international business negotiation cases.

The specific subjects and objects of the negotiations data are confidential in order do not disclose their commercial secrets, so the following research data are limited. However, the data presented will allow to reflect the research progress and the results.

For empirical verification of the model it is appropriate to rely on game theory methods, because it allows to analyze the interaction of objects having their own goals. This is particularly important in international business negotiations where representatives of different cultures are meeting, and this creates a lot of uncertainties. In order to develop the international business negotiation strategy based on the assessment of bargaining power, it is appropriate to use game theory methods that help to create a model for preparation of effective strategies. Game theory is described as a set of methods for handling conflict situations. Its purpose is to prepare recommendations in accepting rational solutions for the participants of conflict (Bivainis, 2011). To use of game theory methods always is available when it is possible to foresee options of negotiators activities, analyzing one version of each negotiating party (the player) (Keršulienė, 2008). Of course, game theory can't fully define the decisions in all cases of negotiations but practice has proven that game theory methods are the perfect tool helping to make reasonable and appropriate strategic decisions. In many situations of business negotiations negotiators often must make decisions under uncertainty. Of course, in the assessment of bargaining power we tried to reduce this information deficit, but this was not possible to achieve fully due to the large number of variables. Therefore, there are invoked various rules for calculating the optimal strategies.

9.2 Strategy development based on the assessment of negotiating power in international business negotiations in case of e-commerce

This study will examine model of strategy development based on the assessment of bargaining power in international business negotiations - case of the e-commerce.

It will allow to check out the adequacy of created negotiating strategy development model for business negotiation support based on the assessment of bargaining power, there will be carried out assessment of bargaining power through negotiation stakeholders, according which will be prepared strategy. In the study took part e-commerce business entities. Next are described the participants of negotiations and its context.

The situation and its context. Subject to negotiation are services of the virtual server. The required services are supplying participant of the negotiations, according to the wishes of negotiating opponent. The server must ensure a steady flow of corporate data and operate without interference. Priorities of the opponent are data centers operating in Lithuania.

Business entities who are interested in negotiations:

Participant No. 1 – is the entity for whom will be performed negotiating

support. The participant has its own center of data that achieved a significant expanding, is one of the largest exporters in Lithuania of such services abroad. He is a competitor for negotiation participants No.3 and No. 4.

Participant No. 2 - the contracting business entity -is negotiating opponent. Negotiations opponent wishes from the participant No.1 the lower prices than now, a better quality of service and minor disturbances: because of these disturbances is not allowed activity of the company. Once there disappeared accounting data because it was not saved backup copy and there is number of letters incoming by unsolicited commercial e-mail hinder the company's staff time.

Participant No. 3 – the competitor for negotiation participant No.1. The provider of server services for current opponent of negotiation. Services are provided to participant of negotiations No. 2 for 8 years. The competitor's advantage is that negotiations participant No.2 - to the opponent is difficult to decide to change the service provider.

Participant No.4 – is competitor for negotiations participants No.1 and No. 3. This competitor resells hosting services of foreign partners.

The winnings of negotiations will be assessed in relation to the business entity which purchases products. The negotiating with other business entities will take part in these international negotiations (1 formula). The criteria by which proposals will be evaluated in accordance to other business entities: duration of server services supply (weeks), price (in euros), the probability of delays to pay (per cent). The results of probability on delivery time, price and delay to pay will be minimized (5 formula). For the evaluation importance of negotiating issue criteria are invoked experts from negotiating team (10 e-commerce sector experts - project managers, managers, brokers and clients). Concordance rate is calculated to determine the compatibility of the expert opinions Appendix 2, (16-19 formula). Then is given a normalized decision matrix (5-6 formula) in accordance with the relevant criteria and calculated the total value of alternatives.

In another step we shall compare gaming performance by applying different rules of optimization (4 and Appendix 2, 7-15 formula). There was a choice of following rules (Appendix 2, 7-15 formula): Hurwitz, Wald, Savage and Niehaus, Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann. Accordingly, under the applicable rules of optimization there were adopted the same source data for all rules: the hope factor of 0,5; and the probability of the event 0,25. Each entity provides 4 offers of alternatives. However, the accuracy of the negotiating results is determined by the possible uncertainty of information. Therefore, to reduce this negative impact on the lack of information, in order to reduce uncertainties there

have been used credit information on business entities. In Appendix 1 are presented evaluation data of initial negotiation proposals. There are selected the optimality criteria and consequently are chosen the best rates. The experts from negotiating team are employed to assess the relevance of negotiations issues criterion. Next there are given results of the expert's assessment on indicators significance (Appendix 3, Tables E.1 and E.2). Therein are defined criteria for significance. There are also determined compatibilities of experts opinions - concordance coefficients (Appendix 2, 16-19 formula), which are satisfactory. In the next step is presented normalized decision matrix (5-6 formula), in which are adjusted criteria for significance. In E.3 - E.5 tables (Appendix 3) are provided gaming matrix normalized according importance of the criteria (Formula 4). Figure 17 compares the results of gaming observed with various optimization rules. The diagram (Fig. 17) provides summary of the results of winnings on the negotiation support (under formula 4, Appendix 2, 7-15 formula and 1 formulas), according to optimization rules. There is displayed information which negotiators proposal was with the biggest winnings according to different optimization rules, as well as the cumulative winnings for all issues. In Figure 18 are given support of winnings of electronic business negotiations in each question under different optimization rules: Hurwitz, Wald, Savage and Niehaus, Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann. Optimization rules enable us to simulate various situations in the negotiations, to see the maximum, average and minimum winnings. The choice of principles and rules must carry out negotiators with high qualifications and experience in the fields concerned. Figure 19 is the sum of all optimization rules winnings results.

In the current investigation participant of negotiations No.1 was guided by this negotiation support system. This participant based on Figure 18 results submitted a proposal more attractive than competitors and made agreement. In the current investigation the negotiations took place in at a distance and with minimal invasion of negotiator. The negotiations took place in an electronic platform, which analyzed the data generated by our model.

The obtained results indicate that the model has helped to evaluate business subjects' bargaining power in negotiations with other business entities in a distance. So we can say that it is effective e-commerce negotiation support tool. Also this model can be used as a standalone application and as a negotiating program functioning with partial negotiator intervention.
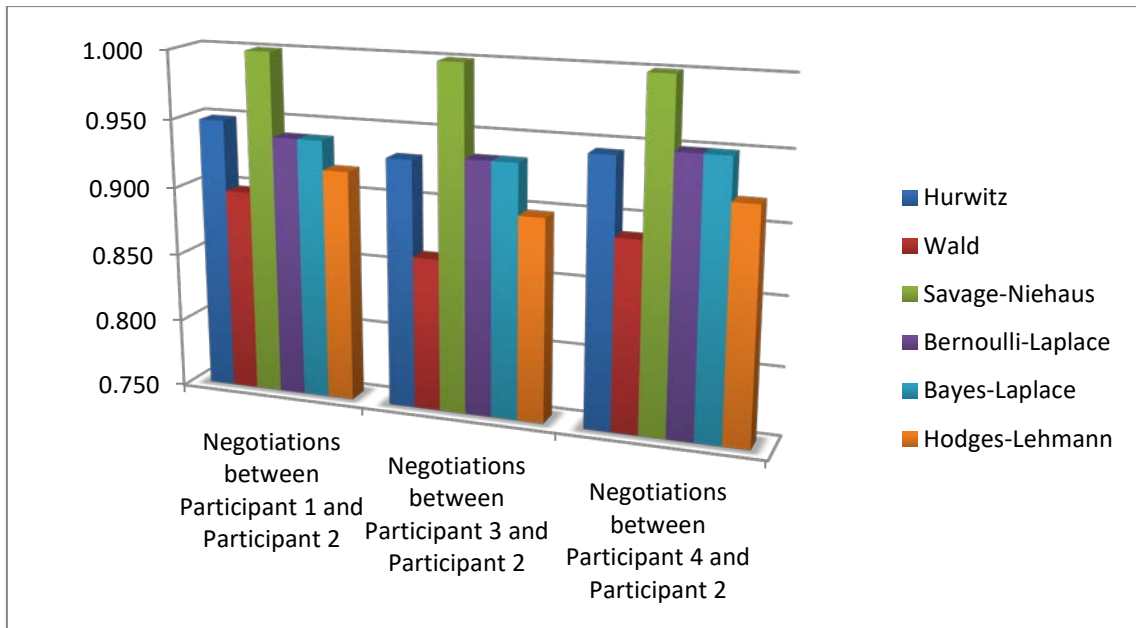
Fig. 17. Participants of the negotiations winnings distribution in electronic trading case, using different optimization rules (normalized values)
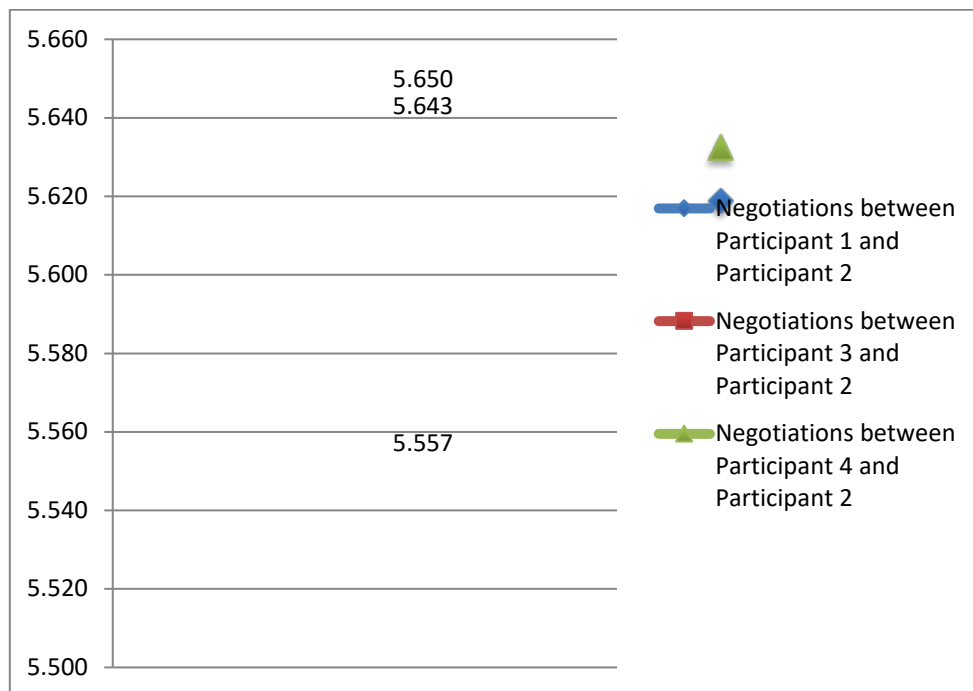
Fig. 18. International business negotiation participants bargaining power assessment sum results in electronic trading case (normalized values)

10. THE SCIENTIFIC LITERATURE REVIEW OF INTERNATIONAL BUSINESS NEGOTIATIONS RESEARCH

The main objective of the study is to conduct a review of research in international business negotiations and provide the direction of development. For this purpose in the article is made qualitative analysis of the scientific literature. The paper analyzes the results of existing studies in the field of international business negotiations and mutual correlation of these works. It also provides insights for further research in the field of international business negotiations. Since business performance is based on the negotiation strategy. Therefore, the analysis of the global scientific literature is carried out through the prism of the negotiation strategy - through the main negotiating power forming elements: preparation for negotiations, communication terms, ethics, emotion management, time management, expectation management. This work will reveal more systematic approach to international business negotiation as a whole, this will enable to highlight the achievements of scientists in the field of science and weaknesses, Which in future could guide researchers in international business negotiations further research.

This paper analyzes the results of existing studies in the field of international business negotiations and the correlation between these works. It also provides insights for further research in the field of international business negotiations. This work will reveal a systematic approach to international business negotiations as a whole and will enable to highlight the achievements and weaknesses of the scientific researchers in this field, to which scientists can direct further researches of international business negotiations. In developing negotiation strategy of international business is important to understand and evaluate the key elements of its determinants. Knowing that the negotiating power of the negotiations strategy formulation is needed a better understanding of the key elements, shaping the negotiating power. This is especially important in international negotiations, where are negotiating the different cultures and appear a number of hardly compatible issues.

Therefore, the research of world scientific literature is examined through the prism of the negotiating strategy - through the core elements of negotiating power: preparation for negotiations, communication conditions, ethics, emotion management, time management, expectation management (Figure 19). In Fig.19 are presented the elements of formation the powers of negotiation from which depends negotiation strategy and tactics.

Fig. 19. Elemens of formation negotiation power (source: compiled by author)

Preparation, as the element of formation negotiation power is most frequently mentioned in scientific literature. Preparation involves learning, knowledge and competencies, ambitious exodus, various compromises

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predictions. It is very important to know own resources and the other side of negotiation, to know your limits and strengthes. This can be achieved by looking at the situation from outside and finding solutions that are acceptable for both sides. Preparation also includes the search of objective criteria and setting priority parameters for the other side. Equally important are the anticipation of different bargaining situations and preparation of relevant responses in order to achieve smoother interaction and better performance.

Therefore, in this part of the article we will review the scientific literature, which deals with preparation for international negotiations. Research in this field mainly examines e-support of negotiations, cross-cultural differences in cross-cultural context, the use of negotiation strategies by taking into account the behavior of the other side of the negotiation.

In the scientific literature, the preparation process of the negotiations so far was investigated by Lewicki *et al.* (2001), Rivers *et al.* (2003), Christopher (2005), The Sloan Brothers (2013); Goldwich (2009), Mandel (2012), Fords (2012), Foster (2003) Evaluation of Children and others. (2007) Suvanto (2013), Lynch (2003) Pathways (2013), Novak and Hall (2001), Fisher and Shapiro (2005); Delrojo (2007) Kosecka *et al.* (2012), Escape (2004); Easypola (2008), Dawson (2010); Iragorri (2003) and others. In examining the preparation for negotiations the researches observed strategy on negotiation, adaptation types of negotiation behavior and uses of specific negotiating tactics. Among the researchers that examine negotiation strategies (Herbst *et al.* 2011, Mint-Wimsatt and Graham 2004; Ganesan 1993), thought-Wimsatt and Graham (2004) are dominating the use of a few general negotiation strategies in the context of the four cultures (America, China, Japan and Korea). Analysis of research about the types of behavior in negotiations (Brooks and Rose 2004; Dabholkar *et al.* 1994, Herbst *et al.* 2011, Hill and Watkins 2007) stated that the authors distinguish competitive behavior and cooperating behavior depending on the orientation to profits of negotiation parties. Dabholkar *et al.* (1994) presents the differences between competing and cooperating behaviors, depending from each party of negotiations orientation to profits, the duration of the business relationship, according to which the type of behavior is being determined. In studies dealing with tactics (Reid *et al.* 2002; Reid, Pullins and Plank 2002; Herbst *et al.* 2011), Reid *et al.* (2002) are presented results, illustrating the use of aggressive tactics by dealers. The authors found that the dealers commonly used tactic, creating an atmosphere of "aggressive competition" (among potential buyers), followed by the "time pressure" (as a

mean to get a discount from the seller), "the threat to apply elsewhere" (another tool to simulate the competition). Reid *et al.* (2002) analyzed the different communication tactics in different buying situations. The authors found that more complicated the purchase situation is, the more the negotiating parties are trying to get more information to reduce uncertainties. However, the bargaining situation becomes more complex less information the negotiating parties are trying to give to another side. In several studies, the authors examined the electronic support systems that can help in pre-negotiation phase (Herbst *et al.* 2011). Good preparation for negotiations has extensive influence on the outcome (Keeney and Raiffe 2001). It should be noted that researches of an electronic negotiations support systems carried out in 1970 and 1980 can not deal with the technical challenges of these days (Herbst *et al.* 2011).

Intercultural context of negotiations can be an important in process of preparing for the international business negotiations. Intercultural context of negotiations can be conditioned by the legal environment, organizational values, and cultural values. It is necessary to take into account the following variables, because otherwise it would be difficult to understand the objectives, strategies, tactics, and relationship of the other side of the negotiations. However, negotiations between representatives of different cultures and international context of the negotiations have been insufficiently tested.

Specialized literature of intercultural dimensions have studied Hofstede and his colleagues (2010), Hall and Hall (1994), Tsang (2011), House *et al.* (2004), Javidan and House (2001); Ashkanasy *et al.* (2004), Gelfand *et al.* (2004) and Healy *et al.* (2004) and Javidan (2004), Emrich *et al.* (2004) and den Hartog (2004) and Schwartz (2006), Trompenaars (1997), Smith *et al.* (1996), Steenkamp (2001) Pruskus (2010, 2004), and others. In an overview of the literature we noticed that a lot of studies are conducted about the cross-cultural differences and the use of of various tactics in negotiations.

During the negotiations can occur the numerous misunderstandings among the parties of the same culture. In the case of cross-cultural negotiations it is necessary to know the basic elements of the incompatibility of the negotiating parties. In further research it is appropriate to investigate in more detail the differences of preparation for negotiations among different and nearby cultural representatives. It should also be appropriate to investigate the integration of online search engines into negotiation support systems.

In the international business communication can take place misunderstandings of different cultural symbols. Since the negotiation process

is not possible without communication, therefore intercultural impact for international business negotiations is significant. Consequently, we shall review in more detail the research of communication conditions in the negotiations. The language barrier is the biggest problem in intercultural negotiations. Cross-cultural communication is relevant in the international trade negotiations and it is very important the understanding and evaluation of cultural, ethical, emotional, and other differences (Suvanto 2000). In order to form properly the own bargaining power it is appropriate to take into consideration the other negotiating side, to share information and to create a free flow of information. Efforts should be made to speak in other side language as can be different mutual understanding. Further we shall review the research of scientific literature, dealing with communication in negotiations. The research in this area mainly analyzes the use of e-mail and other interactive media in negotiations, touching intercultural aspect and language barriers. It also examines the possibility to use the bargaining power through electronic means in comparison with face-to-face negotiations.

Computer technology and networks have significantly affected the communication today (Birnholtz, Dixon, and Hancock 2012). Over the past 20 years, the biggest change in the electronic communication was the massive use of the mailing in business (Phillips and Reddie 2007) and in the private sector (Utz 2007). In an increasingly globalizing world email transcend time zones, cultures (Rosette, Brett, Barsness, and Lytle 2012) and facilitates communication in an internal and external environment of companies. The negotiation is one of the main tasks of communication both in business and in the private sector (Lewicki, Barry and Saunders 2010). Today, due to a number of international travel costs and staff time costs, an email is a great alternative for negotiating more economically and faster (Geiger and Parlamis 2014). The authors Cooper and Johnson (2014) have studied the perception of self-worth, which was exposed by communication of negotiators through email and audio tools, and how that affects the perception of negotiations. Managers spend a fifth of their time resolving conflicts and negotiating (Schoop *et al.* 2003). They are negotiating through email, electronic assembly and electronic negotiations systems (Srnka and Koeszegi 2007). Gettinger *et al.* (2012) analyzed the information in various forms (tables, graphs, and diagrams) on the conduct of the negotiation and the outcome of the negotiations. The ways on how information is presented, how it affects decision-making of people are very important for the electronic negotiation support systems (Gettinger *et al.* 2012).

The research results Gettinger *et al.* (2012) show that the graphical presentation of information helps to achieve cooperating behavior. Information on the preferences of other side encourages better performance, but reduces the post-negotiation satisfaction of negotiators (Gettinger *et al.* 2012). Geiger and Parlamis (2014) investigated the influence of e-mail negotiating to the outcome of negotiations. Specifically has been studied satisfaction on e-mail usage, clarity of letters, and priority for e-mail in the negotiations. Compared the negotiations that take place face-to-face with negotiations in which the computer is a medium of communication, the latter is considered presenting less confidence, less chance of further negotiations, is less suitable for cooperative solutions, less adequate to ensure the effectiveness of persuasion, and presenting difficulties to carry out an effective message (Morris, Nadler, Kurtzberg, and Thompson 2002; Naqu and Paulson 2003; Wilson 2003). Of course there are some studies where it is established that the computer talks gave better economic results than face-to-face (eg Citera, Beauregard, and Mitsuya 2005), other studies did not find such effects (Galin, Gross, and Gosalker 2007; Mennecke, Valacich and Wheeler 2000; Purdy, Nye, and Balakrishnan 2000). Also has been examined satisfaction with negotiations where communicating was by email (Purdy *et al.* 2000). Some authors have analyzed and how the emails influence the outcome of the negotiations: Citera *et al.* (2005); Moore *et al.* (1999); Naqu and Paulson (2003); Parlamis and Ames (2010). The analyzis indicated that in further research should be investigated in more detail submission of the additional information to another side of the negotiations (Gettinger *et al.* 2012). Study of the authors indicates that information submission to the negotiators leads for greater cooperating treatment. In further research it should be done the investigation of the impact on different types of information and submissions impact on a dynamic decision support in different decision-making stages (Gettinger *et al.* 2012). As well it should be investigation of mailing features, operating among the participants of negotiations hving intercultural differences (Geiger and Parlamis 2014).

In future studies it should be examined the possibilities of the use of bargaining power through electronic means. The growing importance of cross-cultural business negotiations, which greatly depends on email communication have a significant impact to the cultural and linguistic interaction. Email is relevant aspect in the context of the present day globalization. The important aspects on the ethics of cross-cultural negotiations we are going to examine.

Ethics in these days involves traditions, habits, cultures, religions, and commercial interests, which interact with each other in harmony. Each side of the negotiations should comply with the ethical rules of the negotiations. Non-compliance can lead to failure. Of course the rules may vary depending on the cultures which are involved in the negotiations. Business ethics mainly is based on the behavior, which is good or bad, right or wrong, which affects the business context. Businesses are facing these problems when adequate solution must be adopted. In this chapter we shall review the investigations which examine the ethical aspects of the negotiations. Investigations in this area focus on dilemma of the compatibility between the profit motive and ethical behavior, on ethical differences of different cultures, on the benefits of ethical behavior, on trust issues and the use of unethical tactics.

Traditional opinion is prevailing in the business world that profits and ethics are incompatible (Ghosh *et al.* 2011). Some authors (Bryan, Hwang, and Lilien 2000) explored how business ethics and profits can be compatible in the management of companies. Some studies analyzed the negotiation process and issues related to ethics, morality and justice (Al-Khatib, Vollman, and Liu 2007; Buchan, Cross and Johnson 2004; Elahee and Brooks 2004). Elaheeand Brooks (2004) conducted a study of ethics and morality, which analyzed the relationship between trust and morally questionable tactics of negotiations. The lower confidence in intercultural negotiations leads to use of a more ethically questionable tactics such as false promises, misleading position, the opponent's attack and gathering the inappropriate information (Herbst *et al.* 2011). In the moral sphere Al-Khatib *et al.* (2007) analyzed the effects of Machiavelzm in certain negotiating tactics. Study of 300 Chinese managers found out that Machiavelist negotiators used ethically questionable tactics such as competitive bargaining and misleading information. These authors stated (Herbst *et al.* 2011) that the ideal negotiator should refuse to use ethically questionable tactics such as false promises and attack of opponent's network.

The author Georgescu (2012) analyzed the relationship of organizational culture with business ethics. The ethical dimension of the organization is closely related with organizational culture, which includes beliefs, values of the company. Knowledge of these things can help the new entrants to operate effectively in the internal and external business environment. Ethical organization (Georgescu 2012) is defined as follows: it produces high-quality products and provides quality services in achieving economic benefits, encourages development of human resources, is environmentally friendly and

seeks to respect the community. The concept of organizational culture has four main components (Acar and Acar 2012): for culture is inherent commonality, organizational culture has visible and less visible levels, each member of the new organization is studying culture, the culture tends to change slowly. Preda (2006) studied the codes of ethics in organizations. According Taysir and Pazarcik (2013) in private enterprises manager has responsibility against their employers - the owners of the company. He has to operate according to the wishes of the owners, who usually earn as much money as possible. However, to achieve this they should follow the rules of society, law and ethical traditions. Galbreath (2008) and Singer (2009) propose to integrate social responsibility into the company's strategy and showed how companies can achieve this. Another study Ezzine and Olivero (2013) analyzed 120 French companies and have found that social-oriented business principles have increased the company's visibility in the market.

Further researches of ethics area should investigate on what is the influence of national institutions and culture context to leadership ethics and social responsibility (Tota and Shehu 2012). This problem is particularly difficult in the context of globalization when value systems are confronting and decision-making becomes more complex, and also creates the new ethical dilemmas (Tota, Shehu 2012).

The diverse behavior of participants in the negotiations may have a different effect on negotiators, and this may induce their different emotions, which can affect the process and results both negatively and positively. Therefore, the next section will review studies of emotion management in negotiations.

Negotiating is the interaction between people, and emotions play an important role in them. It is necessary to argue and to persuade in negotiations, can not be made conclusions on the basis of own judgment. Sometimes it is necessary to press the other side in order it provide useful suggestions. It is necessary to manage the relationship, to build confidence, reassurance the other side. This principle is useful for long-term business relationships. However you need to accept and negative decisions, not to discount too often. By managing emotions there can be reduced differences by highlighting the existing commonalities. It is clear that creating the dependencies have a significant impact on the confidence of the other part of the negotiations. Of course, it is necessary to separate the people from the problem, leaving own ego, so dealing with issues will be more objective. Researches in this field mainly focus on knowledge of different options in emotions manipulation during bargaining,

emotional rendering capabilities in electronic media, the influence of different emotions to the provision of discounts.

Over the past decades, interest in emotions increased, they examined emotions of individuals, their influence to the knowledge of others, feelings and behavior (Barry, Fulmer and Van Kleef 2004; Morris and Keltner 2000; Van Kleef *et al.* 2004a, 2004b). Emotions in negotiating before 1980 were poorly investigated. Cognitive approach explains how people decide on the events in their environment, and how emotions arise (Parrot 2004).

Liu (2009) investigated the effects of negotiators anger in negotiation strategies, and whether these effects were driven by national culture. Liu (2009) showed that (a) anger forced the negotiators to use more positional bargaining and led integrative proposals (b) anger led opponents to less use of positional bargaining, but also promoted the exchange of information about their preferences. Often negotiators do not reach a mutually beneficial agreement, because they think that the wishes of opponents contradicts them. Authors Chen and Weiss (2013) examined how verbal and non-verbal emotional expressions can reduce the self-serving attitude and promote co-operating behavior.

Authors Geiger and Parlama (2014) found that greater communication by e-mail experience and acceptability of such communication promotes more emotional communication, encourages the manipulation on e-mail information dissemination in dependence on the objectives.

Authors (Sinaceur *et al.* 2013) found that emotional instability and unpredictability can positively affect the granting of concessions in the negotiations. Their research confirms the earlier findings (Russell 2009; Scherer 2009). It is also observed that emotional instability can have a negative impact on the negotiator's power (Overbeck *et al.* 2010).

Negotiation involves emotional communication (Sinaceur *et al.* 2013; Elfenbein 2007; Van Kleef, De Dreu and Manstead 2010). Other authors argue that emotions play a significant social role in conflicts and negotiations (Morris and Keltner 2000). Past studies have shown that negotiators who conveyed emotionally their anger, received greater concessions in the negotiations (Kopelman, Rosette, and Thompson 2006; Lelieveld, Van Dijk, Van Beest, Steinel, Van Kleef 2011; Lelieveld, Van Dijk, Van Beest, Van Kleef and 2012; Sinaceur *et al.* 2013, Overbeck, Neale, and Govan 2010; Sinaceur and Tiede 2006; Van Kleef, De Dreu and Manstead 2004; Van Kleef *et al.* 2010; Van Kleef and Côté 2007). Authors Overbeck *et al.* (2010) studied how emotions (anger and joy) influence the formation of power when negotiators have

unequal power. Several authors argue that the use of anger can overbalance the other side of the negotiation (Sinaceur and Tiede 2006; Van Kleef, De Dreu and Manstead, 2004a, 2004b) but such. Using of anger may lead to worse results (and tied Sinaceur 2006). Other authors argue that joy encourages creative thinking (Lyubomirsky, King, and Die-ner 2005), but it is somewhat harmful, because anyone who shows joy gets fewer concessions (Van Kleef *et al.* 2004a).

Overbeck *et al.* (2010) suggests that in further research is appropriate to investigate the usability of anger in high power negotiators and whether it leads to better results when use of joy. In further research appropriate to investigate the different negotiators' responses to wide range of emotions (Chen and Weiss 2013): annoyance, frustration, irritability, fear, anxiety and so on. And how these emotions influence to the negotiations strategy selection.

The power comes from the negotiation process management. For a smooth negotiation, the talks should be structured. Time management is one of the most important elements of the negotiation power in negotiations because the management can directly influence the outcome of negotiations. Care should be taken that the other part could not give proposal the first - as in this case it can achieve the better results. It is necessary to make arrangements slowly, to give a time for conflict analysis. There is also necessary to ensure that the rate of change of the negotiations would be appropriate to everyone participant in the negotiations, to take account of the fact that the other side of the negotiations may not be ready to move on to the next phase of the negotiations, when are not solved the original, urgent issues. In this area, the researchers analyze the impact of time pressure for negotiations, as well as delays in awkward situations, disclosure of the terms to the other side and consistency in the negotiation process.

The influence of time pressure examined these authors: Hunt (1990); Sebens (1998); Ghauri (2003). The latter examined the impact on the national and international context to behavior of negotiations. Several authors have examined the outcome of the negotiations under time pressure (Gillespie and Champagne 1998). Other authors have examined the time pressure to negotiation process (Mosterd and Rutte 2000; Stuhlmacher and Champagne 2000; Stuhlmacher, Gillespie, and Champagne 1998). There are studies which have investigated time pressure in the negotiations when one side had substantial financial resources, and the other smaller (Dreu 2003). It was observed that the time pressure leads to a lower preference and towards faster landing on the required conditions (Stuhlmacher, Gillespie, and Champagne 1998).

Houba and Wen (2011) claimed that costly delays in the progress of negotiations can occur at a time when the agreement is reached. Kennan (1986) writes that often at the crucial moment resulting delays could offer benefits for delaying side, because the other side does not wanting to suffer a loss will tend to descend. Houba and Wen (2011) argue that the delay in the negotiations is particularly effective when there are known the deadlines for the other side of the negotiation. The delays were also investigated by authors as Fernandez and Glazer (1991) and Bolt (1995). They modeled the decision made by coalition to delay in a situation between the given proposal and response of the counterpart. Such simulations are also carried out by Houba (2011), and Slantchev (2003).

Moore (2004) writes that in order to understand the effects of time pressure on the negotiations it is important to know the different types of time pressure, because some of the negotiation covers time costs, also exists cost of delay and price of possible delays. It is shown that negotiating side having less time is less inclined to push another side (Moore 2004; Stuhlmacher, Gillespie, and Champagne 1998).

Lim and Murnighan (1994) showed that negotiating side having less time is less inclined to push another side (Moore 2004; Stuhlmacher, Gillespie, and Champagne 1998). Negotiating side which has less time, reaches less benefits, because those who have less time and are demanding less. The higher the cost of their time, the less they want to descend faster (Moore 2004). Time pressure to negotiators produces less time to look for solutions that suit for both parties and increases the probability of deadlock (Moore 2004).

However, all the negotiating parties must find common agreement before the expiry of the time limits if they want to avoid the deadlock. Negotiators tend to procrastinate and to fight, especially when the potential value of the transaction is high and exceeds the cost of the delay (Moore 2004a). They tend to descend only when the delay or deadline encourages risk of occurrence the impasse (Ross and Wieland 1996). In negotiations the terms are symmetrical for both sides, because if one side goes, the other side can not to negotiate alone Moore (2004a).

In further researches is appropriate to investigate the relationship between the time pressure and the need for secrecy (Iborra 2008). It should also be investigated situations in the negotiations of a new acquaintance under time pressure and in negotiations, where participants were collaborating on many occasions. It should be also examined the time pressure understanding and response to the differences between different cultures (Iborra 2008).

In further research is appropriate to examine the following questions: when is the best time to disclose in the negotiations your deadlines (Moore 2004)? What behaviors or actions would help successfully to exploit the deadlines (Moore 2004)? Further studies should examine the specific reactions of the negotiators, when they are faced with time pressure (Dreu 2003). Also, we should know when the time pressure increases attentiveness of the negotiator somewhere to specific information (Dreu 2003). Further studies should examine the influence of the time pressure to dissemination of information and cooperating or self-serving behavior during the time pressures.

Managing expectations can take part throughout the negotiating process and the other side of the negotiations must be satisfied with the result of the negotiations, otherwise their expectations will not be satisfied. They may be too high and they should be turning on realistic. Even after negotiations it is necessary to remove any discrepancies seeking further transactions and higher loyalty from other side of the negotiation. During forming the proposal must be taken into consideration that the conditions are equally important than the money as well, but money can be presented by any other aspect also. Do not reveal your final terms, because the other negotiating side can use them for their capacity-building. Do not split the proposal in part - as you can get a higher profit margin. Of course, the negotiation must eventually be summarized and purified, as to form the final expectations. One should avoid a one-sided appeasement and respond to promotions as well. Scientists in this field are analyzing the knowledge of the other side of the negotiations, exchange of information, the management of expectations during the negotiation process, the reduction of uncertainty.

Management of expectations in literature was deeply analyzed by these authors: Sloan Brothers (2013); Goldwich (2009); Brodow (2012); Foster (2003); Diržytė ir kt. (2007); Suvanto (2013); Lewicki *et al.* (2001); Lynch (2003); Pathways (2013); Delrojo (2007); Kosecka *et al.* (2012); ESCAP (2004); Dawson (2010); Iragorri (2003). Expectations were introduced by Alderson and Martin (1965). According to some authors expectations arise from the values and information (Mittilä and Järvelin 2001). Today, values and information are of research spotlight. Business mainly consists from the evaluation of the future today (valued expectations). According to Ojasalo (1999) the nature of expectations can be clear, uncertain, ambiguous, realistic or unrealistic. Customers having clear expectations have a clear conscious view of what they desire from the further cooperation. The clients who do not have clear

expectations, actively do not think about any future cooperation aspects (Mittilä and Järvelin 2001). Clients with a clear expectation know when their expectations are met, and when are not, and unclear expectations are revealed when they were not met. In the case of uncertain expectations customers expect something but are not sure what is available. If these expectations are not met the client is not happy, but he does not know what is wrong. Realistic expectations reduce the unrealistic expectations (Ojasalo 1999). Information is very important in the process of managing expectations - as much information about the other side of the negotiations we have, better we understand the expectations. Information is essential for the development of future strategies for negotiation: identifying the current context of the negotiations, targets, negotiating history, expectations of the other part of negotiations and other. In order to establish a mutually beneficial transaction both sides of negotiation should pursue as smooth as possible the exchange of information. Of course, this may depend on the aspirations of the other side of the negotiations - whether she wants a long-term or short-term co-operation. This can lead to fluency in information exchange. In order to achieve long-term cooperation all negotiating parties should be more open and cooperative as any distortion or concealment of information can disrupt the future transactions.

In the management of expectations is important to understand the context of the negotiations. In the international negotiations, doing so is not simple: concerning language, distance, culture and other barriers. In examining partners expectations we need to identify the sources of expectations, which influence the decisions of the other side of the negotiations and the perception of the transaction. Therefore, organizations often have customer information databases where is recorded their history. Such a database can reduce the preparation time for negotiations and after a change in the negotiating team remains as part of the information. The management of expectations is also an interaction model - how the other side of the negotiations tends to communicate and exchange information. It can depend from national culture, organizational culture and the experience of that negotiating side. Further investigation should explore in more detail the process of managing expectations among participants from different cultures.

11. INTERNATIONAL BUSINESS NEGOTIATIONS STRATEGIES BASED ON ASSESSMENT OF NEGOTIATING POWER

Modern international business is developing in the context of rapid social and political changes, which are influencing the change of economic and cultural priorities, thinking and behavioral changes. This puts the new demands for preparing and implementation of negotiation strategies. It is necessary to plan and implement a negotiation set of actions that allows to understand the other side of negotiations in different situations, to achieve mutual and common understanding and finally to find optimal negotiating solutions. The theme of international business negotiation strategies is analyzed in a very broad sense but in these days negotiation theory and practice negotiating strategies are still are not sufficiently effective and efficient, especially since they are not based on assessments of bargaining power. In International business negotiation practice there is a lack of inclination and possibilities to assess reasonably and adequately the bargaining power of the various business entities, taking into account the circumstances of multiculturalism occurring by modern business internationalization conditions and to possibilities of remote control technologies for negotiations and e-business development need.

The research relevance has both theoretical and practical aspects. The theoretical relevance is associated with the search of efficiency factors in international business negotiation strategies in the research results and establishment of a model for effective systemic and complex theoretical business negotiations strategy preparation, based on the assessment of bargaining power. Practical relevance is related to the recent changes in the business markets, resulting by business organization challenges, recent developments purposefulness, which reveals with increasing electronic technology impacts to the business processes, negotiations, their effectiveness and ultimately, to increase the competitiveness of international business. Therefore, the theoretical and practical relevance of thesis can be described by the need to create a model for business negotiation strategy preparation, which would help to assess negotiating powers of participants in international business negotiations and their competitors', effectively develop and utilize negotiating powers which would ensure the development and implementation of effective business negotiation strategies in the development of international business and to increase its competitiveness.

Scientific literature in theoretical aspect examined strategies, as well as business and negotiating strategies, these authors: Herbst *et al.* (2008), Stokke (2011), Cohen (2002), Webb *et al.* (2011), Lemieux (2005), Resinas (2008), Miesing, Pavur (2008), Gunia *et al.* (2010), Goldman), Rojot (2003), Andersen (2004), Ofri (2014), Strother (1995), Litov *et al.* (2012), Rodica (2012), Williamson (2007), Smith (2003), Akramov (2011), Quinn (1998), Mintzberg *et al.* (2003), Johnson *et al.* (2008), Herman *et al.* (2011), David (2001), Lincke (2003), Porter (1996), Saner (2000), Stokke (2011), David (2001), Chlivickas *et al.* (2010) and other. Analysis of of scientific literature shows that there is found and conflicting approaches. Some authors argue that the strategy must be unique (Litov *et al.* (2012), Rodica (2012), Williamson (2007), Smith (2003), Akramov (2011), Quinn (1998), Mintzberg *et al.* (2003), Melnikas, Smaliukienė (2007) and others), and other scientists group states that they can be of general nature (Johnson *et al.* (2008), Herman *et al.* (2011), David (2001), Lincke (2003), Porter (1996), Saner (2000), Stokke (2011), David (2001) and others.).

The importance of negotiating power for the negotiation strategy highlights a number of scientists: Keltner *et al.* (2008), Liu (2011), Elangovan ir Xie (2000), Munduate and Dorado (1998), Somech ir Drach-Zahavy (2002), Hurley *et al.* (1997), Erchul, Raven (1997), Owens, Sutton (2001), Hall *et al.* (2005), Tiedens, Fragale (2003), Bugental (2000), Guinote (2007), Galinsky *et al.* (2003), Vescio *et al.* (2003), Overbeck, Park (2001), Tiedens (2001), Van Kleef *et al.* (2006), Meehan, Wright (2012), Laing, Lian (2005), Meehan, Wright (2012), Blois (2005), Cox (2004a), Hingley (2005a), Meehan, Wright (2011), Pinnington, Scanlon (2009), Svensson (2002), Bradshaw (1998), Elangovan, Xie (2000), Munduate, Dorado (1998), Pettigrew, McNulty (1998), Meehan, Wright (2012), Somech, Drach- Zahavy (2002), Fellner, Güth (2003), Van Dijk, Vermunt (2000), Hingley (2005b), Ireland (2004), Cox (2004c) ir Hingley (2005a), Blois (2005), Cox (2004), Hingley (2005), Meehan, Wright (2011, 2012), Pinnington, Scanlon (2009), Svensson (2002), Murtoaro, Kujala (2007) and other. In the works of these authors in most cases are pending negotiating powers of negotiator and his opponent's, but power and their influence for other interested participants in negotiations (competitors, potential alternatives), impact on the negotiation strategy are rarely examined.

Multiculturalism in business communication, as well as in business negotiations is analyzed subject of scientific works, are carried out in a number of studies: Christopher *et al.* (2005), Liu *et al.* (2012), Luo, Shenkarb (2002), Suvanto (2013), Dee (2011), Rivers *et al.* (2003), Hofstede *et al.* (2010),

Gaygisiz (2013), Chiu *et al.* (2010), Schwartz (2008), Soares *et al.* (2007), Tsang (2011), Kitayama, Markus (1999), House *et al.* (2002), Javidan, House (2001), Pruskus (2004, 2012) and other. However, the context of multiculturalism and manifestations in international business negotiations are analyzed in isolated cases.

Negotiations in conditions of electronic business and information technology development examined these authors: Ren *et al.* (2011), Braun *et al.* (2006), Kim *et al.* (2007), Kersten, Lai (2007), Fjermestad, Hiltz (1999), Turel, Yuan (2007), Insua *et al.* (2003), Jennings *et al.* (2001), Teich *et al.* (2001), Kim *et al.* (2007), Rule (2002), Kraus (2001), Chen *et al.* (2004), Kaklauskas *et al.* (2015, 2008, 2005), Urbanavičienė *et al.* (2009). This is especially relevant in response to globalization when increase the distance between participants of the negotiations, number of potential partners and the amount of information processing volume. And this is especially important for support of negotiating strategy.

In order to apply the model of negotiating strategy development in thesis were used scientific researches in the field of game theory, were examined these scientific works: Ferguson (2000), Kelly (2003), Aurangzeb, Lewis (2014), Peters (2008), Shoham, Brown (2009), De Bruin (2009), Frederick (2010), Basel, Bruhl (2011), Colman (2003), Ramos *et al.* (2003) and other. The possibilities for the application of game theory to solve management objectives examined and Lithuanian scientists: Zavadskas *et al.* (2004, 2015a), Mockus (2010), Žilinskas (2007), Apynis (2007), Bivainis (2011), Mitkus, Trinkūnienė (2007), Keršulienė (2008), Vilkas (1973). As the basis of negotiation strategy development model in the algorithm given in dissertation was used multicriteria evaluation and therefore was based on the works of these scholars: Ginevičius (2014), Ginevičius, Podvezko (2008), Zavadskas *et al.* (2014, 2015b), Kaklauskas *et al.* (2008, 2005), Lova *et al.* (2000), Mandow, Cruz (2003), Wibowo, Deng (2013), Azar (2014), Keršulienė (2008), Martin Ramos *et al.* (2010), Lourenzutti, Krohling (2014), Chang, Wu (2011), Du, Huo (2014), Wang, Kwong (2014).

In the preparation and implementation of effective strategic decisions of negotiations devoted for international business development in terms of internationalization, it is necessary to take into account the following considerations:

1. In practice of international business of the negotiations are the lack of capacity and options for reasonable and adequate assessment of various

business entities negotiating powers in the light of present state of the internationalization of business conditions, occurring multiculturalism circumstances and opportunities for remote technologies of the negotiations and e-business development needs. Strategies of international business negotiations, based on negotiating powers assessment, enables each participant to obtain more favorable outcome of the negotiations than the results of the negotiations, which are not based on negotiation power assessment.

2. The concept of business negotiations strategy in literature is defined differently. Currently in the literature there is no common approach to this concept and it characterizing elements, it is a lack of consistent negotiating strategy identification and classification system features in modern practice of international business negotiations, it is lack of a single, consistent terminology for business negotiations phenomena and problems described, thus it is necessary to develop and adapt to modern business negotiation purposes necessary concepts, their definitions and criteria.

3. In today's business world affects a huge variety of different cultures and their inherent specifics which require adequate theoretical solutions. International business development due to the fact that in multinational negotiations are involved participants representing different cultures, and this must be taken into account in preparation and simulation of negotiations strategic decisions: that fact reflects the need to look for ways of modeling, oriented to different cultural compatibility, conflict prevention and efficient search for compromise.

4. The use of information and telecommunication technologies in distance business negotiations is a key factor and a priority for multinational development under the conditions of globalization, economics and management internationalization. The use of information and telecommunication technologies in business negotiations allows much more effectively carry out distance business negotiations using a key negotiating powers. However, the application of multinational negotiations support system for a particular situation would require more resources than in the same negotiations process without the support system else this negotiations assistance would be rendered meaningless.

In the second chapter is presented theoretical model of negotiation strategies based on negotiation power assessment development and implementation (1S Fig.). In this model are defined factors influencing negotiating powers. Also in the second section of the thesis is described in authors created algorithm for the preparation and implementation of the negotiating strategy based on assessment

of the negotiation powers. It is based on authors prepared negotiating strategy development model. Is described empirical research methodology dedicated for business negotiation strategy, based on negotiation power assessments, algorithm testing.

In this section made an overview of the game theory application possibilities in preparing international business negotiation strategies and assessment of negotiating powers. It was analyzed the game theory evolution and typology, the game theory restrictions, analyzed the game theory methods usage opportunities for assessment of negotiating powers of subjects international business negotiations and their suitability to support strategic decisions of the negotiations. Here is overlooked essential features of the game theory and the justification of its suitability for business negotiations, which allows to state that with the help of game theory methods can be simulated not only negotiations between two negotiators (because in the negotiations are at least two), but also of a dozen participants in the negotiations. The decision-making process is an integral part of negotiations, and in order to facilitate decision-making, it is appropriate to examine the applicability of game theory in negotiations to make strategic decisions based on the negotiation power assessments. Application of this theory in business negotiations allows a better understanding of the interaction between participants in negotiations. It also helps to find appropriate alternative solutions which would bring benefits to both short-term and long-term perspectives.

The paper found that the heuristic algorithms in the negotiations are appropriate for the nature of the negotiations - cognition takes place in the very negotiation process, thereby reducing the uncertainty hindering situations, attempting to optimize strategies and their implementation in international business negotiations.

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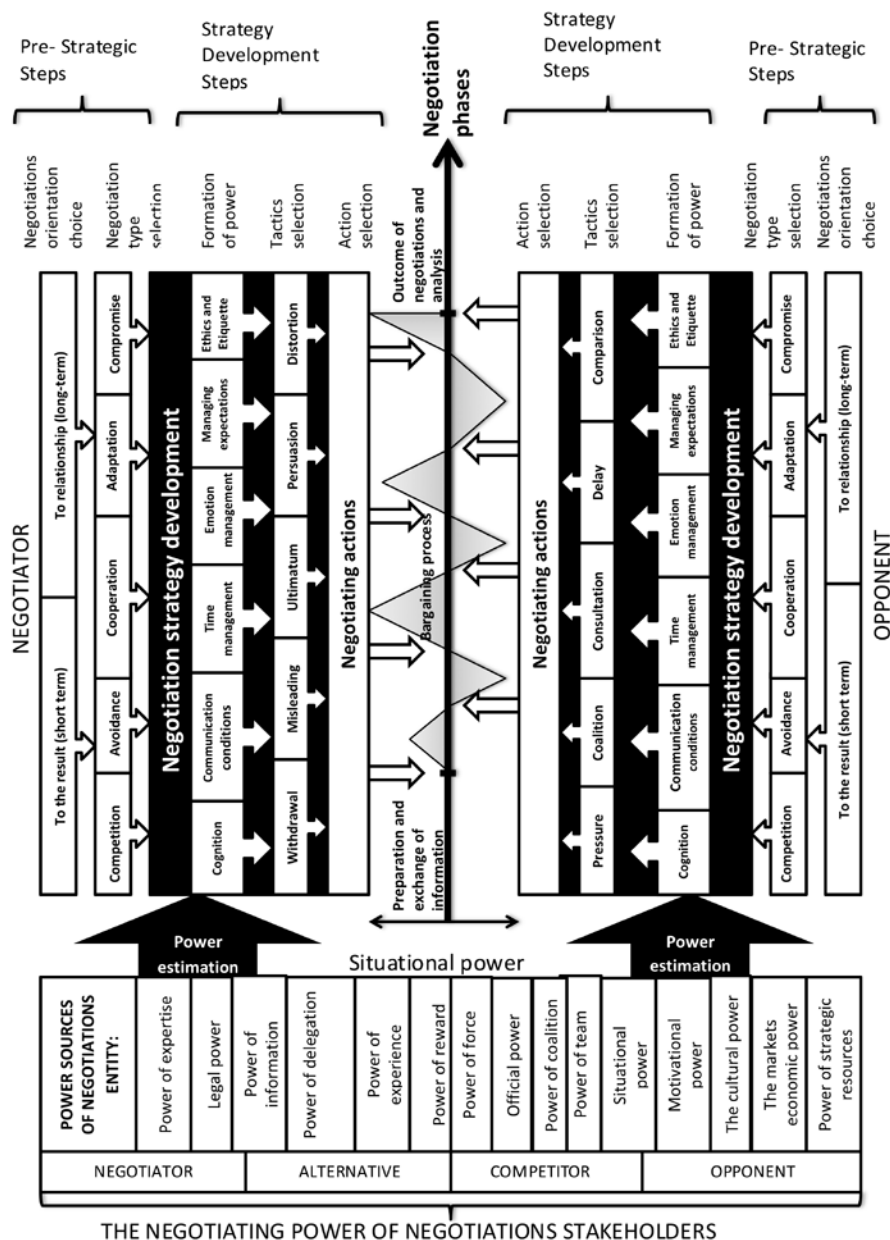
Fig. 20. Theoretical model of international business negotiation strategy development based on assessments of negotiation power

Table 10. International business negotiation strategy preparation and implementation theoretical algorithm based on bargaining power estimation (composed by the author)

Subjects interested in negotiations	Negotiations participant	Negotiations opponent	Competitor of negotiations participant
The order of application of the algorithm formulas	**Mathematical expressions of steps of the algorithm**		
1. Is performed nonlinear Peldschus normalization of negotiations issue indicators.	$a_{uz} = \left(\frac{\min\limits_{u} c_{uz}}{c_{uz}}\right)^3$ if $\min\limits_{u} c_{uz}$ favorable, $a_{uz} = \left(\frac{c_{uz}}{\max\limits_{u} c_{uz}}\right)^2$ if $\max\limits_{u} c_{uz}$ favorable.		
2.Multiple criteria evaluation on negotiation issues indicators.	1. Election of the most significant indicator of negotiations issue - a_{ger}. 2. For the best value of analysed issue is given 1 point value of significance ($a_{ger}= 1$). 3. It is determined by how many percent (q_v) the values of remaining indicators (b_v) are worse than the best ($a_{ger}= 1$). 4. For indicators values are granted the relative values ($a_v = 1 - q_v/100$). 5. The relative values of all indicators (q_v) are converted in such a way that their sum is equal to one: $\sum_{v=1}^{m} q_v = 1; v = 1,2,\dots, m.$		
3. Gaming matrix is solved in order to find the most advantageous strategy for negotiating issue.	The form of zero-sum games: $\Gamma = \{S_1, S_2; A\}$. Applying it to solve the negotiating issues you may suspect that a set of the first negotiators strategies (pure strategies) is $S_1 = \{S_{11}, S_{12}, \dots, S_{1s}\}$, and a set of the second negotiators pure strategies is $S_2 = \{S_{21}, S_{22}, \dots, S_{2k}\}$. S_1 ir S_2 are finite and known. Function of winnings is $A = \|a_{uz}\|_{sxk}$. A set of negotiators moves is finite and consists of s moves, which will be numbered u =1, 2, 3, …, s. We accept the assumption that your opponent's set of possible moves is finite, which consists of k moves. These moves shall be numbered z=1, 2, 3, …, k. Every finite gambling has a solution in pure or mixed strategies and the net value reflects the inequality α≤v≤β. If α = β = v, then solution with clear strategies is a saddle point (only one optimal strategy for each player). The number α is called the lowest slot value, β - largest gambling value, v is called the net value of gaming or gambling price.		
4.The optimality rules are used in order to find the maximum win of the negotiations issue (as the example is provided Hurwitz rule).	$H_u = \max\limits_{u} \left[\gamma \min\limits_{z} a_{uz} + (1 - \gamma) \max\limits_{z} a_{uz} \right]$ (The best maximal decision); $H_u = \min\limits_{u} \left[\gamma \max\limits_{z} a_{uz} + (1 - \gamma) \min\limits_{z} a_{uz} \right]$ (The best minimal decision); Where: H – the participants winning of negotiation issue according Hurwitz rule, a_{uz} – the winning , which participant could get if he will make the move uin case if his opponent will make the move z. Negotiators moves alternatives set is complete and consists of *s* moves, which will be numbered u = 1, 2, 3, ..., s. We accept the assumption that opponent's possible set of moves is finite and consists of *k* moves z = 1, 2, 3, ..., k. γ – the hope parameter, γ - a factor that varies from 0 to 1.		
5.Optimization task is solved in order to find the maximum winnings of negotiations	$\max\limits_{k \in w_1 \times w_2 \times w_3 \dots w_n} \left(\sum_{i=1}^{n} H_{i,b_{i,j}} \right), j = 1, \dots, |w_i|,$ Where: H – the participants winning of negotiation issue according Hurwitz rule, n – amount of negotiating issues (the peaks note the start and the end of negotiating issue). Noted b_0 as the start of negotiations, the whole process of negotiations can be presented as graph-tree (Fig. 1), where graph arc $H_{i,b_{ij}}$ indicates the winnings, which can be achieved by selecting j-th alternative in solving the i-th issue $k \in w_1 \times w_2 \times w_3 \dots w_n$. After defining the priotity list of negotiation issues, let us note, that on each negotiating issue there negotiations with a set of potential partners of negotiations. Let us assume that set of negotiator's alternatives is finite and each issue consists from t alternatives. Alternatives of i-th issue will be noted as $b_{i,j}, j = 1, 2, 3, \dots, t_i$. Then i-th issue set of all alternatives we shall note as $w_i = \{b_{i,1}, b_{i,2}, \dots, b_{i,t_i}\}$, o $w_1 \times w_2 \times w_3 \dots w_n$ which is set of all possible nagatiations scenario, when on each issue is selected one from possible alternatives, n is		

	amount of negotiations issues.
6.Comparison of negotiating powers and decision making	Strategy of international business negotiations based on estimation of negotiating powers.

Since the negotiations are based on the gradually cognition the other side of negotiations, for each question can be used for still another approach, so heuristic algorithms can help to represent the process of negotiations between negotiating even a few negotiating parties.

In Table 10 is presented algorithm of international business negotiation strategy preparation which theoretically is based on the negotiating power assessments. In the algorithm is carried out negotiating power assessments for three entities: negotiator, his opponent, negotiator competitor. The negotiating powers of these entities are assessed according to their importance to negotiator's strategy preparation, which is based on the assessment of negotiating power, because precisely these entities directly determine strategic decision-making during preparation of negotiating strategy.

Created algorithm will be applied for preparation of international business negotiation strategies based on the assessment of negotiating power. This algorithm later will be tested to customize it for solving difficult, complex negotiations issues and problems. We will investigate whether the algorithm is effective for its use in international business of negotiations support.

The review of scientific works results allow to say that the preparation of the negotiating strategy based on the assessment of negotiating powers has essential value for successfull development of a business entity. In the development and implementation negotiating strategies of organizations and enterprises is vital to take into account the negotiating parties negotiating powers. Business negotiations in terms of the business entity function must be emphasized that negotiating strategy of business entity cannot interfere with the organization's strategy. Therefore, in preparation for negotiations it is necessary to take into account negotiating power of a business entity that future results of negotiations will help to achieve efficient implementation of all predetermined business entities strategies. In order to manage effectively the business development of the organization is required permanent negotiating power assessment of a business entity, activities environment surveillance and responsiveness to changes. Negotiating is a dynamic activity and requires considerable resources in order to prepare properly for it, depending on the environment and the changes taking place in it. These activities influence often the development of a business entity are very important, so it is necessary to take this into account in preparing negotiations strategies of the business entity basing them on negotiating power assessments.

In the modern business world, decision-making becomes extremely important activity. Furthermore, it is common that individuals or organizations are creating coalitions, when they are negotiating on projects and conduct

procurements. Negotiation is a wide range of activities, which includes the prior negotiation and post-negotiation analysis, at both local and social levels. Strategic decision-making in negotiations might ensure the companies future. Therefore for the adoption of major decisions is the need for detailed analysis of future negotiations interaction, which would allow better understanding the priorities and interests of another side's of negotiations. The game theory can help to achieve these objectives, since game theory exactly is only a mathematical discipline that deals with the interaction of objects, having their targets (Rufo *et al.* 2014). It is a powerful tool for understanding the relationships that are developed in cooperation and competition processes. The main objective during the negotiations in decision-making processes is to choose alternatives that would be acceptable to both sides, and it should be carried out within a reasonable period of time (Marey *et al.* 2014; Chuah *et al.* 2014; Suh and Park 2010; Rufo *et al.* 2014; Lin *et al.* 2014; Oderanti *et al.* 2012;). The different interests of friction, such as competition, or other challenging situations are derived from illegal practices, are often encountered and which are expected from human relations. The nature of the subject of negotiations arise from a variety of disciplines, such as artificial intelligence, economics, social sciences and game theory (Marey *et al.* 2014; Baarslag *et al.* 2014, Chuah *et al.* 2014). The models of strategic negotiation have a wide range of application, they can be used for resources and task allocation mechanisms, for conflict resolution measures, and for decentralized information services (Baarslag *et al.* 2014, Rufo *et al.* 2014).

The possibilities of the application game theory for management tasks were examined by various   scientists of the world: Aurangzeb and Lewis (2014); Brown & Shoham (2009); Rufo *et al.* (2014); Marey *et al.* (2014); Chuah *et al.* (2014); Suh and Park (2010); Lin *et al.* (2014); Oderanti *et al.* (2012); Deng *et al.* (2014); Hao *et al.* (2014); Houser and McCabe (2014); S Yu *et al.* (2013); Pooyandeh and Marceau (2014); Yuan and Ma (2012); Wilken *et al.* (2013); Annabi *et al.* (2012). Therefore in further we will explore this complex game theory and important aspects of the negotiations.

Restrictions on the application of game theory

Negotiation is based not only on the basis of rationality, but also on other factors, such as emotions, moral understanding, uncertainty avoidance, time orientation awareness (long or short), and others. Of course, the game theory

has been very successful in developing a deeper understanding of how decisions of rational players are carried out in circumstances of interaction with other party, but one of the critics of game theory is that players who behave irrationally might benefit more, thus the basis of rational itself for the games theory simply hampers it (Hao *et al*. 2014; De Bruin 2009; Kelly 2003).

Game theory is based on the assumption of rationality, but there is a need for further experimental evidence to support the assumption that individuals choose to perform the important strategies and complex decisions under an element of uncertainty and rational basis (Pooyandeh and Marceau 2014; De Bruin 2009; Kelly 2003).

Rationality can be defined as a categorical behavior derived solely from the cause (Kelly, 2003). Whereas individuals can have ability to find the cause, so rationality dictates behavior with which everybody can agree and all individuals are guided by their ability to find the cause and therefore to formulate a uniform behavior (Houser and McCabe 2014; De Bruin 2009). The rational players are behaving by universal rules, which are guided by rationality, if for player is not possible to select a specific strategy, then it is called irrationality. However, sometimes it is rational to behave irrationally, consequently it is important to define the concept of rationality. The importance of this concept is far more than semantics because the success of game theory and negotiations analyzed depend on it. This may mean different things in different contexts for different people, however this is the basis of game theory and negotiation.

Another important element of game theory, which is open to criticism, it is the uncertainty. Since choice of strategy is not necessarily rational, very often this is due to culture or experience, rather than rationality. Rationality is significantly related to norms, the understanding of rationality arises from the development of individual, culture, traditions (Marey *et al*. 2014; Frederick 2010). For the equilibrium of Nash mixed strategy uncertainty is particularly harmful, because if one player hopes that the other side will behave in one way, so he will not have reason to do otherwise. It is believed that if the players have the same information, then they must necessarily have similar beliefs, but not always the rational players will submit identical proposals or will reach similar agreements, even the same information was available.

Rationality means maximally effective decisions and behaviour, which is based on the available information. If the negotiators have a different perception of rationality, then in such case support of negotiations cannot be effective,

unless they are seeking to know the culture, traditions, experience and information of another side of negotiations.

The third criticism of game theory is the inconsistency, which is promoted by irrationality. Rationality is concerned with the environmental control on achieving a systematic and methodical understanding of the sequence of actions (Basel and Bruhl 2011). Logical thinking and behavior are also based on rationality. If rational beliefs are those, which are based on consistency, while rational arguments - on logical rules. In games performance the game theory proposes to keep the cases of inconsistency as occasional (Kelly, 2003). For this purpose are applicable errors in the games.

These restrictions point out that the basic weakness of game theory is rationality, as theory itself deals only with rational games. **WHEREAS** how to handle them, in conditions of entirely not clear the basis of game theory - the concept of rationality and the causes encouraging irrationality? In reality, people are not always rational (for example, decision-making may be influenced by emotions of the individual), and rationality itself can be interpreted in different ways, as the rules of the individual rationality can be influenced by prior experience, the region's culture (Wilken *et al.* 2013), moral awareness, and other factors.

In the next part we will try to combine the game theory approach with heuristic algorithms in order to create algorithm for better reflection the specifics of the negotiations. The developed mathematical model can be successfully used to support strategic decisions of international negotiations.

The algorithm of international business negotiation process

Negotiations are based on the knowledge of the other side of negotiations, consequently tactics of strategy may vary at each point. Therefore, it is appropriate application of heuristic algorithms for better reflection of negotiation. Methodology of this algorithm was created on the base of *game theory* (Deng *et al.* 2014; Hao *et al.* 2014; Houser and McCabe 2014; Shoham and Brown 2009; Suh and Park 2010; Yu *et al.* 2013; Pooyandeh and Marceau 2014; Yuan and Ma 2012; Marey *et al.* 2014; Wilken *et al.* 2013; Annabi *et al.* 2012; Zavadskas *et al.* 2012), on *heuristic theory* (Zhang *et al.* 2014; Azar 2014; Wang *et al.* 2011), on *graph theory* (Arsene et al. 2012; Pancerz and Lewicki 2014; Yu and Xu 2012; Xu *et al.* 2013; Darvish *et al.* 2009) and on *multi-criteria decision analysis* (Zavadskas *et al.* 2014; Ginevičius *et al.* 2014;

Nassiri-Mofakham *et al.* 2009; Wibowo and Deng 2013; Lourenzutti and Krohling 2014).

Each issue of negotiations will be examined only once, without returning to it. Heuristic algorithm will "conduct" through strategies-winnings of negotiator, which are giving the maximum aggregate benefits. For attaining to find them will be used the optimization rules (Hurwitz, Wald, Werner and other), the sequence of negotiations questions will be set up so that issues will start from the most important, so that the further course of the negotiations would not be in vain. For example, finding out at last issue, that another side of negotiations can not meet the basic criteria, and therefore negotiation costs incurred before that date were in vain.

This optimization task complex, as previous individual winnings of the earlier questions do not provide the most useful total winnings of all questions of negotiations. This means, that it is necessary to look for the best value of the agregate winnings of all negotiations, it means to solve the global optimization task. For example: if in the negotiations are solved three negotiating issues, so in each question we choose from the available alternatives. Although the winnings of the first two questions by each question has not been the most useful, but their selection has led to the best alternatives of winnings on the third question, which in the final result gave the maximum possible benefit of the whole negotiation process.

After defining a priority list of the negotiating questions, must be pointed out that each of them is negotiated with a set of potential negotiating partners. The set of the negotiator's alternatives is finite and in each question consists of t alternatives. Denote alternatives of i-thquestion $b_{i,j}, j = 1, 2, 3, \ldots, t_i$. Then a set of all alternatives of i-th question will be marked $w_i = \{b_{i,1}, b_{i,2}, \ldots, b_{i,t_i}\}$, and $w_1 \times w_2 \times w_3 \ldots w_n$ is the set of all possible scenarios of negotiations, where for each question is selected one possible alternative, n is the number of negotiating questions.

By checking b_0 the start of negotiations, we can represent the whole negotiation process with the graph-tree (Fig.1), where the arc of graph $H_{i,b_{ij}}$ denotes the winnings, which we have after choosing j-th alternative for resolving i-th question.

$$\max_{k \in w_1 \times w_2 \times w_3 \ldots w_n} \left(\sum_{i=1}^{n} H_{i,b_{i,j}} \right), j = 1, \ldots, |w_i|,$$

Here:
H - the winnings of negotiations according to the Hurwitz rule ,
n – the number of negotiation questions (top marks the negotiations start and end),
The top b_0 marks the beginning of the negotiations, the tops b_{ij} represents i-

th question of j-th alternative. The arc of graph $H_{i,b_{ij}}$ denotes the winnings that we have after selecting j-th alternative for resolving i-th question $j \in w_1 \times w_2 \times w_3 \dots w_n$.

Next, as an example is presented Hurwitz formula, which we will use in order to find the best winnings of the negotiator on the negotiating question under uncertainty:

$$H_{u,w} = \max_u \left[\gamma \min_z a_{uz} + (1 - \gamma) \max_z a_{uz} \right] \text{ (the best maximum decision);}$$
(2)

$$H_u = \min_u \left[\gamma \max_z a_{uz} + (1 - \gamma) \min_z a_{uz} \right] \text{ (the best minimal decision).}$$
(3)

Here:

H - winnings of negotiator's question by Hurwitz rule.
a_{uz} − negotiator's winnings, which he may get if he have done move u in case the opponent will make a move z.
A set of negotiator's moves is finite and consists of s moves, which are numbered:

u = 1, 2, 3, ..., s.

We will accept the assumption that set of possible moves of the opponent are complete, consisting of k moves. Number the the moves z = 1, 2, 3, ..., k.

γ - hope parameter;

γ - the coefficient, which ranges from 0 to 1 in the formula, we see that if a γ = 1, then Hurwitz criteria coincide with Wald, that is pessimistic criterion. If γ = 0, we obtain an optimistic solution, that is one that allows you to get the maximum winnings. What size of coefficient γ will be chosen depends on the type of decision - optimistic or pessimistic - negotiator will choose. Perhaps his most acceptable coefficient is γ = 0.5, because it is a situation where the chosen medium solution is between pessimistic and optimistic.

This game is possible to write down with the help of the so-called matrix of winnings and to call it gambling matrix. The form of zero-sum games is:

$$\Gamma = \{S_1, S_2; A\}.$$

In applying it for solving the negotiating objectives can be said, that the set of the first negotiator's strategies (pure strategies) exists $S_1 = \{S_{11}, S_{12}, \dots, S_{1s}\}$.

And the set of the second negotiator's pure strategies $S_2 = \{S_{21}, S_{22}, \dots, S_{2k}\}$. S_1 ir S_2 is finite and known $A = \|a_{uz}\|_{sxk}$. Winnings function is a set of moves of negotiators is finite and consists of the moves, which are numbered u = 1, 2, 3, ..., s. We will accept the assumption that the set of possible moves of your opponent are complete, consisting of k moves. The moves are numbered z = 1, 2, 3, ... , k.

Game matrix is used to find the most advantageous strategy for negotiating

question. Every finite gambling has decision in the field of pure or mixed strategies, and the net value corresponds to the inequality: $\alpha \leq v \leq \beta$. If $\alpha = \beta = v$, this solution with clear strategies is a saddle point (only one optimal strategy for each player).

Number α is called the lowest slot value, β - the biggest slot value, v - is called the value of the net playing or playing price.

The adaptation of game theory methods to specific tasks of negotiations needs to have indicators of efficiency, which can express the ratio of the optimal value, be independent from matrix types. We'll use method of simple adding weighting (SAW) exponential expression, applying different exponents. The best of the minimum criteria values and the maximum values for the best case, when normalized values are limited in the range [0, 1]:

$$a_{uz} = \left(\frac{\min\limits_u c_{uz}}{c_{uz}} \right)^3, \text{if } \min\limits_u c_{uz} \ positive \quad ;$$

(5)

$$a_{uz} = \left(\frac{c_{uz}}{\max\limits_u c_{uz}} \right)^2, \text{if } \max\limits_u c_{uz} \ positive \quad .$$

(6)

The latter formula we will use for normalization of the negotiation questions parameters in order to facilitate the processing of negotiating results and for getting comparative values.

Having the original data on the relevance of indicator's of negotiation questions it is necessary to determine weighs of indicators, characterizing the negotiation questions. Knowing the relevance of the negotiating questions indicators, each of these values can be determine in such a way:

It is selected the most important indicator of negotiating question - a_{ger};

For the best value of analysed indicator is given 1 scour of significance value ($a_{ger}= 1$);

It is determined the percentage (q_v) of remaining indicators values (b_v) is worse than the best ($a_{ger}= 1$);

For the values of indicators are given the relative values ($a_v = 1 - q_v/100$);

The relative values of all indicators (q_v) are converted in such a way that their sum would be equal to 1: $\sum_{v=1}^m q_v = 1; v = 1,2,\ldots,$ m.

The negotiation process can be represented by the graph (Figure 1). A top b_0 marks the start of the negotiations, the top b_{ij} represents i-th questions of the j-th alternative, and the arc of graph $H_{i,b_{ij}}$ denotes the winnings, which we have after choosing j-th alternative resolving i-th question. Below is a global optimization task with a fixed number of negotiation questions, which were envisaged before the negotiation.
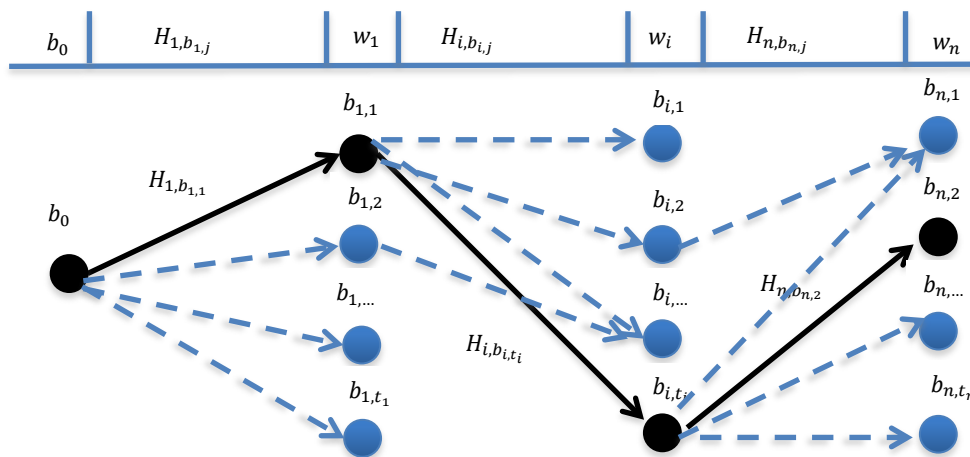
Fig. 21. The graph of negotiation (Source: created by the author)

The developed negotiation algorithm we will use for strategy formulation of international business negotiation, specifically to electronic business negotiations, for international business negotiations to support international business negotiation context, for modeling and simulation of cross-cultural business negotiations. The testing of these negotiation strategy models will be described in the next chapter in order to adapt them for solving difficult, high complexity negotiating questions and problems. We will determine whether the developed algorithm is effective as a stand-alone business negotiation engine, and whether it is appropriate for support of international negotiations.

Application of the model to support e-business negotiations

Fast internet technology and intellectual development, the intensity of their use in recent years have caused the interest in the optimal negotiation strategies search, conflict prevention, in solving various issues related with negotiations, to begin introduction of electronic innovations. In order to ease the decisions, which must be based by some information or decision reasoning, in management of various processes are widely used decision support systems. Decision Support Systems Engineering - is the most common branch of Engineering Sciences that deals on how to create artificial systems of any nature or character.

Electronic negotiation systems can be an effective means of solving complex problems in the management of large amounts of information. These negotiations systems can be specialized and targeted to facilitate the specific processes or to be universal for all processes. Decision support system, can rely on a variety of sources must allow users to transform enormous quantities of raw data analysis problem-solving and decision-making needed information reports. The negotiation process becomes more complicated when there is a whole set of problems considered, and designed for optimal negotiating

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strategy.

Recently, e-commerce changed the traditional business methods as innovative measures make business processes more efficient in cyberspace. Electronic business people can easily publish information, to negotiate with opponents, and to seek the necessary tools. The negotiations tools are very important in e-mail business, but the e-mail business is quite closed and static, it does not adequately reflect the reality of the business dynamics. In a rapidly changing environment, the negotiation e-business tools in business can be successful for a variety of environmental changes and their non-prediction is based on e-mail business dynamism. In business negotiations, the tools should be more flexible and more adaptable to the changing environment.

In order to verify the ability of developed algorithm for negotiation strategy formulating model to support business negotiations, we will try to make simulation of a few business subjects negotiating.

Negotiations will be dealt with 3 questions, where in each of them we will have to choose from three potential partners. Each potential side of negotiations has to give 4 alternative proposals. For assessment of the relevance of negotiation questions indicators are employed the experts of negotiating team.

Below in Table 11 are presented results assessed by experts on relevance of negotiation questions indicators. As well there is determined compatibility of expert opinions-coefficients of concordance, which are satisfactory. On next step is presented normalized decision matrix, in which are applied the weighs of indicators. The Table 12 presents the normalized gaming matrix according the weighs of indicators.

Table 11. Normalized as that for procurement of gaming matrix (Source: created by the author)

Gaming matrix of 1 negotiating question of 1 alternative			Gaming matrix of 2 negotiating question of 2 alternative			Gaming matrix of 3 negotiating question of 3 alternative		
W1H1	A1	A2	**W1H2**	A1	A2	**W1H3**	A1	A2
R1	0,777	0,355	R1	0,816	0,585	R1	0,464	0,804
R2	0,299	0,359	R2	0,781	0,717	R2	0,389	0,843
Gaming matrix of 1 negotiating question of 2 alternative			Gaming matrix of 2 negotiating question of 2 alternative			Gaming matrix of 3 negotiating question of 2 alternative		
W2H1	A1	A2	**W2H2**	A1	A2	**W2H3**	A1	A2
R1	0,794	0,383	R1	0,873	0,854	R1	0,638	0,738
R2	0,455	0,433	R2	0,836	0,730	R2	0,558	0,718

Gaming matrix of 1 negotiating question of 3 alternative			Gaming matrix of 2 negotiating question of 3 alternative			Gaming matrix of 3 negotiating question of 3 alternative		
W3H1	A1	A2	**W3H2**	A1	A2	**W3H3**	A1	A2
R1	0,832	0,611	R1	0,905	0,927	R1	0,517	0,748
R2	0,667	0,578	R2	0,888	0,928	R2	0,529	0,755

In the next table we will compare the results with various gaming optimization rules. We have selected the following rules: Hurwitz, Wald, Savage and Niehaus, Bernoulli-Laplace, Bayes-Laplace, Hodges and Lehmann (Annex 1). Respectively in accordance with applicable optimization rules were adopted similar data for all rules: the hope factor 0,5; the probability of occurrence 0,25.

Table 12. Results of gaming according to different optimization rules (Source: created by the author)

Negotiation winnings results using Hurwitz optimization rule					Negotiation winnings results using Bernoulli-Laplace optimization rule				
Hurwitz	H1	H2	H3		Bernoulli-Laplace	H1	H2	H3	
W1	0,538	0,700	0,616		W1	0,447	0,725	0,625	
W2	0,589	0,802	0,648		W2	0,516	0,823	0,663	
W3	0,705	0,908	0,636	Sum	W3	0,672	0,912	0,637	Sum
MAX	0,705	0,908	0,648	2,261	MAX	0,672	0,912	0,663	2,247
Negotiation winnings results using Wald optimization rule					Negotiation winnings results using Bayes-Laplace optimization rule				
Wald	H1	H2	H3		Bayes-Laplace	H1	H2	H3	
W1	0,299	0,585	0,389		W1	0,447	0,725	0,625	
W2	0,383	0,730	0,558		W2	0,516	0,823	0,663	
W3	0,578	0,888	0,517	Sum	W3	0,672	0,912	0,637	Sum

MAX	0,578	0,888	0,558	2,023	MAX	0,672	0,912	0,663	2,247

Negotiation winnings results using Savage and Niehaus optimization rule					**Negotiation winnings results using Hodges and Lehmann optimization rule**				
Savage and Niehaus	H1	H2	H3		Hodges and Lehmann	H1	H2	H3	
W1	0,777	0,816	0,843		W1	0,373	0,655	0,507	
W2	0,794	0,873	0,738		W2	0,450	0,777	0,610	
W3	0,832	0,928	0,755	Sum	W3	0,625	0,900	0,577	Sum
MAX	0,832	0,928	0,843	2,602	MAX	0,625	0,900	0,610	2,135

In the Table 13 and Figure 21 are presented summary results of the negotiations winnings by optimization rules. It is shown which negotiator's offer was with the highest winnings under different optimization rules as well as the total wins of all questions.

Table 13. Negotiation winnings scoreboard by optimization rules (Source: created by the author)

Rules of optimization	The normalized expression data			
	Winnings of negotiation questions			Totals of all questions winnings.
	H1	H2	H3	
Hurwitz	W3	W3	W2	2,261
	0,705	0,908	0,648	
Wald	W3	W3	W2	2,023
	0,578	0,888	0,558	
Savage and Niehaus	W3	W3	W1	2,602
	0,832	0,928	0,843	
Bernoulli-Laplace	W3	W3	W2	2,247
	0,672	0,912	0,663	
Bayes-Laplace	W3	W3	W2	2,247
	0,672	0,912	0,663	
Hodges and Lehmann	W3	W3	W2	2,135
	0,625	0,900	0,610	

Fig. 22. Negotiation winnings distribution under different negotiation issues, applying different optimization rules (Source: created by the author)
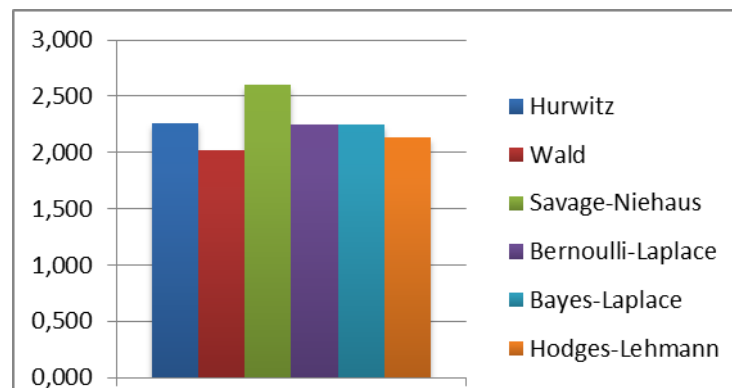
Fig.23. The aggregated results of all negotiations questions, applying different optimization rules (Source: created by the author)

The results chart in Figure 22 show that optimistic – the maximum winnings provide Savage and Niehaus optimization rule, the smallest winnings provide - Wald rule. Accordingly, Hurwitz, Bernoulli-Laplace and Bayes-Laplace rules showed very similar results, and Hodges and Lehman slightly larger winnings than the minimum winnings having demonstrated by Wald rule.

From presented results we can see that the algorithm has helped to find the optimal way for the negotiation strategy in negotiations with other business entities. To make a selection of principles and rules can negotiators possessing high qualifications and experience in this area. In order to determine which option is the best is needed to assess specifics, goals and context for each individual task.

Designed algorithm for development of negotiating strategy of international business, based on negotiating powers assessments has some prospects of the use:

1. *Negotiation support tool.* The main purpose of the use of this algorithm is an international business negotiation support. Because these days businesses lack the inclination to accept it in negotiating strategic decisions based on the bargaining power assessments, taking into account the negotiating partners, competitors and their resources, so this algorithm, unlike the so far existing measures, assess a variety of factors affecting these entities together. The use of the algorithm promotes its ease of management and effective support of negotiations.

2. *Information uncertainty reduction tool.* One of the major negotiating support measures negative qualities is information uncertainty. This algorithm has the ability to assess the uncertainty of using both databases, as well as expert assessments. Databases can include both economic indicators, such as the proposal criteria, entities creditworthiness, operational history, etc., as well as non-economic, for example, cultural dimensions of what is at stake in international business negotiations. Because the decision-making process is important to a proper understanding of the participants of the negotiations, as in the interaction between representatives of different cultures can be different even understanding of rationality.

3. *Autonomous negotiation process engine.* For businesses moving into the online space increasingly are popular distance selling, and thus the distance negotiations. Following the imposition of appropriate restrictions this negotiation algorithm could operate as autonomous negotiation process engine that can take decisions himself. Negotiator should only be assigned to the database with which support should be assessed the participants of the negotiations and their proposals.

4. *The management of large quantities of information.* In globalization process of international business is becoming more relevant international business negotiations, as opposed to a single country-wide negotiations, the number of competitors or partners can increase more than a dozen, a few dozen or a few hundred times. Processing of this data stream currently physically, without the aid of computer equipment is practically impossible. Therefore, this algorithm can encourage them to use it due to the large flow of information processing simplicity and speed.

5. *Improving of communication conditions.* Negotiations are often interrupted even started because of language barriers or different values of understanding. Therefore, this algorithm can help to identify and understand the common points of international business negotiations entities. For this task it is

necessary to involve intermediaries from different cultures to help manage this algorithm with partial intervention.

II. INTERNATIONAL BUSINESS NEGOTIATIONS IN A GLOBALIZING WORLD

Nowadays businesses need to find new ways to ensure business growth and competitiveness in the international market. International business cultural diversity brings new challenges for the development and implementation of negotiation strategies for businesses, in cooperation with foreign partners. In solving these problems, the perspective which provides the latest available information of technologies partly offset decision of these tasks. In the modern business are used solutions of international business negotiation strategies to develop and implement are not suitable for the development of business in all situations in the current context of globalization, with current challenges, which describes the increasing risk and uncertainty, cultural differences. New challenges in international business negotiations bring formation of the common cultural and information space on a global scale, new needs in the field of information technology progress development of international competition and the increasing pace of innovation processes. Therefore, preparation and implementation of international business negotiation strategies should be based on scientific theoretical basis complying with these challenges. In creating and implementing unique and effective strategy of international business negotiations, setting the essential features and causation is important in order to make effective use of the potential of business negotiations - bargaining power. Solving scientific problem it is necessary to ensure the use of such decisions that would take into account the bargaining power of participants in negotiations, would allow the implementation of business strategies and ensure that the preparation and implementation of the negotiating strategy would be effective. In management and business management theory it is a lack or completely absent theoretical solutions for the assessment of bargaining power in international trade negotiations, especially with regard of international business development, particularly relevant to multiculturalism circumstances and opportunities on application of remote management technologies during the negotiations, and to carry out negotiations in cyber space.

12. THE SEARCH FOR BALANCE AND EQUILIBRIUM OF NEGOTIATING POWERS UNDER DISTORTED MARKET COMPETITION

Distorted market competition poses new challenges for business negotiations. It affects the balance of negotiating powers among negotiation participants. Such situations often result in negative consequences for both buyers and sellers. As a result, it opens additional opportunities for international business, because of the emergence of other market participants in the relevant markets, which can provide additional alternatives for both buyers and sellers by reducing the negative impact on the distortion of competition and balancing the negotiating powers of the negotiating parties (Ewa Kiryluk-Dryjska 2016; Jeanne Brett, Leigh Thompson 2016; Małgorzata Przybyła-Kasperek, Alicja Wakulicz-Deja 2016; Michael Schaerer *et al.* 2016; Seyed Morsal Ghavami *et al.* 2016; Maria Jesus Rufo *et al.* 2016; Andreas Jäger *et al.* 2017). The development and implementation of an effective international business negotiation strategy, as well as the assessment of the negotiating powers among negotiating parties and the essential components of their deviation from balance is important for the effective use of the potential of business negotiations — the negotiating power. When solving the scientific problem it is necessary to ensure that its solutions help to consider the balance of negotiating power among negotiation participants, allowing them to achieve the balance and to ensure the most efficiency of the development and implementation of their negotiation strategy.

A higher number of sellers and suppliers, allows the buyer to enjoy a greater variety of solutions and more alternatives. In such case, the buyer can take advantage of competitive tension. However, the situation in the absence of competitive tension is completely different. One of the reasons resulting in a lack of competitive tension in the market is that the number of suppliers is not sufficient to create a free and open competition, for example, in case of a monopoly. Therefore, we could define market distortion as the absence of free and open competition. Free competition means that market participants are competing with each other, instead of cooperating to create and maintain a cartel. Open competition means that the market entry barriers are sufficiently low, thus making the profits of existing players rather low, because otherwise new entrants coming into the market would try to sell with lower profits, which would essentially be useful for customers and thus ensure their sales.

There are two types of buyer power: the power, arising from the nature of

the market (monopsony, oligopsony and monopoly markets), and the negotiating power. If the buyer can reduce the price to the level lower than the market competition among suppliers, it means that he has the monopsony power. Negotiating power depends on the bargaining strength, demonstrated by the buyer during communication and negotiations with suppliers. Monopsony power makes getting a lower price easier than using negotiating power. Negotiating power is used only when the supplier has a corresponding market power, which can be levered with negotiating power. The consequences of using negotiating power in each case are very different. In cases of monopsony and oligopsony markets, buyers' powers decrease the volume of sales and productivity in the supply market, which ultimately has a negative effect on the consumer market. The negotiating power of the buyer is more of a compensatory nature. It increases the volume of production in the supply market and can improve the market situation in the consumer market.

The relevance of this study has both theoretical and practical aspects. The theoretical relevance is related to the assessment and development of negotiating power among participants at international business negotiations, as well as the scientific search for measures to ensure their effectiveness and the development of a scientifically-based, sustainable and effective negotiation power balancing system. Such a system could improve the efficiency of negotiating teams in distorted market competition. The practical relevance is related to challenges of organising business, increasing purposefulness of recent developments, which unfolds in increasing numbers of alternative business solutions and the need to search for new business partners, leading to greater expedience of business transactions, their efficiency and, ultimately, increasing the competitiveness of businesses entities in international business environment. Thus theoretical and practical relevance of this research can be characterized by the need to find and create a scientific basis for measures used for balancing negotiating powers among participants at business negotiations. They should help make an objective assessment of the negotiating powers and relationships between international business negotiation participants and their competitors, purposefully and effectively forming and using the negotiating powers of the negotiating team. These measures should guarantee a successful development and implementation of an effective business negotiation strategy in the context of international business development and increase its competitiveness, taking into account the circumstances, which distort market competition.

In scientific literature, the implementation of effective business negotiation strategies was researched by the following authors: Aistė Mažeikienė *et al.* (2012, 2010); Dirk Moosmayer *et al.* (2013); Robert Wilken *et al.* (2013); Priyan Khakhar, Hussain Gulzar Rammal (2013); Przybyła-Kasperek, Wakulicz-Deja (2016); Schaerer *et al.* (2016); Schaerer *et al.* (2016); Kęstutis Peleckis (2016); Elena Dinkevych *et al.* (2016); Timothy Dunne *et al.* (2016); Ghavami *et al.* (2016); Arnold-Peter C. Weiss (2017).

The importance of searching for alternatives of strengthening negotiating power was highlighted by a number of scientists: Mažeikienė *et al.* (2010); Mažeikienė, Peleckis (2012, 2010, 2009); Charles Antaki, Alexandra Kent (2015); Andrea Petriwskyj *et al.* (2015); Claude Alavoine, Caroline Estieu (2015); Kiryluk-Dryjska (2016); Brett, Thompson (2016); Przybyła-Kasperek, Wakulicz-Deja (2016); Schaerer *et al.* (2016); Peleckis (2016); Ghavami *et al.* (2016); Rufo *et al.* (2016); Jäger *et al.* (2017).

Distorted market competition and its circumstances were researched by the following scientists: cases of monopsony — Dassiou, Glycopantis (2008); The Organisation for Economic Co-operation and Development (OECD) (2008); Jordan D, Matsudaira (2014); Leif Danziger (2010); Alessandro Bonanno, Rigoberto A. Lopez (2012); Eric Strobl, Frank Walsh (2007); Tavis Barr, Udayan Roy (2008); Julio J. Rotemberg (2008); Timothy J. Brennan (2011); Strobl, Walsh (2016); cases of monopoly — Leonard J. Mirman *et al.* (2014); Paul Rogers 2013; Luis H. B. Braido, Felipe L. Shalders (2015); Georges Sarafopoulos (2015); Vesna D. Jablanovic (2013); Manuel Willington, Jorge Li Ning (2014); Alhassan G. Mumuni *et al.* (2016); Lawrence Wai Chung Lai *et al.* (2016); Mendoza (2016); Akio Matsumoto, Ferenc Szidarovszky (2015); Eugen Kováč, Krešimir Žigić (2016); Euncheol Shin (2017).

Monopsony and the buyer power

Monopsony power is a mirror reflection of the power of a monopoly: it is the buyer's market power, as opposed to the seller's market power (Dassiou, Glycopantis 2008; Matsudaira 2014; Danziger 2010; OECD 2008; Bonanno, Lopez 2012; Strobl, Walsh 2007; Barr, Roy 2008; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016). Monopsony power can be determined directly and indirectly. In cases of the former, it is determined by comparing the competitive market price with the price obtained by the buyer. The level of the prevailing market prices, determined by competing companies, does not reflect the actual

purchase price. Meanwhile, the indirect monopsony power assessment method includes such factors as the market, market segments, entrance barriers and other relevant factors.

The buyer power is related to the way how purchasing companies may affect the trade relations with sellers and suppliers. The buyer power can manifest both through monopsony power and through the buyer's negotiating powers. The difference between these two types of buyer power is based on the structure of their sources and the entirety of the measures.

A business entity is considered as having monopsony powers, when the share of its purchases in the market is relatively high and when it can influence the price according to the sales volumes. The differences in the use of the negotiating power show on the level of discounts obtained. The negotiating power of the buyer shows his bargaining strength in relation with the supplier. Both types of buyer power opens the way to the level of lower sales prices. In case of monopsony power this can be achieved by emphasizing lower purchase volumes, when the negotiations involve expressing intensions to buy less (Brennan 2011; Strobl, Walsh 2016). The main difference with the case of monopsony power is that this case involves reducing prices below the competitive level, while in case of negotiating power, the seller still operates on a competitive level (OECD 2008; Bonanno, Lopez 2012; Strobl, Walsh 2016). Monopsony and oligopsony powers (assuming that there is no price discrimination) lead to market distortions. As a rule, that is detrimental both to direct sellers and suppliers, as well as further links of the supply chain (Matsudaira 2014; Danziger 2010; OECD 2008).

Monopsony power supply in the market transfers the profit from supplier to buyer. Business entities with monopsony power behave as if they had higher marginal costs compared to companies that do not possess monopsony power. This ultimately increases the price for the end user, even if the costs are actually lower. Owning market power in the supply market as well, monopsonists do even more damage than if it they wouldn't.

Customers using negotiating power as a compensatory element (for example, where their negotiating power fully or partially compensates the market power of sellers) may increase the volume of production in the market and make the final consumers in the market better off. The extent to which customers can benefit from the negotiating power depends on the nature of contracts with suppliers and the level of competition in the consumer market. Increased consumer competition and their extent result in this negotiating power

earning greater discounts for a wholesale price and bringing greater benefit to the consumers (OECD 2008; Bonanno, Lopez 2012; Strobl, Walsh 2007).

The research of monopsony power in practice shows that it may be determined by available alternatives for the sellers, which determine the volume of the buyers' monopsony power. If finding alternative buyers is easy, then their monopsony power is limited. Other sellers may be located in different geographical regions, be engaged in different activity and have different market needs, but their products may still be able to satisfy the same needs. Also, when searching for new markets, it is important to identify the presence of monopsony power in smaller geographic areas with a smaller number of products, where a hypothetical monopsonist could influence the price drop in that territory (Antaki, Kent 2015; Petriwskyj *et al.* 2015; Alavoine; Przybyła-Kasperek, Wakulicz-Deja 2016; Schaerer *et al.* 2016; Ghavami *et al.* 2016; Rufo *et al.* 2016; Jäger *et al.* 2017).

When the number of buyers and sellers is small, negotiations between buyers and sellers (according to their capabilities) may also take place regarding the possible excess profit. The allocation of excess profit depends on the relative negotiating power. This excess profit is the objective of the buyers and sellers, thus motivating them to come into an agreement without looking for alternatives. The more efficiency buyers show in their negotiations, the more alternatives they have, resulting in fewer alternatives for the sellers and getting a larger share of the excess profit. Buyers' profit from transactions depends on their ability and willingness to look for alternative suppliers. Similarly, sellers' profit gained from transactions depends on their ability and willingness to look for other buyers. The essential factor influencing the negotiating power and showing that buyers have more alternatives than sellers is that buyers can easily switch suppliers without incurring significant additional costs (buyers act as consumer market intermediaries) (Matsudaira 2014; Danziger 2010; OECD 2008; Bonanno, Lopez 2012; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016).

Monopsony power

Monopsony power is influenced by the current suppliers' model. Suppliers' market models can be divided into Ricardian, Quasi or Monopoly models (Matsudaira 2014; Danziger 2010; OECD 2008; Bonanno, Lopez 2012; Strobl,

Walsh 2007; Barr, Roy 2008; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016):

1. The **Ricardian model** refers to suppliers using differentiated supply of raw materials. In this case, the monopsony power depends on the flexibility of supply. More flexibility means greater opportunity to use the monopsony power, which determines production output disruptions in the supply market and is harmful to the end users. In the supply market companies with monopsony powers tend to behave in a way as if they experienced more costs than companies without monopsony powers. Monopsonistic power in supply market harms both productivity of suppliers and consumers. Possessing monopsony powers makes it necessary to recognize, whether your seller has an alternative, which is what determines the monopsony power. Monopsony power is limited if the seller can easily find other buyers in the local market or other geographical areas, or customers who would use these products as substitutes.

2. **The Quasi model** refers to the difference between total revenues and short term expenditures. A monopsonist can use this in the short term. In the long term, any attempt to use suppliers' situation may encourage them not to conclude a deal: the suppliers would not be able to get a return on their investments. If suppliers' market is engaged in fair competition, monopsonists will not be able to use their monopsony power in the long term.

3. In case of **Monopoly model**, suppliers and buyers will be more inclined to maximise the total profit for both sides, rather than refuse to cooperate. The creation of compensatory power in case of Monopoly model may lead to smaller prices for the end users. However, if one of the participants withdraws, such a case could lead to a failure of the deal. This would encourage the buyer to look for other markets.

Cases of monopsony

Oligopsony among buyers. Oligopsony among buyers and high level of supply frequently results in Nash equilibrium. In cases of Nash equilibrium in procurement, all buyers define their product value according to the values determined by all buyers. Nash equilibrium will enable to exploit buyers' market power, which will depend on the product threshold value, the number of competing buyers and the flexibility of supply (Dassiou, Glycopantis 2008; Matsudaira 2014; Danziger 2010).

Cartel monopsonists. Oligopsonic Nash equilibrium does not maximize customer profits, resulting in a need to coordinate purchases by exploiting the collective market power, increasing profits, reducing purchases and selling prices (OECD 2008; Bonanno, Lopez 2012).

Refusal of the transaction. Monopsonists can threaten to refuse their transactions thus seeking for more beneficial conditions. For example, proposing to purchase a greater quantity of goods for a price, corresponding to a significantly smaller amount. In such case suppliers merely cover their production costs, only ensuring the utilisation of their capacity (Strobl, Walsh 2007; Barr, Roy 2008; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016).

We examined some aspects of distorted market competition in cases of monopsony and oligopsony. We also defined measures for reducing or eliminating their negative effect by taking advantage of the opportunities of international business negotiations. Further on it would be appropriate to examine the monopoly power of suppliers, ways to identify and assess them, as well as define the means to direct the balance of power towards the benefit of the buyer.

Monopoly and the power of supplier

Purchasing procedures of various business entities often state that procurement should involve at least three participants submitting their offers. This assumption means that a higher number of suppliers allows to obtain a greater variety of solutions. In this case, the buyer makes use of the competitive tension. However, lack of competitive tension makes the situation completely different. One of the reasons resulting in a lack of competitive tension in the market is that the number of suppliers is not sufficient to create a free and open competition, as in case of a monopoly. Therefore, we could define market distortion as the absence of free and open competition. Free competition means that market participants are competing with each other, instead of cooperating to create and maintain a cartel. Open competition means that the market entry barriers are sufficiently low, thus making the profits of existing players rather low, because otherwise new entrants coming into the market would try to sell with lower profits, which would essentially be useful for customers and thus ensure their sales (Mumuni *et al.* 2016; Lai *et al.* 2016; Shin 2017).

Further on we will discuss the reasons for these market distortions – the market structure, market concentration and competition.

Market structure. What number of market participants could ensure fair and open competition? Procurement rules of business entities often refer to the number "3". However, three suppliers will not always guarantee competition. Monopoly refers to a situation, when there is only one supplier in the market, yet there are other reasons, which may put the buyer in *de facto* monopoly situations (Rogers 2013; Mendoza 2016; Matsumoto, Szidarovszky 2015; Kováč, Žigić 2016; Shin 2017):

– restrictions for patents or intellectual property, which limit the ability of other suppliers to offer the same or a similar solution;

– the end user wants a particular supplier (with agents), thus limiting the freedom of choice;

– other solutions in the market are technically not acceptable for business;

– the costs of the supplier change are too high, making it impossible to change the supplier, as the costs would never pay back, making the buyer stay with the same supplier;

– company policy may restrict purchases from specific countries or compel buying from a particular supplier, based on mutual trade agreements.

Market concentration. The fact that market offers only three suppliers, can hide the fact two of them may have divided the market, giving them the power to determine prices. The amount of suppliers in the market is not always the best reflection of the level on participants' competition. Therefore, a deeper analysis of the market structure should be done by examining four or more market participants. A small amount of companies dominating in the marked is referred to as oligopoly and defined by a concentration ratio of four entities, if the concentration ratio of the market competition of these four entities is above 40 percent (Matsumoto, Szidarovszky 2015; Rogers 2013; Kováč, Žigić 2016; Shin 2017).

Competition level. Besides the number of suppliers in the market and the market structure, another important factor is the conditions under which suppliers compete with each other. And these are much more difficult to measure than the number of participants in the market or the market structure. Tender participants can take part under the buyer's rules and at the same time compete within the limits, mutually agreed on by several suppliers (Lai *et al.* 2016; Mendoza 2016; Shin 2017). Although the activity aimed at reducing competition is illegal, it doesn't mean that cartels don't exist. The benefits of such agreements can often be much higher than the threat of a fine. And, finally, it's rather difficult to find and identify a cartel after all.

Symptoms of cartel behaviour. There are three types of cartel (Rogers 2013; Lai *et al.* 2016; Mendoza 2016; Matsumoto, Szidarovszky 2015):

- fixed price cartel;
- market sharing cartel;
- secret cartel of procurement participants.

Another alternative to a fixed price cartel could be sharing territory, where suppliers agree not to make proposals in the territory of another supplier. Therefore, a specific supplier can increase prices, knowing that competitors will not make any offers (Mumuni *et al.* 2016; Shin 2017). Another — even simpler — way of organising a cartel is agreeing not to sell to particular customers or particular clients in a specific area. Market sharing arrangements can take several forms. Suppliers may jointly decide on the number of procurements each of them can win. Accordingly, all suppliers do take part at procurements, but already know, which of the suppliers will sign the contract. Market sharing often occurs in markets with several dominating suppliers, as well as divided and uncoordinated buyers (Lai *et al.* 2016; Mendoza 2016; Matsumoto, Szidarovszky 2015).

In such cases, proving that the anti-competitive behaviour is determined by geography, logistics or other market characteristics, is not easy. Markets can also feature arrangements on price caps or discount level. Predictable buyers make it even easier to manipulate them in making proposals. Here are several examples:

− one or more participants refuse to submit proposals in order to help their competitor win;

− suppliers purposefully make offers that are not competitive or do not comply with procurement conditions;

− suppliers offer proposals, but participate in an agreed rotation on who will offer the best price, depending on who should win the contract. For example, the winner of the procurement changes every two years, even though the competitive advantages of the participants remain unchanged.

Other sources of market distortion

Making a deal is easier than terminating it. There may be companies trying to get rid of unprofitable customers and focus their attention on profitable customers. Even if suppliers increase their prices, clients may find it impossible to replace them, because the replacement costs would be higher than the possible benefit of cooperation with another supplier. Thus, current suppliers

continue to exploit their profitable buyers (Braido, Shalders 2015). Suppliers may still seek to exploit their customers, no matter whether the market is distorted or not. Further on we will discuss possible questions, which may indicate whether a client is being exploited (Matsumoto, Szidarovszky 2015; Kováč, Žigić 2016; Rogers 2013):

− Is there a disproportion between increasing the annual expenditures and the demand or costs?

− Is the growth of supplier's prices faster than that of the price level of the services, influenced by inflation?

− Did the increase of supplier's prices reflect on increased quality of services?

− Are the requirements and / or additional charges higher than those of other suppliers in the same sector?

− Does the company's bookkeeping consider the impact of supplier's services to the company's profitability?

− Is there evidence that supplier's representatives are trying to influence our company's staff decisions?

− Is the supplier trying to pose restrictions using terms of the contract and specifications, which would limit us receiving these services?

− Does the supplier show inappropriate behaviour during negotiations, refusing to give discounts and seeking to maximize profits?

− These questions and answers allow us to have a better understanding of whether suppliers exploit customers in their favour.

Global sources of distortion

Procurement procedures often pose a requirement for competitive price offers and often require three proposals. If there are 10 potential suppliers of the relevant category and only three of them are invited to submit proposals, this leaves only a 30 percent probability of finding the best supplier. No procurement rules provide the demand for 10 proposals and procurement professionals will never invite only 3 random suppliers, so it is necessary to make a careful study of the market and consider potential suppliers from unexplored markets. Even in case of a monopoly, there may be some new participants that have just joined it. In order to find suitable suppliers one needs to assess the following sources of potential suppliers (Rogers 2013; Mumuni *et al.* 2016; Lai *et al.* 2016; Shin 2017):

− global catalogues of a specific category of online supply goods;

− consultations with specialists of a specific category of suppliers;

− communication with suppliers of the same category in other countries;

− exhibitions and presentations in other countries;

− market cooperation agencies or consultants;
− recruiting intermediaries to help find cheaper suppliers in other countries.

Looking for new suppliers can help expand available alternatives, thus increasing one's negotiating power as a buyer. Also, having more alternatives means expanding the existing market boundaries (Antaki, Kent 2015; Alavoine, Estieu 2015; Kiryluk-Dryjska 2016; Brett, Thompson 2016). This can be achieved by examining similar or related markets, which may become potential supplier markets. Sometimes other market participants find it quite difficult to switch to another market. Therefore, buyers looking for potential cheaper suppliers from other markets could think of possible negotiating proposals, which would make it easier to convince potential future partners cooperate in a new market (Rogers 2013; Shin 2017):

− sharing experience, such as attaching project managers or sharing some of the technology during joint meetings;
− subsidising certain costs of entry, buying appropriate measures, or otherwise investing into mutually-beneficial cooperation;
− offering a longer contract;
− gradually increasing the volume of orders and their complexity, thus giving the supplier an opportunity to adapt their own technology for more complex work.

Buyers often find themselves in an awkward position, when they need their suppliers more than the suppliers need them. Small customers may consider the possibility of closer cooperation with a monopoly enterprise, thus increasing their dependence (Jablanovic 2013; Willington, Ning 2014). This works in situations, where suppliers have a monopoly in several business areas, but not in all. Such measures can increase the available negotiating power. Of course, it is necessary to avoid situations, where one supplier can provide a full package of services. Therefore, it is important to divide the needed service into segments, creating more freedom of choosing from several suppliers, without giving all the negotiating powers to a single supplier. Or vice versa — a strategic move of the negotiations may include offering the supplier to sell more if they made a better offer.

Suppliers' reputation. Some monopolistic suppliers have a firm hold of their market position, offering harsh reactions to any accusations of exploiting the situation for their own benefit (Mirman *et al.* 2014; Braido, Shalders 2015; Sarafopoulos 2015). The USA, Europe, Australia and Lithuania, intending to regulate markets and prevent the abuse of dominant market positions, introduced antitrust laws. For example, the United States has the Sherman Antitrust Act, the purpose of which is not to prevent certain companies from gaining a dominant position in certain fields, but rather to prevent artificial price

increases both in supply and trade. Negotiators analysing the market situation frequently discuss the following issues (Rogers 2013):

− Is there any evidence of inappropriate behaviour on behalf of the supplier(s)?

− Does the market feature a balance of different bargaining powers?

− Do suppliers abuse their privileged position?

− Is it possible to form an alliance with another group of buyers and cooperate?

Distinguishing between private and business interests

Business relations are defined by a number of different aspects and can be defined by different — business, personal and contractual ‒ approaches (Table 14).

Table 14. Approaches to business relations (Source: Mumuni *et al*., 2016; Rogers 2013)

Approaches to business relations		
Business aspects	Personal aspects	Contractual aspects
- Bilateral risks and opportunities. - Sizes of the participants. - Matching goals. - Balance of power. - Supply chain. - Incentives.	- Influence models. - Number of interested parties. - Similar values. - Degree of confidence. - Personal sympathy.	- Agreement. - Specification. - Agreement on the service level. - Sanctions. - Operational mode.

Buyers more often focus on business aspects, while sellers − personal aspects and may influence business through specific individuals. This includes identification of key decision-makers, analysis of their role, opportunities and position, as well as the relevant opportunities for influencing them and other relevant processes. There are several important aspects to be considered (Rogers 2013):

− Is the supplier's management structure familiar?

− Are there any relationships with decision-makers?

− Do we know any people in contact with the supplier, and if not, whom should we get to know?

− What information should we provide?

Answers to these questions lead to a better understanding of the supplier and the current situation of the business entity.

Additional negotiation criteria

Suppliers may increase their prices, knowing that the buyers of their goods and services or customers will not be able to get them anywhere else. Suppliers are often more inclined to offer better prices for customer groups than individual buyers. Of course, suppliers may also make offers that are not related to price. Price is not the only one negotiable criterion: there are many others that also contribute to the final result (Table 15). Purchasing managers are often only the third or fourth level employees at their organizations, making it possible to make an impact by influencing other participants, who occupy higher positions (Mendoza 2016). Making influence involves including other participants, related to the project. Opportunities arise, when buyers cooperate with representatives of their or their suppliers' organizations, which have a similar approach to potential cooperation opportunities. Persons drafting procurement specifications generally make a very significant impact on the freedom of choice and transactions.

Table 15. Additional negotiation criteria (Source: developed by the authors according Shin 2017; Rogers 2013)

Additional negotiation criteria		
-Turnover discount. -Price stability. -Price variation formula. -Payment terms. -Payment currency. -Payment deferral. -Shipping rates. -Delivery deadlines. -Delivery locations. -Delivery frequency. -Urgent cases. -Maintenance contracts. -Prices for spare parts.	-Return of excess goods. -Installation fees. -Operating costs. -Instructions, drawings and plans. -Training and support services. -Safety and health issues. -Packaging. -Packaging return. -Insurance. -Specifications. -Samples for testing. -Translations. -Guarantees.	-Advertising support. -Priority under lack of goods. -Package price. -Wider range of guarantees. -Special storage. -Contract terms. -Access to modifications/ additions. -Confidentiality. -Losses. -Resources for common projects. -Research. -Provision of special

		equipment.

It is necessary to examine the need for each specifications parameter, as this can tie the buyer to a particular supplier. Also, suppliers have experience in other markets, opening opportunities to cooperate in order to get into another market. In cases of monopoly, companies face situations, when they, refusing to buy from a specific supplier, can't get the product or service anywhere else. It is, therefore, likely for the company to start providing a certain product or service for themselves and for other market participants. However, this case is hardly possible, as the input costs for entering into a specific market may be too high.

There are several ways that may be useful depending on sales conditions. These are more tactical than strategic decisions and may force a monopolist or a cartel to increase their flexibility. In case of a regular need to purchase certain non-perishable products, we can buy quantities, which exceed the quantities we need in the current moment and later suddenly discontinue or significantly reduce the supply contracts. Suppliers may find such actions disturbing and be compelled to re-negotiate, while the exceeded volume of purchases will win some time for negotiations. Purchasing a larger amount for a longer period, such as six months, could become a sufficiently long period to draw suppliers' attention and thus could also help to obtain better conditions. However, here it would be necessary to evaluate storage costs as well. Ordering more or less at the end of the fiscal year could also draw suppliers' interest, since regular quantities were most likely already planned. However, it is most important to evaluate, how this would work out in the long run.

If the product demand is expected for a long term, companies may conclude long-term contracts. That is useful to suppliers intending to safeguard a regular, even if small income. Therefore, contract terms could include (Rogers 2013; Willington, Ning 2014):

− delivery terms, which must be financially weighed in order to pay off in the future;

− influence on prices (of course the supplier may raise them, but you need to minimise the changes). The price can be tethered to a particular index, but you need to be careful in selecting them, especially those that are constantly rising;

− cases for price decreases;

− limits for price rise over a specific time period;

− number of instances of price rise within a specific period of time.

In some cases it is possible to form a consortium of buyers with similar needs, providing them an opportunity to buy on behalf of all consortium participants and thus — a greater bargaining power. How long does it take to take a dominant market position? Months and even years. Thus, before making any impact on the market, it is necessary to consider the possible response of the enterprise's project managers. Most purchases involve several weeks, but it takes a long time to reset the balance of the market power. Of course, prices can be a result of intense competition, rather than a cartel. Symptoms of price fixing agreements include (Braido, Shalders 2015; Rogers 2013; Willington, Ning 2014):

− a certain price, applied only in certain areas or to specific customers;
− the same suppliers increase their prices at the same time, offering similar explanations for the rise;
− changes in prices of individual suppliers with no changes in determining factors;
− small discount system changes;
− one of the leading companies usually makes the first offer with the other companies making theirs later.

An alternative for a price cartel involves companies sharing territories or customers. For example, selecting customers in certain areas. Or making a consensus on which a certain undertaking will win a particular contract. Symptoms of such agreements include (Sarafopoulos 2015; Rogers 2013; Willington, Ning 2014):

− suppliers, competing in one territory, refuse to supply other areas, thus encouraging to buy from another supplier (with no specific reason);
− suppliers offering different prices in different areas and thus showing their competitiveness, which is not explained by market differences;
− supplier's confidence in success or that the other participant will not participate or will not offer competition (which is possible only in case of being in contact or potential agreements with the other competing participants).

Market division often occurs in markets with a few dominant suppliers and uncoordinated buyers. Suppliers often claim that some areas make them less competitive due to geography, logistics or other market factors. There may be agreements, with suppliers submitting proposals according to common supplier agreements, knowing the lowest bidding threshold, discount system or price levels. More predictable buyers make it easier for suppliers to manipulate them

in determining who will win (Bryde, Shaldon 2015; Sarafopoulos 2015; Rogers 2013; Willington, Ning 2014):

− suppliers choose not to compete in order to let another supplier win;

− suppliers make uncompetitive offers or do not meet specifications;

− suppliers submit proposals, but participate in a rotation, determining, whose turn it is to win the contract.

Buyers concerned that they may become victims of unfair competition should take note of the circumstances, which are not typical in competitive situations. These may include products, services or projects (Bryde, Shaldon 2015; Sarafopoulos 2015; Rogers 2013; Willington, Ning 2014):

− proposals that are less acceptable than usual (indicates that there is no tendency to move toward an agreement);

− proposals that are completely different from the company's available options;

− the same suppliers always provide the lowest price (over a long period of time);

− the winner of the contract hires other suppliers, which did not win the tender, as contractors;

− one supplier offers a very low price, making it difficult to explain, why the rest are so uncompetitive;

− one company is always very uncompetitive in a certain market, compared to other markets (and this cannot be explained by market and logistics factors);

− a new supplier entering the market results in fast and significant collective behaviour.

13. PREPARATION OF INTERNATIONAL BUSINESS NEGOTIATIONS STRATEGIES: COMPETITIVE ASSESSMENT ASPECTS IN THE MARKET POWER SYSTEM

It is argued that trade liberalization (in this case openness in product markets) is mutually beneficial and depends on effective interaction between different markets. If product markets are not competitive or if market signals do not adequately reflect social costs and benefits (i.e., external outcomes), then the positive impact of openness can be rather low or absent. In some cases, policy remedies are needed to overcome these shortcomings, as it is often not enough to create an open competitive environment alone. In fact, under certain circumstances, openness can reinforce inefficiencies at the relevant external action or certain market specifics (OECD, 2012; Ghosal and Tonin, 2018).

The existence of exclusive rights to produce or supply services means a monopoly. Often it is called as a natural monopoly. Exclusive rights are given for a long period of time, which should encourage substantial investments in infrastructure, the development of which is unlikely to occur without a guaranteed market. But sometimes exclusive rights are used in situations where there is no natural monopoly. Exclusive rights are, in many cases, are one of the main routes to market. Exclusive rights may allow monopoly pricing and other market power tools. To avoid such a situation with regulatory measures alone is not possible, as they often show a very low success rate in preventing market from power being used and to protect consumers (OECD, 2016).

The relevant licenses or permissions of activity are restricting possibility to market access. Qualification requirements may include minimum standards of experience and education, and also may include requirements of good repute. In the field of finance, various aptitude tests are common in the pursuit of official duties within a company or its board. In some cases, may be a fixed number of licenses (OECD, 2016). The requirements of license or permit often are stricter than necessary for consumer protection, and this can reduce opportunities of consumers and create artificial shortages, deficits that increase prices. When licensing schemes are often based on consumer protection objectives, such barriers to entry often protect local producers from competition. It is important to ensure that license and permit requirements do not burden the situation more than is necessary and would help to achieve the desired regulatory objectives (OECD, 2016).

Rules sometimes limit the flow of goods, services, capital and /or labor across the borders of different countries (OECD, 2016b). However, such restrictions artificially reduce the geographic scope of competition for the provision of goods or services. This may reduce the number of suppliers that can participate in the negotiations and potentially allow for other suppliers to use market power and increase prices. Potential limitations should be assessed in terms of whether there is a clear link between the constraints and the achievements of specific policy objectives, whether the restrictions are minimally necessary to achieve the objective, or whether a reasonable analysis indicates that the policy objective will be achieved. When limited restrictions apply for a limited period of time, with clear regulatory provisions, there is a high risk that "temporary" safeguards will be considered as semi-permanent arrangements as a result of supplier lobbying, enabling them to get profit from these restrictions (OECD, 2016b).

The limited number of suppliers that can participate in the negotiations leads to the risk of creating exceptional market power and will be reduced natural competition (OECD, 2016b). When the number of suppliers decreases, because of the reduced competition (or agreements) between the remaining suppliers, increases the likelihood that prices will increase. The resulting reduction in competition can reduce the tendency to solve customer problems effectively and can reduce innovative and long-term economic efficiency. The existence of exclusive rights to produce or provide services is always linked to a corresponding monopoly. Often it is called as a natural monopoly. It is not possible to avoid such situations completely by regulatory measures alone, as, as practice shows, they often reach a very low success rate by preventing the use of power on the market, thus protecting consumers. It is important to ensure that license and permit requirements do not complicate the situation more than is necessary and help to achieve the desired regulatory objectives [OECD, 2016b, Liu et al., 2018; Schlosser, 2017; Kaplow, 2018; Kumar, 2018; Yasui and Haraguchi, 2018; Chen and Tanaka, 2018; Symeonidis, 2018; Uchiyama, 2018; Gamez et al., 2018).

Governments often regulate prices in traditional monopoly sectors, for example in the public sector (OECD, 2016b). Such price control is beneficial to consumers and is a counterbalance to the lack of alternatives to consumers. However, price control sometimes is applied in cases where the consumer may have many potential suppliers. When minimum prices are set, suppliers with lower prices are prevented from negotiating and gaining market share, giving consumers better value. Similar situation is in setting the highest prices - in such cases can be significantly reduced the incentives of suppliers to innovate and deliver new and /or high quality products (OECD, 2016b). Minimum price regulation is sometimes a response to extreme price competition (OECD, 2016b). In such cases, the regulation of minimum prices is generally considered to be a tool for protecting small suppliers against "unfair" competition. The highest pricing requirements are often introduced as a consequence of a restriction on admission. The alternative is to allow more market access. Price regulation is rarely the most effective or efficient way to achieve the intended goals (OECD, 2016b).

Often exist rules that limit suppliers' ability to advertise or sell goods, in order to limit false or misleading advertising. Occasionally, advertising restrictions are designed not to promote those services or products that are considered to have a socially negative value or are over-consumed (OECD, 2016b). However,

practice shows that in many cases advertising and marketing restrictions are too broad and are too restrictive for competition. Restrictions of advertising and marketing can be particularly painful for potential market participants, as they limit the ability of a participant to inform potential customers about their presence in the market and the nature and quality of the goods and services being offered. In general consumer protection laws almost always contain misleading and deceptive advertising bans (OECD, 2016b). This promotes the efficiency of the markets and, in most cases, prevents any additional advertising restrictions on products or services. When there is a need to discourage over-consumption, alternative approaches to advertising restrictions include information campaigns (OECD, 2016b).

Collusive agreements in competitive systems are considered illegal under competition law (OECD, 2015). The alleged agreement can also be equally harmful. There is a debate about the differences between clear and implicit collusion and whether the enforcement of competition could be guided by an implied agreement (OECD, 2015). Oligopolies are common in many sectors of the economy (OECD, 2015). In these markets, there are relatively few companies that are interdependent and can influence the market price to some extent. Recognizing this understandable interdependence, profit-making companies in oligopolistic markets tend to take rational behavior and predictable behavior from competitors by setting prices and other competitive variables. When oligopolistic companies interact in the long term, they can maintain competitive prices, undermining consumer welfare and economic efficiency (OECD, 2015). Cartel laws prohibit companies from explicitly restricting competition (OECD, 2015). However, such an agreement may not be necessary for companies to coordinate successfully their behavior. The agreement can be implemented in a variety of ways, from a well-organized structure to a minimum or even to no communication between the parties (OECD, 2015). While there are legal measures to tackle with a clear agreement, however it is being considered whether special measures are needed and how to deal with oligopolistic markets when there is no evidence of competitiveness-reducing action.

In this case, there is a risk that anticompetitive behavior will be invisible and, conversely, too strong action can destroy competitive behavior (OECD, 2015). Cartel laws record a clear fact that companies have concluded an agreement (OECD, 2015). There are also special tools for defining an implied agreement in some situations. However, these tools work in different economic and legal

environments and do not allow to draw general conclusions about their usefulness. The legal term "agreement" or "coordinated actions" is quite broad, at least in substance, and may include parallel conduct (OECD, 2015). In practice, for proof of coordination, requires among other factors, the evidence of links between alleged mergers. Some scientists say that the approach to agreements can be too formal and too dependent on communication. Some jurisdictions recognize the notion of "collective" or "common" concept of dominance. In principle, these provisions could be used to ban group abuse that would help them to keep silently secret results (OECD, 2015).

In some jurisdictions, authorities of competition may, under certain conditions, impose coordination between companies in cases of parallel price increases (OECD, 2015). This presumption of the agreement aims to reduce the burden of proof on the competition authority. This assessment takes into account such things as the characteristics of the goods or services, the impact of the relevant practices, and the frequency and form of contact between companies (OECD, 2015). Alternative methods include legislation for specifically simplified practices, such as disclosure of price information to competitors, or cases of concentrated market structure (OECD, 2015). Discussions reveal that the defense of competition is also important in oligopolistic markets where, for example, regulation can limit the number of competitors or influence their incentives. Market research helps to analyze competition in oligopolistic markets. They can provide useful insights or evidence for further action. In some jurisdictions, public authorities have the power to conduct market research and use the means of rights defence if they have a negative impact on competition. Market research is a useful complementary tool and does not change competition law enforcement (OECD, 2015). Competition authorities conduct market surveys where there are concerns that the market or sector may not function properly for a variety of reasons, including market structure, behavior or information. Market research can be useful for existing oligopolistic markets. One Competition Authority may see the damage if there is a presumption that the companies conduct coordinated behavior.

Merger control provides a potential predictable solution on implied agreements (OECD, 2015). Competition authorities can correct or prohibit mergers that could facilitate market coordination. However, few mergers are contested on the basis of the results of the coordinated impact assessment. Indeed, mergers can lead to coordinated behavior and have a significant impact on prices and consumer welfare (OECD, 2015). Merger control is a priority tool to combat

with implicit coordination in oligopolistic markets. There are several reasons why agencies can give priority to merger control, as this is a key tool focused on the supposed interpretation of a collusive outcome. However, merger control does not solve all competition problems in oligopolies. For example, companies may be implicitly bound by mutual agreements and obligations even in the absence of a merger. On the other hand, not all mergers can be reviewed under the laws of jurisdiction. In addition, coordinated effects, results can be hard to prove (OECD, 2015). The analysis of coordinated impacts in a merger usually involves two stages (OECD, 2015):

an assessment of whether in related markets, where the merger took place, it is useful to coordinate actions;

an assessment of whether the merger would lead to such coordination. Factors used to assess whether the market favors coordination include market concentration, uniformity of products, market transparency and coordination history. These factors may sometimes produce different results and are difficult to weigh. The assessment of the impact of the merger on coordination is based on the same factors. For example, coordination can be easier in a market with fewer businesses. When a merger implies that it will be strongly coordinated, for example due to the emergence of new economic incentives, the merger may increase the likelihood of coordination between companies (OECD, 2015).

Various merger modeling techniques may be used to compare the benefits of collaboration in pre- and post-merger analysis of results (OECD, 2015). These methods enable to measure the extent of potential incentive to collaborate, but do not prove that companies have actually cooperated. It is claimed that models and quantitative evidence used in predicting coordinated effects in mergers are not more complicated than those used for unilateral impact analysis, and are not stricter in terms of data requirements. However, in case of coordinated exposure scenarios, merger modeling may not give any clear indication of price increases expected after the merger (OECD, 2015).

Scientific discussions highlight that quantitative modeling should be used as an additional or separate analysis, as is done in the cases of unilateral effects (OECD, 2015). For example, competition authorities could rely on similar documents created for specific business conditions, indicating that companies are trying to coordinate. Competition authorities can also rely on theories of consistent damage based on solid, but not necessarily complex, models. Limiting the number of negotiators leads to the risk of creating exceptional market power and will decrease natural competition. When the number of

suppliers decreases, because the reduced competition (or agreements) between suppliers, increases the likelihood of price growth. The resulting reduction in competition can reduce suppliers' ability to address customer problems effectively and can reduce innovative and long-term economic efficiency (OECD, 2016).

Many countries have rules that allow competition authorities to fight against abusive price discrimination and strategies that facilitate it (OECD, 2016b). Since market power is an opportunity to raise the price beyond the marginal cost, which can be acquired, strengthened, preserved and used, it is traditionally a type of one side behavior. Abusive price discrimination is behavior where a company or group of companies with significant market power sets prices that maximize its profits (OECD, 2016b). This does not reduce the degree of market power and leads to monopolization. However, there are unacceptable actions (or "distribution strategies") that can help a dominant company not to increase profit, but to change the cost (s) of profit increase. Here, actions are organized according to price discrimination schemes, which allow companies to increase their markups, and at the same time increase market power and thus create a "more powerful monopoly" (OECD, 2016b). What does these strategies cover? They may include measures to prevent arbitrage or group customers, as well as collect and analyze data on individual consumers' willingness to pay for products (OECD, 2016b). These activities may be used by the company to share the market, increase average revenue and market power. If this exploitation (which may or may not be reinforced by the division strategy) occurs in the upstream market, there is a risk that such behavior is distorting competition.

The unilateral conduct of rules in the markets by most jurisdictions is based on the enforcement of the principles of consumer protection. Price discrimination at least in dominant companies can lead to a redistribution of consumer surpluses from consumers to shareholders, which will at least in the short term harm consumers (OECD, 2016b). Dynamic incentives for businesses to increase their profits will not always benefit consumers. There may also be "loopholes" where companies create market power because of anti-competitive mergers or behavior that was implemented through loopholes in rules (OECD, 2016b). While it is likely, that rational consumers will be able to protect themselves against corporate price discrimination. Companies with such market power may be concerned that consumers with bias in their behavior may want to pay more than they want to pay for the product (artificially shifting the demand curve to the outside) and that market power can increase this risk (OECD, 2016b). It can

be assumed that markets can build on and manage self-regulation. In this case, the damage to consumers can take longer than a short time. For example, even if entry barriers are low, the monopolist may still be able to continue to apply the relevant prices as it may take longer for other companies to start up and become competitive. When exploitative price discrimination occurs between buyer intermediaries, there may be a negative impact on consumer supply. For example, end-users of an unfair intermediary will likely pay higher prices if the broker becomes discriminated against at the end-user (even if it is a relatively small part of the final price) (OECD, 2016b).

A certain group of scientist economists say that market exchanges - when choices of people reflect values and companies choose their biggest profits – the limited resources are effectively distributed. Efficiency in this sense requires that individual buyers and sellers will not be able to influence the price, exchange of which is taking place on the market. In addition, markets must exist for all goods. It is argued that if these conditions will be met, markets will be competitive and comprehensive, this will be an efficient allocation of resources (OECD, 2012). These conditions are rarely satisfied. Here are some examples of unsatisfactory conditions (OECD, 2012): Some companies can control the price because there are too few competitors or because the products they sell have brand names that allow the seller to control the price. Companies can also control prices if they work in secret; Information flows may be biased. For example, asymmetric information between buyers and sellers can significantly reduce market transactions; Consumption can sometimes be seen only in terms of the consumer. Others may also have benefits. This may be a case of positive externalities. On the contrary, the company cannot assess its production costs alone, for example, the environmental damage caused by production must also be taken into account. In this case, there is a negative impact on the outside, as the cost to society of producing that particular product is higher than private expenditure. Even if there is no market failure, the functioning of the economy can distribute income in one way or another. This is often due to unequal distribution of wealth and unequal opportunities. Policies aimed at reallocating assets and creating equal opportunities (for example, education, health, etc.) can help to achieve socially acceptable allocation of assets without major distortions of markets and incentives. The above market failure conditions are necessary (but not sufficient) conditions for public action. However, it is important to analyze public actions and effective policy making and their interaction with production and trade (OECD, 2012).

Few areas need to be highlighted when discussing competitiveness policies. First, greater resource allocation efficiency is the prizm, through which we value the consistency of trade, competition and environmental policies. Trade liberalization focuses on perfect markets – to allocate resources to the most productive markets and targeting them for the most efficient use. This happens when countries specialize in producing those goods and services where they have comparable competitive advantages. The main objective of competition policy is to limit operations of companies in the market. The motivation of company that is maximizing profit can create barriers between alternative costs and prices paid by consumers. The purpose of the correct allocation of environmental resources is to ensure that people appropriately value these resources and do not keep free goods. The coherence of trade, environmental and competition policies must therefore be assessed in terms of the contribution to resource allocation and efficiency use.

Secondly, the international dimension of competition and environmental policy is important. For example, in the case of cross-border mergers, conflicts may arise due to differences in competition regulatory frameworks and principles. Evaluation of different merger cases can lead to different results. In order to develop international, global trade, international cooperation between competition authorities is needed.

International cooperation is also needed when the competition problem is global in nature, such as cases of international cartels, where prices are set to affect consumers in national markets. When environmental impacts are global rather than national, international cooperation is the most effective way to manage the problem. International compatibility is also needed to avoid conflicts between different international legal systems, such as multilateral environmental agreements and multilateral trade rules.

Third, the whole is more than the sum of its individual parts. Trade, environmental and competition policies individually promote resource efficiency. But the policy in each individual area is less effective, among other policy measures. The country will not benefit from maximum open trade if domestic law allows non-competitive behavior of domestic companies. There is no strong evidence that a country with the strongest competition rules is relinquishing significant structural and dynamic competitive advantages. While the focus is on optimal policies that complement openness to trade, public action is not a panacea for all disasters. Although in many cases the market power of an enterprise is generally undesirable in the market, it may be the only

possible result in terms of consumer tastes or technological realities. For example, mergers can bring economic benefits through economies of scale and the sharing of know-how, as they can increase the market power of the merged entity. Regulators can regulate and prohibit such compounds. Compliance with regulations also requires the development of appropriate expenditures, including preparing of regulations. Environmental rules need to be monitored and enforced, so it is necessary to spend and use certain resources. When deciding on state intervention for external factors,

the costs of government action must also be considered. While the move towards a more open economy increases competition, the opportunities for domestic and foreign companies to apply anti-competitive practices are not necessarily reduced. Indeed, in some cases, internal competitiveness may even increase. Alternatively, foreign firms may behave in an anti-competitive manner when trying to enter the market. In any case, the development and implementation of an effective competition policy is mandatory. Given the competition concerns that do not fall within the review of the domestic authority alone, more extensive actions are needed. International competition problems increasingly require international solutions. The scope of such decisions, including whether they must be legally binding, is rather broad. Over the last decade, the focus has been on the interaction and relationship between competition and trade policy. There are good reasons for this, especially when both policies are considered to have the same objective of creating and promoting active and competitive markets. Trade policy aims to reduce the tariff and non-tariff barriers imposed by governments. On the other hand, competition policy pursues the ultimate goal of limiting actions between companies and their groups, making obstacles for competition (OECD, 2012).

Traditional market research methods usually analyze the number and size of companies. The larger the number of companies, the more competitive industry is. This approach has changed in the early 1980s and created a more complex understanding of industrial organizations. Instruments borrowed from game theory have been developed to accommodate new insights into corporate behavior. Instead of focusing on the number and size of industry, attention has been focused on their behavior, and in particular on barriers to market entry. In order to understand better barriers to market entry, a monopoly case study begins. If there is only one company in the industry, it limits the output and increases the price of the product to maximize its profits. The big profits of this company encourage other companies to enter the industry. Under the scenario

that they can enter the industry, the current monopolist would be forced to change prices and production behavior. Perhaps it would be reasonable to expect the current monopolist to change its commercial behavior as a matter of priority if the new entrant has strong arguments to enter the industry. The reliability of this signal is highly dependent on the level of barriers - the lower the barriers to market entry, the stronger the opportunity for a new entrant to enter the market. On the contrary, the higher the barriers to entry, the less opportunities (OECD, 2012).

Two barriers to entry can be addressed - regulatory and structural barriers. Regulated barriers are often linked to government policies to restrict or control access to industry. This includes requirements to obtain permits or licenses to participate in a particular market. In some cases, permission may be allowed, but such costs may be excessive. Other examples of regulatory barriers to competition are measures that reduce or prohibit imports, such as tariffs or quantitative restrictions. Not all barriers to entry come from governments. In many cases, the obstacles can also be structural in nature. For example, a particular industry can make the necessary investment in a company. In such a case, the costs incurred can cause a loss when the exit to a new country can be quite difficult, in which case the risk of arrival is quite high. Similarly, there is a high fixed entry cost, which can discourage entry. Other potential structural barriers include economies of scale and network effects. As regarding structural barriers to market entry, there are also cases where structural barriers to market entry are such that only one company in the market can function effectively. Examples of such natural monopolies can be found in industries that require large-scale investment, such as distribution networks, electricity generation, and so on. In these cases, political decisions

cannot facilitate market access, as this will make no sense. Instead, the behavior of natural monopolists must be regulated in such a way as to balance the public interest in obtaining a product on the market, also taking into account the commercial interests of natural monopolists (OECD, 2012). Other barriers to entry may be related to the current operator's reaction to the emergence of a new competitor. Even if the regulatory and structural barriers were minimal, the current company could take advantage of its potential to reduce competition. For example, pricing policies can be both aggressive and malicious (OECD, 2012).

Effective competition policy is an important basis for an efficient economy. So far, there is no unified approach to competition policy. Different countries use

different methods. In some countries, there is wide-ranging legislation on mergers, reviews of merger procedures, dominance assessments of companies or groups of companies and anti-competitive practices, while in others, basic pricing legislation is adopted. Competition policy should be understood in a broad sense and should be seen as covering not only antitrust policy, but also other competition policies that have an impact on market structure, business unit behavior and economic activity (OECD, 2012).

It is sometimes argued that the objectives of competition policy can be achieved, at least in part, in open trade and investment policies. For example, a small open economy can stimulate the development of competition by allowing foreign suppliers to work in their markets. It is likely that an open investment policy will reduce the ability of national industries to manage markets and obtain monopoly prices. The validity of the argument that open trade and investment policies can change competition policy is based on the assumption that external effects will eliminate anti-competitive market structures. This may not always be the case.

Increasing of market openness is not always able to increase competition between companies - in fact, even a reverse situation can occur, and it may occur in some circumstances. So the role of competition policy is very important. Some industries are less competitive than others. Due to the high immediate costs of such industries as electricity or water supply, intervening in such a market is difficult, and the market is unlikely can to create competitive structures with or without foreign participation. In such cases, regulatory action on competition is important (OECD, 2012). When buyers have a choice between different suppliers, both they and the economy as a whole will win (OECD, 2004). Their ability to choose encourages companies to compete with each other. Choosing for buyers is beneficial, and not only for them, competition between companies leads to increased productivity and economic growth. Most importantly, sectors with more competition are experiencing faster productivity growth. The impact of stronger competition in a particular sector may also be felt in other sectors. For example, there may be productivity gains in the service sectors and an increase in the level of employment, and this can spread much more widely across the economy (OECD, 2004). The main reason is that competition encourages more efficient allocation of funds, so more efficient companies can enter the market and gain market share at the expense of less efficient companies. Therefore, regulations or anti-competitive behaviour that impede market access and development can be particularly

damaging to economic growth. Competition also improves the efficiency of productive companies, as competitive companies are better managed (OECD, 2004). Also, competition encourages innovation. Companies face competition and innovate more often than monopolies (OECD, 2004). However, such companies can also obtain a patent monopoly. Moderately competitive markets are the ones that are most innovative, as both the monopoly and highly competitive markets show weaker innovation. However, as competition policy focuses on increasing the competitiveness of insufficiently competitive markets, and the introduction or strengthening of competition in the markets where they are not yet functioning, it still means that competition policy is strongly driven by innovation (OECD, 2004).

The existence of exclusive rights to produce or supply services constitutes a monopoly, which is often referred to as a natural monopoly. Exclusive rights are granted for a long-term period, which should encourage substantial investment in infrastructure, which is unlikely to occur without a guaranteed market. But sometimes exclusive rights are also used in situations where there is no natural monopoly. Exclusive rights are, in many respects, one of the main ways to enter the market. Exclusive rights can give rise to monopoly pricing and other issues related to the use of market power. This cannot be completely avoided by regulatory measures alone, as these measures often reach a very low success rate by preventing the use of power on the market, thereby protecting consumers.

A limited number of supplier markets lead to the risk of creating exceptional market power and less natural competition. As the number of suppliers decreases, the reduced competition (or agreements) between the remaining suppliers increases the likelihood that price will increase. The resulting reduction in competition can reduce suppliers' ability to address customer problems effectively and can reduce innovative and long-term economic efficiency.

Licenses or authorizations shall restrict access to the market. Qualification requirements may include minimum standards of experience / education and may include requirements of good repute. In the field of finance, various aptitude tests are common in the pursuit of official duties within a company or its board. In some cases, a number of licenses may be fixed. License or permit requirements are often stricter than necessary for consumer protection and can unnecessarily reduce consumer opportunities and create artificial flaws that increase prices. Licensing schemes are often based on consumer protection

objectives, and entry barriers often protect local producers from competition. It is important to ensure that license and permit requirements do not complicate the situation more than is necessary and help achieve the desired regulatory objectives.

Two barriers to entry can be identified - regulatory and structural barriers. Regulated barriers are often linked to government policies to restrict or control access to industry. This includes requirements to obtain permits or licenses to participate in a particular market. In some cases, permission may be allowed, but such costs may be excessive. Other examples of regulatory barriers to competition are measures that reduce or prohibit imports, such as tariffs or quantitative restrictions. Not all barriers to entry come from governments. In many cases, the obstacles can also be structural in nature. For example, a particular industry can make the necessary investment in a company. In such a case, the costs incurred can cause a loss when the exit to a new country can be quite difficult, in which case the risk of arrival is quite high. Similarly, there is a high fixed entry cost, which can discourage entry. Other potential structural barriers include economies of scale and network effects. As regards structural barriers to market entry, there are also cases where structural barriers to market entry are such that only one company in the market can function effectively. Examples of such natural monopolies can be found in industries that require large-scale investment, such as distribution networks, electricity generation, and so on. In these cases, political decisions cannot facilitate market access, as this will make no sense. Instead, the behavior of natural monopolists must be regulated in such a way as to balance the public interest in obtaining a product on the market, also taking into account the commercial interests of natural monopolists (OECD, 2012).

An effective competition policy is an important basis for an efficient economy. So far, there is no unified approach to competition policy. Different countries use different methods. In some countries, there are wide-ranging legislation on mergers, reviews of merger procedures, dominance assessments of companies or groups of companies and anti-competitive practices, while in others, basic pricing legislation is adopted. Competition policy should be understood in a broad sense and should be seen as encompassing not only antitrust policy but also other competition policies that have an impact on market structure, business unit behavior and economic activity.

Scientific literature sometimes states that the objectives of competition policy can be achieved, at least in part, in open trade and investment policies. The

validity of the argument that open trade and investment policies can change competition policy relies on the assumption that external effects will eliminate anti-competitive market structures. This may not always be the case. Increasing market openness is not always able to increase competition between companies - in fact, even a reverse situation can occur, and may occur in some circumstances. So the role of competition policy is very important.

14. INTERNATIONAL BUSINESS NEGOTIATIONS IN A REGULATED AND INCOMPLETE INFORMATION MARKET

The economy is booming when markets are relatively competitive because it forces the business to be efficient and innovative. Longer-term effects on the national economy can result from better resource allocation, lower prices, better negotiations competitive position, and higher economic growth and prosperity. Traditionally, when drawing up regulations, governments usually neglect the effect of regulations on competition in the markets. While the effects of negotiations competition in the market cannot override some of the desired socio-economic objectives pursued by the regulations, it is increasingly recognized that reducing the negative effects on competition can generate significant dividends. In recent years, many national governments have taken steps to assess the pros and cons of various rules and regulations in order to minimize economic growth and prosperity (Blume et al., 2018; Borne et al., 2018; Brooks & Lesieutre, 2019; Cimon & Garriott, 2019; Croutzet & Lasserre, 2017; D'Aertrycke, Ehrenmann, & Smeers, 2017; Denis, 2012; Gissey, Dodds, & Radcliffe, 2018; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler, 2017).

While initiatives to improve the effectiveness of regulations are gaining in popularity, there is relatively little guidance on how to assess the impact of various rules and regulations and government intervention on competition. Competition assessment, which focuses on assessing the impact of government policies and rules and restrictions imposed by professional organizations on market outcomes, can make a valuable contribution to improving the efficiency and effectiveness of rules and regulations and, to consumers, to higher economic welfare. Competition policy is the process by which governments try to promote competition and create a proper competitive environment by prohibiting or restricting certain types of business practices and negotiations that unduly restrict competition. In general, the objectives of competition policy

can be considered as promoting competitive markets and innovation affecting prices, prosperity and economic growth.

There is always the pressing question of what activities should be undertaken as public services and which should be left to private companies. Many governments have opened state monopolies to private stakeholders (Maravillo et al., 2019; Motalleb, Annaswamy, & Ghorbani, 2018; Moye-Holz et al., 2019; Murto et al., 2019; Niu et al., 2012; OECD, 2017a, 2017b, 2017c; Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014; Ritter et al., 2019; Willems & De Corte, 2008; Yang, Zhang, & Gao, 2019). It was covered for such industries as railways, highways, water, postal and telecommunications as well as education and health services. The experience of these privatizations has been mixed, and it has often been more difficult than expected to force private firms to behave in the desired way. There are two main difficulties.

First, in many markets dominate several firms, all of which in negotiations influence prices, volumes and quality. Traditional economic theory does not deal with this case, known as oligopoly, but presupposes a single monopoly, or called perfect competition. The second difficulty in negotiations is the lack of information on the costs and quality of the goods and services provided by the regulatory body. This lack of knowledge in negotiations often provides a natural advantage for regulated companies. In all countries, regulations have affected the prices of goods and services in markets such as electricity, cable TV, healthcare, telecommunications, airlines, taxis, rental housing. In the case of natural monopolies, the consequences of unregulated markets lead to undesirably high prices. Historically, this category has included industries such as electricity, telecommunications, natural gas, postal services and, inter alia, various forms of government price regulation to protect consumers from unreasonably high prices.

While governments may regulate prices to protect consumers, the negative side is that companies facing lower prices in negotiations than they would like to do may degrade the quality of service provided. Product diversity can also be reduced because existing companies may have little incentive to offer additional diversity through price control. In some countries, markets such as airlines, telecommunications, among other things, have seen changes in quality and variety as price rules have been softened. In addition, market entry may be reduced due to reduced profit incentives in markets where price regulation exists. In general, the literature shows that while governments may pursue

legitimate social and economic objectives to control prices in certain markets, these controls can have a wide range of detrimental effects over time (Brooks & Lesieutre, 2019; Cimon & Garriott, 2019; Croutzet & Lasserre, 2017).

When policy makers decide to intervene in the market, there are reasons to focus on "asymmetrically paternalistic" options that promote competition rather than imposing it, for example, price regulation. These tools can have significant benefits for consumers who make mistakes. Possible alternatives:

- providing user-friendly sources of comparative information (e.g. websites comparing average prices of mobile phone users from various existing offerings; food labeling requirements; labeling of in-store goods; requiring breakdown of estimates and invoices);

- standards for providing information to consumers (such as the general rule for calculating the annual percentage rate of charge) to improve the comparability of financing offers;

- postponement periods (a week to review the terms of a home loan; buying a car; surrendering consumer rights or door-to-door sales) that allow to save for users a time for getting more information and consideration;

- disclosure requirements (for example, require mortgage lenders to provide an annual percentage rate and monthly payment).

It is not easy to improve information accessible to users. Users may suffer from information overload. Complex contracts written in a specific legal language can help to reduce the cost of resolving potential contractual disputes, but the language of such contracts and their disclosure can't help for ordinary users to make decisions. Sometimes providing the right information that can help negotiatiors agree on better deals can actually confuse their assessment of the attractiveness of different alternatives. It is difficult to ensure that users get the information they need in a timely manner, but improving the information available to users can bring great benefits to consumer welfare and potentially save huge sums.

Some rules, regulations, and mechanisms that allow negotiators to exchange information and collaborate on specific activities can create an environment that reduces incentives for business to compete . Of particular concern is that these circumstances may lead to cartel-like behavior, leading to higher prices, lost output and reduced diversity. These circumstances are very different from those related to the number and range of suppliers or business opportunities to compete. In addition, there are specific business practices that can be followed by firms from previously regulated industries, such as

electricity, telecommunications and natural gas, which create barriers for negotiators to competition and reduce incentives to compete. Incentives to compete may be reduced in those cases when (Maravillo et al., 2019; Motalleb et al., 2018; Moye-Holz et al., 2019):

- creating self-regulatory or co-regulatory regimes;
- require or encourage publication of information; on suppliers' production, prices, sales or costs;
- national competition laws do not apply to the activities of a particular industry or group of suppliers;
- customer mobility between suppliers of goods or services is reduced by increasing explicit or implicit costs of switching suppliers.

It is of particular concern expenses experienced by dominant market players previously regulated. Many information exchange mechanisms and business collaboration are allowed, because they can help facilitate innovation and establish uniform technical codes, standards, and business practices. Companies and industries in many countries have been given a partial or total exemption from competition law to encourage their growth and increase exports. In some cases, economic and social objectives are justified, in other cases they may be wrong.

Self-regulation has a number of potential benefits (Blume et al., 2018; Borne et al., 2018; Brooks & Lesieutre, 2019; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019):

- It provides an opportunity for more regulatory cooperation. Regulatory credibility may increase resulting from inclusion and endorsement of the respected industry association as an active participant in the regulatory system. These effects in turn can improve the level of compliance;
- Involves industry and other stakeholders in the regulatory process and enables the use of inexpensive resources or completely free, involving these countries in supervisory monitoring and, in some cases, enforcement activities.
- Participants in negotiations with specific knowledge are drawn to the design of the regulatory system, believing that it should be well adapted to its purpose and minimize formal regulation.

Specific areas where self-regulation exists are:
- Product features, including quality and safety;
- Design Compatibility;
- Coordination of technical standards;
- Ethical standards of practice;

- Pollution control.

The fact that a formal regulatory process is avoided implies that self-regulation in its form and method is potentially more flexible than government regulation, and over time it is easier to change it according problems encountered.

By limiting the number of suppliers there is a risk of creating market power and reducing competition in the negotiations (Willems & De Corte, 2008; Yang et al., 2019). The market power of suppliers is an opportunity to increase the price profitably, reduce quality, or reduce innovation compared to levels that would prevail in a competitive market. With the decrease in the number of suppliers there is a risk of a reduction in competition (or collusion) between the remaining suppliers and can increase the ability of individual suppliers to raise prices. Reduced competition may reduce incentives to meet consumer needs effectively and may lead to lower innovation and long-term economic efficiency. Although politicians may have good reasons to limit the number or diversity of suppliers therefore the benefits of entry restriction must be carefully balanced with the fact that easy entry by new suppliers may prevent existing suppliers from exercising market power or by collusion.

Granting an exclusive right to produce a particular good or to provide a service implies the creation of a private monopoly. Historically, exclusive rights have often been granted under "natural monopoly". A monopoly exists when a good or service can reasonably be obtained from only one supplier. In a "natural monopoly", one supplier can produce the desired output more efficiently and at a lower cost than two or more suppliers.

Exclusive rights, especially if granted over long periods of time, have often been seen as a means of stimulating large investments in infrastructure, which cannot happen without a guaranteed market incentive. However, sometimes exclusive rights are used in situations where they are not subject to the justification of a natural monopoly (Borne et al., 2018; Brooks & Lesieutre, 2019; Cimon & Garriott, 2019; Croutzet & Lasserre, 2017; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019).

Exclusive rights are the greatest obstacle to market access and may lead to monopoly pricing and other problems related to the exercise of market power. Regulation does not always prevent these outcomes, as regulators are often unable to limit market power and protect consumers. Therefore, such rights should be limited and determined only after careful consideration of the taxable prices, the duration of the rights and the alternatives to achieve the same purposes.

In the absence of alternatives, regulators may consider auctioning of exclusive rights. In most cases, the division of exclusive rights between two or three parties can preserve the dynamics of competition to some degree in order to achieve the desired benefit. Entry is restricted by licenses or permits required for the activities. Qualification requirements may take the form of minimum standards for formal education and/or experience and may include requirements of a positive nature. In the financial field, for example, so-called aptitude tests are often required before taking up official positions at company and board level. In other industries, potential market participants sometimes have to perform a "public interest" test to show the "need" to provide additional services and, where appropriate, indicate that their arrival will not adversely affect the existing business (Moye-Holz et al., 2019; Murto et al., 2019; Niu et al., 2012; OECD, 2017a, 2017b, 2017c; Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019).

In special cases can be fixed the number of license holders. License or permit requirements are often stricter than is needed for consumer protection and can unnecessarily reduce consumer choice or create artificial scarcity that raises prices. While licensing systems often have legitimate consumer protection objectives, such barriers often protect existing manufacturers from competition. Care must be taken to ensure that the requirements for licenses and permits do not become more burdensome than is necessary to achieve the desired regulatory objectives. Product quality standards ensuring consumer safety should not go beyond what is necessary. Similarly, restrictions on the size of suppliers should not be set at levels that have significant anti-competitive effects or inefficiencies. Similarly, when considering compulsory insurance, performance guarantees and similar requirements should be taken account of the nature and extent of the damage to the consumer, which may result from improper practices or failure of the service provider (Phillips & Menkhaus, 2010).

In order to protect consumers from any possible harm, they must be able to accept reasonable decisions when choosing a service provider. There should be foreseen alternative methods to improve consumer knowledge. Rules that increase entry or exit costs will deter potential entrants, thereby reducing the number of entrants over time. Examples of this type of regulation include: stringent product testing requirements, unnecessarily high educational or technical qualifications to be followed.

Governments sometimes seek to minimize the negative effects of such provisions on competition by providing for targeted exemptions. For example, small car manufacturers are often exempt from or subject to vehicle testing regulations less burdensome test protocols. Alternatives such as providing additional information or considering product disclosure requirements could be used to better inform consumers before they make a choice. In some cases, regulation may be required, even if it could increase the entry price. The focus should be on minimizing the anti-competitive potential by ensuring that requirements are in place to ensure the necessary consumer protection at the minimum required level (OECD, 2017a, 2017b, 2017c; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019).

Legislation sometimes limits the flow of goods, services, capital and / or labor across jurisdictions, often as a tool of regional policy. However, such restrictions artificially reduce the geographical scope of competition in the provision of goods or services. This can reduce the number of suppliers and allow suppliers to exploit market power and increase prices. Possible limitations should be assessed on the following issues:

- Is there a clear link between the constraints and the achievement of specific policy objectives?
- Are restrictions necessary to achieve the goal?
- Does reasonable analysis indicate that the policy objective will be achieved through restraint measures?
- Are the restrictions limited to a defined period of time through explicit regulatory provisions?

There is a serious risk that "temporary" protection will become a near-permanent agreement, as a result of particular lobbying by suppliers, who will benefit from restrictions. Regulation can affect a supplier's ability to compete in a variety of ways, including: restrictions on advertising and marketing; standard measurement of product or service quality; control of prices of goods and services. These limits may reduce the intensity and dimensions of competition, lead to higher prices for consumers and lower product diversity. Governments often regulate prices in traditionally monopolistic sectors such as utilities services (OECD, 2017a, 2017b, 2017c; Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019). These types of price controls are probably beneficial to consumers and serve as a counterweight to the lack of consumer alternatives.

However, price control is sometimes applied when there are many potential suppliers for the same customer. When minimum prices are set for low-cost suppliers that provide better value to consumers then it prevents them from winning market share. Similarly, setting maximum prices can significantly reduce incentives for suppliers to innovate with new and / or high quality products, and allow suppliers to effectively align their prices at maximum prices.

Minimum price regulation is sometimes a response to extreme price competition. In such cases, minimum price regulation is generally seen as a means of protecting small suppliers from "unfair" competition. The impact of such price regulation is well worth considering, as it is likely to be the result of higher prices for consumers or unmet demand. Maximum prices are set often as a necessary consequence of market entry restrictions. The alternative is allowing more free access to the market. Price regulation is rarely the most effective or efficient means of achieving the intended objectives. For example, in the taxi market, the removal of supply restrictions by introducing roadside surveillance services is a better measure for consumer protection. As far as predatory pricing is concerned, general competition law is likely to be a better alternative. So regulation offering price control should be particularly strict checked (Lee et al., 2018; Lohmann & Trischler, 2017; Maravillo et al., 2019; Motalleb et al., 2018; Moye-Holz et al., 2019).

It is important to recognize the different types of new entrants in order to understand their impact on market entry. There are three broad types of entry players. New enterprise involved in the construction of a new plant (production facility) in the manufacturing sector or similar in the services sector. For example, a new machine tool company started entrepreneurs with no prior business experience. Information technology revolution and the influx of biotechnology and nano-technology has realized that many firms are entering these industries and have no prior business experience in these or other industries. New graduate legal practice would also fall into this category.

Diversification of the business through changes in the variety of products they produce in existing factories. For example, a car company that has historically produced mid-size and large cars produces small fuel efficient cars in the same flexible manufacturing plant. Steel company producing machined steel and alloy steel diversifies the production of steel bearings and gears. A software company that focused on network security software is diversifying into online games.

Overall, previous business experience allows entrepreneurs to learn from past experience, knowledge of markets, and regulatory barriers (D'Aertrycke et al., 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018).

In general, previous business experience allows entrepreneurs to learn from previous experience, knowledge about markets and regulatory barriers. Failure (or departure) rates are usually quite high and:

- generally, more than 60% of those entering one group fail and leave the industry within five years;

- type 1 market participant (new company with new plant) exit rates are 7–8 times higher than type 2 participants (diversifying company with new company).

If success in the market negotiations is risky, in any case, new entrants incur high exit costs, acting as an additional entry barrier and discouraging entry.

Market access is restricted by various rules and regulations set by governments and professional organizations. Regulations can take very clear forms, such as total entry restrictions, but they can also be indirect. Explicit restrictions are direct and have the greatest negative impact on competition. Many countries have rules regarding the number of retail stores that may be allowed in a particular geographic area or for a certain number of people living in an area.

There are implied restrictions which indirectly restricts the entrance to the market. For example:- unregulated telecommunications markets to facilitate competition rules would be needed to force the market to share its network with new entrants. In addition, participants cannot provide (decent) services (online, over the phone) and compete. Similar problems arise in electricity markets where necessary to enter the market to the incumbent's transmission network in order to have significant competition. However, the non-sharing obligation does not necessarily mean that the incumbent will not allow access to its network, but it will nevertheless do so for the entrant/potential competitor becomes a more uncertain business outlook (Yang et al., 2019):

- quality standards and certification rules, including those adopted by professional organizations such as legal, accounting, or medical, can impose severe entry barriers.

- large administrative and bureaucratic obstacles can delay entry or hinder entry. While in many cases the initial justification for rules and regulations in the public interest was well founded, it is important to keep in mind that they may adversely affect consumer welfare and slow down the long-term growth and development of markets. The market access restrictions should be avoided, in

particular those related to the regulation of the market structure.

However, regulations such as those based on land use regulations under certain circumstances, may be considered reasonable. In the case of a natural monopoly and, for example, in the context of universal service, exclusive rights should not be part of the agreement. If they will be included to the agreement, they should be reviewed and amended because of changes in circumstances and market conditions. In such circumstances, when countries apply entry restrictions based on stability considerations, such as financial markets and banking, what should be done should be clear and transparent, and the principle of minimum restrictions should apply. In view of the potentially significant adverse effects, any rules or regulations that result in explicit or implicit scrutiny must be carefully considered by regulators entrance restrictions.

Governments give business exclusive rights to ideas, production of goods, purchase of goods and provision of services in many areas. For example:

- in solid waste disposal markets a common waste collection mechanism for local markets has been provided by a private company, which has exclusive rights to collect waste;

- in the past, for example, electricity, natural gas, telecommunications, water, postal services and railways have been granted a legal monopoly or exclusive rights to provide services;

- in various markets and countries, local, regional or national government agencies may sign contracts that grant exclusive rights to private companies to supply specific goods and services. This can occur through defense contracts, supply of raw materials. There are many reasons for granting or extending exclusive rights. In some industries, one of the reasons for granting legitimate monopolies (or exclusive rights) is the economies of scale that result from high overheads. Over time, as markets and technology evolved, many countries deregulated, privatized national companies and allowed them to compete (Blume et al., 2018; Borne et al., 2018).

In addition, more sophisticated regulatory approaches have allowed the identification of industry-specific elements, which are subject to natural monopoly, and distinguished them from other potentially competitive elements (both upstream and downstream). Recipients of exclusive rights to the production of goods and services are gaining significant market power. In the case of natural monopolies the problem has been alleviated according to price or rate of return in the utilities industry.

There are clear justifications for granting patents, but one topic that has

caused much debate and concern is the "extension" of patents. For example, pharmaceutical companies have aggressively tried to extend patents. Extending patent protection periods may have significant disadvantages:

- it extends the period during which consumers will pay higher prices;
- patent owners can aggressively fight for extension of potential market participants, such as generic companies, incur high costs (such as litigation costs) and can significantly reduce the likelihood of future market entry. The long-term negative effects on competition can be significant.

Although the granting of legal monopolies had a sound rationale, the regulatory impact literature shows that there were significant shortcomings in terms of lack of innovation, inefficiencies in production and introduction of newer technologies, which were detrimental to the long-term growth of these industries. In other cases where governments grant exclusive rights, the pros and cons. are unequal and are best evaluated on a case-by-case basis. In the solid waste disposal example above governments are increasingly aware that they can allow competition in these markets and have a positive impact (Lohmann & Trischler, 2017; Maravillo et al., 2019).

In many cases exclusive rights, granted by the government, can be removed together with close observation of these markets. The evidence is growing that granting or extending exclusive rights in certain areas does not necessarily improve welfare. For example, given the growing popularity of generic drugs patent extensions need to be examined very carefully. There are, of course, cases where there should be granted extensions, such as when protracted regulatory enactments continue approval process which greatly shortens the term of the patent. In some cases, patent owners may aggressively raise prices and charge high costs for generic manufacturers. Some incumbents have deep pockets and may engage in long litigation, and competitors may not always have the ability to do so. In such cases, the extension of the patent may prevent consumers from purchasing cheaper generic medicines and impair their well-being. In several other areas, such as waste collection, several experiments leading to more competition in the markets show a marked increase in the quality and cost of the services provided. Generally speaking, the granting or extension of exclusive rights must be carefully considered as it may significantly reduce competition (Lee et al., 2018; Lohmann & Trischler, 2017). Historically, tolls have been applied to the movement of goods across different regions and states. Although over time many of these restrictions have been abolished, there are still cases where they persist. The arguments for

establishing such rules are mixed and includes:

- protection of state or regional companies from competition;

- charges have been levied on the weight of the goods and the size of trucks from other regions and states that could move through that region or state, since the roads in the region or state are usually the responsibility of the local government;

- consumer protection, for example, through the adoption of laws prohibiting the sale of non-state/regional alcohol in a particular state or to transport alcohol through or to that state.

Legislation restricting the geographical flow of goods can take very clear forms, such as a direct ban on the purchase of goods and services from outside the country or region (Willems & De Corte, 2008; Yang et al., 2019). It is important to recognize the free movement of goods, services and capital through the regions of the country, is essential for consumers to take advantage of the competition and for businesses to access wider markets to sell and grow. These advantages can be lost if the regions or states of the countries will legalize flows of goods and services. This means that proposed rules and regulations that restrict the flow of goods and services should be carefully checked and assessed their expected benefits, costs and impact on competition. Usually such restrictions should be removed.

Governments and professional organizations can establish rules and regulations for which sometimes may decrease competition in the negotiations between companies in the market, prices may rise and decrease variety and quality of goods and services.

It is not simple to improve information accessible to users. Negotiators may suffer from information overload. Complex contracts written in a specific legal language can help reduce the cost of resolving potential contractual disputes, but the language of such contracts and their disclosure cannot help ordinary users to make decisions. Sometimes providing the right information which could help negotiatiors agreeing on better deals may actually confuse their assessment of the attractiveness of different alternatives. It is difficult to ensure that consumers receive the information they need in a timely manner, but improving the content of the information available to consumers can bring significant benefits to consumers' wellbeing and potentially save significant amounts.

Some rules, regulations, and mechanisms that allow companies to exchange information and collaborate on specific activities can create an environment that

reduces incentives for business to compete. Of particular concern is that these circumstances may lead to cartel-like behavior, leading to higher prices, lost output and reduced diversity. These circumstances are very different from those related to the number and range of suppliers or business opportunities to compete. Of particular concern is the expenditures experienced by dominant market players, which were previously regulated.

Many information exchange mechanisms and negotiators collaboration are allowed, because they can help facilitate innovation and establish uniform technical codes, standards, and business practices. For companies and industries in many countries a partial or total exemption has been (is) granted from competition laws to encourage their growth and increase exports. In some cases, economic and social objectives can be justified, in other cases they may be wrong. The fact that a formal regulatory process is avoided means that self-regulation in its form and method is potentially more flexible, than governmental regulation, and that it is easier to change over time as problems arise.

The exclusive rights in many aspects are major barrier for the negotiatiors to entry and can lead to monopoly pricing and other problems related to the exercise of market power. Regulation does not always prevent these outcomes, as regulators are often unable to limit market power and protect consumers. Therefore, such rights should be limited and determined only after careful consideration of the taxable prices, the duration of the rights and the alternatives to achieve the same goals. In the absence of alternatives, regulators may consider auctioning exclusive rights. In many cases, the division of exclusive rights between two or three parties can preserve the dynamics of competition to some degree in order to achieve desired benefits. The entry to the market is restricted by licenses or permits required for the activities.

Qualification requirements may take the form of minimum standards for formal education and / or experience and may include requirements of a positive nature regulation of minimum prices is sometimes a response to extreme price competition in the negotiations. In such cases, minimum price regulation is generally seen as a means of protecting small suppliers from "unfair" competition. The effect of such price regulation needs to be carefully evaluated, as higher prices to consumers or unmet demand are likely to result. Maximum prices are often set as a necessary consequence of entry restrictions. The alternative is to let more freely to enter the market. Price regulation is rarely the most effective or efficient means of achieving the intended objectives.

Legislation restricting the geographical flow of goods can take very clear forms, such as a direct ban on the purchase of goods and services from within a country or region. It is important to recognize that the free movement of goods, services and capital across regions of the country is crucial for consumers to reap the benefits of competition and for businesses to gain access to wider markets to sell and grow. These advantages can be lost if the regions or states of the countries will legitimize flows of goods and services. This means that the proposed rules and regulations restricting the flow of goods and services should be closely scrutinized and assessed their expected benefits, costs and impact on competition.

15. COMPETITION ASSESSMENT IN BUSINESS NEGOTIATIONS UNDER DISTORTING MARKET CONDITIONS

The activities of national competition authorities include, for example, attempts by entrepreneurs and professional organizations to identify barriers of entry to markets, increase costs for corporate competitors and coordinate (as opposed to competition) the competitors' pricing and production strategies. Because of reduced competition some kind of business is out of control, so this can lead to higher prices for consumers, loss of product variety and quality, loss of innovation, and loss of business bargaining power. The knowledge of the concepts and fundamentals of competition are useful for a broader understanding of the impact of regulations or government policy interventions. If we look at the history of rules and regulations adopted by governments and restrictions imposed by professional organizations, they often restrict access to markets and create various distortions that lead to inefficient market outcomes.
The rules and regulations are designed to meet a variety of socio-economic objectives pursued by governments and can:
- identify barriers to competition, such as restrictions on access or flow of goods and services within regions;
- facilitate price and production coordination between competitors.
- higher costs for participants and small businesses compared to incumbents or larger companies,
- protects companies partially or completely from national competition laws.
    One type of business conduct that is most harmful to competition is the formation of cartels (Niu, Dong, & Chen, 2012; OECD, 2017a, 2017b, 2017c;

Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014; Ritter et al., 2019; Willems & De Corte, 2008; Yang, Zhang, & Gao, 2019).

Because of cartels, of covert or concerted conduct are rising prices, declining quantities of goods, potentially less their variety and innovations, there is an obvious loss of well-being, also limits the bargaining power of negotiating parties. Today collusion is illegal in most countries. For example, in some industries, companies are working together to set standards and compatibility rules, also by conducting research and development (R&D). For some professions and manufacturers of goods and services historically, the opportunity has been afforded to engage in self-regulation (or co-regulation) in areas such as product properties, including quality and safety, coordination of technical standards, ethical standards of professional practice, and pollution control. Of course, giving priority to certain types of cooperation can bring significant benefits as it can lead to more efficient market outcomes and reduce the need for more formal regulation.

Occasionally, due to legislation, some suppliers increase their prices compared to their competitors in the negotiations. One source of cost asymmetry is due to the rule that unnecessarily requires the use of one production technology over another. Another source is the "propogation of old players", which exempts incumbent suppliers from the regulation but applies to new entrants. The source is and grants or preferential financing to state-owned or preferred companies. Such agreements have great potential to distort bargaining competitive relationships in the industry having a greater impact on the costs of some suppliers than others (Maravillo et al., 2019; Motalleb, Annaswamy, & Ghorbani, 2018; Moye-Holz, van Dijk, Reijneveld, & Hogerzeil, 2019; Murto et al., 2019; Niu et al., 2012; OECD, 2017a, 2017b, 2017c; Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019). This can create inefficiencies, hamper market entry, reduce corporate-led innovation and reduce the intensity of competitive bargaining in the market, affecting the balance of bargaining power. Although creating cost differences can be detrimental, this does not mean that in regulations should always be pursued equal supplier prices.

A regulation requiring registration of certain professional experience may include derogations from the old participants allowing those, with extensive professional experience to register, even if they have no training or qualifications, which are needed to register in new applications. When it comes

to productive technology, these reservations are often enforced to ensure that would be enough time for previous investments to amortize hidden costs. The anti-competitive effects of grandparent clauses can be mitigated by ensuring that they would be limited in time, not permanent. Duration of the exception should in particular be strictly proportionate to the reservation, which it seeks to justify. Overall, though should be taken a skeptical approach to arguments due to the need for grandparents' clauses, as they often reflect attempts to protect interests from potential competition.

Subsidies can be useful in many cases, but when they fundamentally change the competitive conditions of the negotiations by favoring inefficient companies, they can push business towards less efficient providers. Alternatives to subsidies may include restructuring in order to eliminate uneconomic activities and make business more productive, although special subsidies may sometimes be needed to support such a transformation. In some jurisdictions, subsidies are limited to ensure that they are not constant, that they are indeed aimed at improving the performance of promising firms and eliminating market failures and that their negative impact on competition in the negotiations remains limited. Regulations can influence the behavior of suppliers not only by changing their ability to compete in the negotiations, but also by changing the incentive to act as vigorous competitors. The main reasons why suppliers may be less competitive in negotiations are due to regulations that may facilitate coordination between themselves or reduce customer willingness, ability or incentive to switch to different suppliers (Cogley et al., 2018; Borne et al., 2018; Brooks & Lesieutre, 2019; Cimon & Garriott, 2019; Croutzet & Lasserre, 2017; D'Aertrycke, Ehrenmann, & Smeers, 2017). Other reasons include profit or market share thresholds that limit potential returns on competition. Cartel behavior can occur more easily in self-regulation or co-regulation mode increasing the output and price information of some suppliers or eliminating the industry or branch from the competition law. A cartel exists when competitors agree to restrict competition in negotiations, for example by fixing prices, restricting supply, sharing profits or competing, thereby increasing their overall profits. Cartels are harmful because they limit output and raise prices, harming the consumers. The risk of cartel activities must be balanced with the potential benefits of self-regulation as faster certification of new technologies. When an industry or professional association assumes full responsibility for regulating the behavior of its members without government backing (often requiring the government), the term "self-regulation" is used. However, when the government

provides legislative rules that are at least partially created by industry / professional associations, the term "common regulation" is used. Self-regulation and common regulation structures can bring significant benefits by ensuring that technical standards are appropriate and that standards are improving along with technology. However, these structures may have significant anti-competitive effects (D'Aertrycke et al., 2017; Denis, 2012; Gissey, Dodds, & Radcliffe, 2018; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler, 2017). In particular, industrial and professional associations often adopt rules that reduce incentives or opportunities for active competition between suppliers of goods or services, such as advertising restrictions and rules that prevent discounts. By the way, requirements which are unreasonably strict for qualification, can reduce entry to the market. Governments should keep up powers to prevent associations of industry/professionals attempts to exercise regulatory powers in an anti-competitive way. This may include either by ensuring that self-regulation or common regulation, of course continues to be subject to competition law enforcement or that the relevant governmental authorities are entitled to approve or refuse the association's rules and, if necessary, change its rules if the association continues to propose unacceptable rules. Regulations requiring market participants to publish information on their prices or output levels can make a significant contribution to the formation of cartels, since the basic requirement for the functioning of a cartel is that participants can effectively monitor their competitors (or other conspirator's) market behavior.

Cartels and implicit coordination are more likely when (Cimon & Garriott, 2019; Croutzet & Lasserre, 2017; D'Aertrycke et al., 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler, 2017): there are fewer players in the market; entry barriers are high; supplier products are relatively homogeneous; and information is available before or shortly after the change occurs in prices or output. May be accepted regulations requiring the publication of information such as price and output levels to improve consumer information and sometimes it can improve the efficiency of markets. However, as the cartel develops, such requirements are likely to have a more negative effect. There are other options where it is not necessary to publish all the data collected.

When information is primarily collected for government policy making, it may not be necessary to publish it. When the goal is to help users or provide general statistics, the general statistics supports cartels less than company-specific statistics, and historical statistics are less supportive than current

information. General corporate statistics discourage cartel members from identifying suppliers infringing the cartel agreement, meanwhile company-specific statistics can clearly identify the company, which departed from the cartel agreement because of price or quantity. As cartels have to share the newest information to distribute output and set target prices, historical statistics and information are less useful to them (Niu et al., 2012; OECD, 2017a, 2017b, 2017c; Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019).

In many countries, specific suppliers or sectors of the economy enjoy exceptions to general competition law, but some sectors are subject to sector-specific competition laws (Borne et al., 2018; Brooks & Lesieutre, 2019; Cimon & Garriott, 2019; Croutzet & Lasserre 2017; D'Aertrycke et al., 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler, 2017).

In other cases, there is no restriction on anti-competitive behavior. If there is the essential exception from the general application of competition law there are obvious risks of cartel abusive prices and anti-competitive mergers.

A merger is a combination of two (or more) previously independent firms in order to be formed one larger company. When it is concrete basis for further application exception should be considered how to minimize its impact. For example, a statutory monopoly requiring all manufacturers to sell certain goods for a licensed wholesaler may be more restrictive than allowing manufacturers to sell by agreement.

Legislation may make consumers more or less willing to switch suppliers, affecting the "switching costs" – the explicit and implicit costs for a consumer switching from one supplier to another (Brooks & Lesieutre, 2019; Cimon & Garriott, 2019; Croutzet & Lasserre, 2017). Replacement costs can occur for a variety of reasons, including lengthy contract terms or tying assets with suppliers in a way that is inconvenient, for example, by associating a phone number with a particular service provider. When consumers have high switching costs, suppliers may charge higher prices for their goods or services and will sometimes promote policies that aim to ensure high replacement costs. Enhancing competition in negotiations, reduction or elimination of replacement costs can be large, so policymakers should avoid policies that increase the cost of replacement for consumers. Where there is a clear risk that replacement costs will be determined, provisions should be included in the regulatory framework to restrict or prohibit their use.

It should be properly taken into account the legitimate consumer replacement costs. Even if the supplier incurs significant costs due to the switching process, provided that the pro-competitive effects of the cost reduction or elimination are significant, the regulatory authority may want to prevent suppliers clearly to recover these costs from consumers. Business competition before a buyer makes a purchase decision can help reduce the negative impact of replacement costs.

An important reason for market reforms is that governments clearly understand the benefits of competition. In many unregulated industries such as telecommunications, electricity and airlines, one of the alleged competitive advantages was overcapacity, resulting from regulation, which would ultimately lead to a reduction in efficiency, which would increase production efficiency and reduce prices for consumers. Cogley et al. (2018) emphasizes that as many industries are privatized or liberalized worldwide, governments clearly understand the competitive advantages.

Business competition can help improve manufacturing efficiency and provide consumers with newer and better products through innovations, which can boost economic growth and consumer welfare (Croutzet & Lasserre, 2017; D'Aertrycke et al., 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018; Lee et al., 2018; Niu et al., 2012; OECD, 2017a, 2017b, 2017c). In general, competition between suppliers usually results in lower prices and greater choice. To understand how these benefits directly benefit consumers, there are some examples which illustrate the overall benefits of competition without necessarily focusing on regulatory constraints. Customers benefit by being able to choose between different providers, and so does the economy as a whole. Their options to choose are forcing firms to compete with each other. Customer choice is a good thing, but competition between firms also leads to increased productivity and economic growth. It may be difficult to measure the direct impact of, for example, competition law on economic growth. However, there is strong evidence that supports each of the links below.

Most importantly, it is clear that industries are growing faster with more competition (Maravillo et al., 2019; Motalleb et al., 2018; Moye-Holz et al., 2019; Murto et al., 2019; Niu et al., 2012; OECD, 2017a, 2017b, 2017c). This has been confirmed by various empirical studies of industry and even of companies. This discovery not only concerns the Western economy, but also comes from research in Japan and South Korea, as well as from developing countries. The effects of increased competition often affect sectors, which are

adjacent to those in fierce competition. First of all, strong competition in supplier sectors can "increase" productivity and employment in the consumer sectors and through the economy more broadly. This is largely due to competition that improves distribution efficiency by allowing more efficient firms to enter the market and gain market share at the expense of less efficient firms. Therefore, the laws or anti-competitive behavior preventing entry to the market and expansion may be particularly harmful for economic growth. Competition also improves firms' productivity, as companies facing competition appear to be better managed. It is even, can be applicable in sectors with important social and economic outcomes: for example, there is increasing evidence that competition in healthcare can improve quality results. There is also evidence that intervention to promote competition will increase innovation; firms facing competition innovate more than monopolies. The connection is not straightforward: it may be that on average, competitive markets have the most innovation, weaker innovation are showcasing both monopolies and highly competitive markets. However, since competition policy focuses on the introduction or enhancement of competition in poorly functioning markets rather than on moderately competitive markets, which would become hypercompetitive, it still means that most competition policies are designed to encourage innovation. Productivity increases due to more competitive markets. Because of increased competition in the market, the enforcement of competition law and the removal of barriers of competition, will result in faster economic growth (D'Aertrycke et al. 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler 2017). The evidence base for deregulation of the product market is still stronger, with many deregulation cases leading to comparisons between industries and countries over time. In addition, regulatory policies specifically designed to foster competition – especially in online activities – have increased productivity. Of course, there are other policy goals besides GDP growth, and the OECD has measured and considered these goals more rigorously, when policy is formulated (OECD, 2017a, 2017b, 2017c).

The effects of competition on inequality have been less studied and are often thought to be malicious because competition creates winners and losers. However, the restrictions of competition are damaging the majority of society and profits usually go to the minority. Because of restrictions on competition, increased prices or lower quality and choice, quite often the poorest part of society are the most vulnerable.

Similarly, when concerns arise due to loss of employment, due to increased productivity, it should be noted that redundancy on competition, often are and other forms of technical progress (D'Aertrycke et al. 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler, 2017). In addition, it has been shown that restrictions of competition reduce output and employment and it is, therefore, essential to ensure investment in new and alternative forms of productive employment.

Increased competition and the opening up of markets to competition through a careful assessment of new or existing laws and regulations will contribute to economic growth, increased productivity and greater overall prosperity (Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019). As we have seen, competition assessment is the process of evaluating government laws, regulations, and / or laws to (1) identify those who can unnecessarily obstructing competition and (2) redesigning the rules to avoid undue distortions of competition. In order to be effective to adapt this process to government operations and institutions, the following five issues need to be considered:

- Which policies deserve to be assessed for competition?
- When should competition assessment be carried out in the policy-making process?
- Who should be responsible for drafting and reviewing the competition assessment project?
- How can politicians who do not take responsibility for the quality of regulation or competition have incentives to make the right assessment?
- What resources do you need to evaluate competition?

It will further become clear that there is no simple formula for the institutional implementation of competition assessment. Depending on the differences, the expected solutions will vary substantially between jurisdictions, such as whether a federal system exists, staff strengths, and the political environment (Willems & De Corte, 2008; Yang et al., 2019). Although the toolkit builds on existing experience in identifying feasible opportunities, they should not be considered exhaustive. As can be seen in OECD report (2017a), the toolkit was considered very beneficial while performing very different reviews – impact assessment integrated into regulatory impact assessment, optional assessment that may be beneficial to competition, as well as market and sector studies. The depth of competition assessment should be proportionate to the potential negative effects of the policy on competition. The competition

checklist allows quickly to check policies, identify those potential factors that unduly influence competition for further evaluation. Mostly separate laws or other legislation does not have this potential and therefore does not require a comprehensive competition assessment. Competition assessment may be carried out in the context of the assessment of laws and regulations in the implementation of policies and rules and regulations. Some governments and independent public bodies (such as national competition authorities, audit courts, etc.) have decided to review subsidies or for state-owned enterprises granted preferential approach to competition. Not all jurisdictions value their own laws from the competition point of view, but it was those who were most successful in terms of competition.

Some governments have begun to look at competition by evaluating new and existing policies. This is the most effective way to improve substantially competitive environment, but this requires a great deal of political will. Other governments have implemented a competition assessment form, focused solely on new policies.

Assessing competition at national, regional and local levels is a sound economic basis (Moye-Holz et al., 2019; Murto et al., 2019; Niu et al., 2012; OECD, 2017a). Evaluation is important to any government policy that may unduly restrict competition. Policies that set such boundaries are sometimes set at national level, but can also be developed at regional or local level. For example, anticompetitive policies for taxi services are often set at local level and specialist regulation that is harmful to consumers is often implemented at regional level.

Some governments have begun to look at competition by evaluating new and existing policies (Yang et al., 2019). This is the most effective way to improve the competitive environment substantially, but it requires great political will. Other governments have implemented a competition appraisal form that focuses solely on new policies. Assessing competition at national, regional and local levels is a sound economic basis. Evaluation is important to any government policy that may unduly restrict competition. Policies that set such boundaries are sometimes set at national level, but can also be developed at regional or local level. For example, anti-competitive policies in taxi services are often set at local level, while regulation of specialists, that harms consumers, is often carried out at regional level.

But "frontline" policy makers do not take the competition assessment process seriously unless their work is reviewed by an outside party

(D'Aertrycke et al., 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler, 2017). Control may be exercised by supervisors, officers having knowledge of competition expertise, such as those held by competition authorities, in one of the two variants mentioned. In the United Kingdom, the Regulatory System Manager, the Better Regulation Executive (BRE), is responsible for overseeing the impact of new regulatory proposals. The regulations were evaluated according to the guidelines issued by the Business Department in 2015, March, had a positive impact on competition and amounted to net zero costs and are rapidly monitored during the impact assessment process. Policymakers also have the discretion to assess whether or not their proposal will adversely affect competition.

Departments can contact the Competition and Markets Authority (CMA) for advice if their proposals raise competition issues that require more detailed analysis (Lee et al., 2018; Lohmann & Trischler, 2017). The CMA also has the power to make recommendations to ministers if they are concerned about the potential impact of legislative proposals on competition. An assessment that is broader and more comprehensive than the Competition Checklist usually requires market definition and competencies of competitive analysis. For this reason, some countries require their competition authorities to review any new laws and regulations that are expected to have an economic impact before adopting appropriate provisions. In Mexico, for example, the competition authority must review any new secondary legislation that may affect competition. In Korea, the competition authority is responsible for reviewing a selection of new regulations. In Hungary, the competition authority is required to comment on the new regulations.

Many other countries before the new regulations were adopted organize horizontal consultations (D'Aertrycke et al., 2017; Denis, 2012; Gissey et al., 2018; Hu et al., 2018). Such consultation works better when competition commentators can start the process early are not required to comment on the policy as a whole and may intervene when they believe a significant potential problem may arise.

The degree of independence of the review body is also important. For example, in Australia in 1995 a new body was created to oversee the national and state or territory laws of the National Competition Policy and review of other legislation. The National Competition Council was created as a separate and independent body to oversee the new regulations and acts outgoing from competition service. Some national competition authorities, such as the former

Spanish Comisión Nacional de la Competencia, have reviewed grant schemes and have published annual reports on grants.

Involvement of a competition authority or other governmental authority in the competition assessment process should not impede any subsequent government legal action under the competition laws of that jurisdiction. Competition assessments by definition are predictions based and in real life predictions can show insufficient or excessive harm to competition.

Review of competition assessment seeks to identify a policy option, which allows the policy maker to achieve the goal under consideration with the least possible distortion of competition. Sometimes the correct object may be the reviewed policy, but less restrictive alternatives may be used on other occasions (Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014). Thus, if the checklist reveals that the policy under scrutiny is likely to distort competition, then consideration should be given to use other less distortive means for the same purpose. This exercise implies the need to identify all strategies to achieve the goal, to evaluate each option competitive impact and choose the option that offers the greatest benefit. Next we shall give guidance on how to identify less restrictive alternatives to achieve the purpose in question.

In order to identify less restrictive alternatives to certain policies is an exercise for a specific fact that requires a good understanding of this policy and to have a great deal of competence in that area (Brooks & Lesieutre, 2019; Cimon & Garriott, 2019; Croutzet & Lasserre, 2017; Hu et al., 2018; Lee et al., 2018; Lohmann & Trischler, 2017; Maravillo et al., 2019; Motalleb et al., 2018; Moye-Holz et al., 2019; Niu et al., 2012; OECD, 2017a, 2017b, 2017c; Phillips & Menkhaus, 2010; Pinto & Falcão-Reis, 2019; Ren & Zhang, 2014; Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019):

1. Set a policy goal. The first step is to set a clear policy goal. If the policy is pursued to remove market failure together with mechanism is needed a clear one description of the market failure by which the policy intends to solve or reduce the intensity of the market failure. It is also important to understand the overall regulatory environment. The policy objective can sometimes be found in the regulation itself, in higher-level legislation, in legislative discussions or in complementarity legislation when it was accepted.

Many policies are not implemented because of market failures but for social or other reasons. If there are other policies in the sector that pursue the same goal, it is important to identify any relationships that may exist between them and the

policies in question. This should be taken into account when developing alternatives. Often, anticompetitive policies have strong business and political interests. Currently companies operating in the industry may try to use the regulatory process to guard against increased competition. It is likely that such efforts may result in loss of profit when it is higher competition. Having in mind the importance of the interests of existing market players it is important to understand the cause why anti-competitive regulations exist.

In defining the objectives to be pursued by the Regulation, the crucial key to that solution is that they are not defined in some way, so that less restrictive methods are unnecessarily rejected in order to achieve the same main purpose. This can happen when the stated goals determine the approach that will be used to achieve the main goal, instead of permission to consider all options. For example, a pollutant such as sulfur dioxide may come from several sources. Policies aimed at reducing pollution by controlling emissions from each source can achieve the desired goal of reducing overall emissions, but at the same time can prevent approaches that allow the use of markets, compete, and more effectively achieve the underlying common goal.

2. Identification of the specific regulatory elements that create the competition problems. The next step is to determine the nature of the competition problems caused by the policy in question and whether they are necessary to achieve the objective. This can be done using checklist. It is also necessary to identify specific policy elements or provisions that raise competition concerns. The question is whether these elements or provisions are necessary to achieve the objective or whether they could be modified to reduce or eliminate their negative effects on competition. This process allows the creation of a set of alternatives that will help to achieve the same goal as the policy in question, but does not distort or less distort competition.

3. Technical competence. The possible alternatives may depend on the technical characteristics of the subject being regulated. The types of technical expertise required for the preparation of regulations will vary according to the regulation under consideration. Technical competence may lie with the ministry or government body overseeing the Regulation. Such expertise can sometimes be biased in favor of the current regulatory regime. Alternative technical expertise may be outside the ministry, for example, within the academic community or outside the country when it turns out that country experts are biased in one direction or another. Companies may have relevant expertise but, but may be biased in favor of the rules that they think protect them. Potential start-ups,

which are difficult to start because of legislation, may be less biased in citing restrictions on competition than previously established companies. Possible conclusions can be usefully presented for technical experts and existing interest groups at an early stage before the recommendation is finally established, also it can be ensured that there is consultation on reform before the law is introduced. Evaluators may request comments not only in writing, but also in the meetings; face-to-face communication is often very productive. In order to obtain the most useful expert feedback, the assessors may hold a short seminar for experts on competition assessment and checklist. Sometimes experts will be able to impose restrictions on competition when it is difficult for non-experts to extract them from the relevant regulations.

4. Understand the broader regulatory environment. When considering alternatives, it is important to consider not only the regulation under consideration, but also the network of relevant regulations, including general regulations, which have an impact. to the market in question to create alternatives.

5. Understand the changed business or market environment. When evaluating the proposed regulation or proposing alternatives, it is important to consider how business conditions have changed since the last implementation of the policy. If market conditions change, any initial regulation could be reassessed. Consideration may be given to the need for a stricter regulation, as in the case of maintaining the current regulation. or repealing the regulation completely.

6. Methods of Alternative Development. The purpose of the review of competition assessment is to identify a policy option that achieves the objective under consideration with the least possible distortion of competition. If the checklist shows that the policy in question is likely to distort competition, it must be examined whether the same objective can be achieved in a less distortive manner. This includes identifying all other possible policy approaches aimed at achieving a less distortive objective and possible ways of redesigning the proposed measure in order to minimize its impact on competition while pursuing the policy objective. Identification of possible policy alternatives is a fact-based exercise that often requires a thorough understanding of the policy and extensive experience in the field.

Experience in other jurisdictions can sometimes be helpful in developing alternatives if the circumstances are comparable. Like that in consultation with stakeholders it can be made interesting proposals because they have a good knowledge of the sectors and what alternatives can and cannot be implemented.

However, these examples illustrate less restrictive means that can be used in place of more stringent, in most cases.

External effects are the costs or benefits of the product in terms of the environment, economics, health, safety, etc. which are not reflected in its price or cost (Ritter et al., 2019; Willems & De Corte, 2008; Yang et al., 2019). Thus, it is unlikely that the buyer will properly assess the external impact. If a product or activity causes external expenditures, it will tend to be too much since all costs are not reflected in its cost or return in the market. If the product creates external advantages, usually it will not be supplied because all its benefits do not reflect its price or market return.

Regulating the quantity, price or characteristics of the products or activities producing the exterior is one possible way in an attempt to correct their external effects. An alternative approach is to use general economic incentives such as subsidies, taxes or fees to internalize the externalities of these products at their market price. This method, if possible and if not causing unjustified distortion between businesses can leverage competitive market forces to determine effective prices, quantities and product characteristics. The government can provide market solutions that did not exist before, for example by creating emission permits and allowing those rights to be traded.

Consumer protection is often cited as a reason to set mandatory product characteristics (Maravillo et al., 2019). Sometimes it may be enough disclosure, for example such as fat labeling on products. Some consumers may be more risk averse and this is not always the role of government to prevent it, but government can provide consumers with useful information to make their individual decisions.

From door to door and direct sales to the consumer are common practices in many markets (Yang et al., 2019). However, their use, especially in newly unregulated markets, often gives rise to complaints or concerns that many consumers buy products based on misleading or inadequate door-to-door or end-to-end information. One way to solve these problems is to ban door-to-door or direct sales.

An alternative approach is to set door-to-door requirements or to direct sellers in order to provide consumers with the information they need to make the right product choices. Another possible alternative is to require contracts to include discount clauses that allow consumers to review their purchasing decisions. Maximum contract length or auto-renewal ban can protect vulnerable or uninformed users. Such measures can help to maintain the beneficial aspects

of door-to-door and direct sales, while ensuring that consumers are properly informed.

As an alternative to advertising bans, advertising content control can be a way to eliminate harmful aspects of advertising while allowing you to continue useful aspects of advertising (Niu et al., 2012). For example, advertising a product as a discounted price compared to a previous or recommended price can sometimes be misleading. An alternative prohibiting a price discount is that adhere to the rules to limit the promotion of artificial discounts (for example, a company raises the price of a product from €20 to €40, and on the next day returns a price of up to €20 and advertises a product with a 50% discount).

Aggressive or innovative business practices often cause complaints due to unfair or inappropriate competition requiring remedial regulation (Brooks & Lesieutre, 2019). For example, price caps are often offered in order to protect vulnerable companies from too low competitors' prices. As an alternative to regulation, competition law provides a fundamentally effective framework for preventing business practices where it is likely to harm competition and consumers, while permitting such practices where they promote competition, innovation and consumer benefits.
For example, low-price strategies can only be predatory or raise serious competition concerns only in limited circumstances. Price caps, instead of preventing harmful business conduct, can deter consumers to benefit from low prices.

Although mandatory standards require that all relevant products be compliant minimum performance, reliability or other standards, and voluntary standards, if possible, can be a way for suppliers to inform them that some of their products meet minimum standards while allowing them to continue to provide other products, which do not meet the standards where some consumers prefer such products (OECD, 2017a, 2017b, 2017c). Voluntary business codes may be a less restrictive means of addressing consumer-related market issues than regulation. Instead of requiring all businesses to adopt the same business standards and processes, voluntary codes can provide less informed or more interested consumers with information, enabling them to choose better suppliers.

The burden of legal oversight and filing requirements can be disproportionately difficult for small businesses and can therefore be closed or terminated, hindering small businesses to enter the market and possibly reduce competition. To ensure that these competitors can remain or become operational

when they are otherwise effective may be less stringent supervision of regulation or appropriate filing requirements.

In a set of alternatives there should always be a "do nothing" option as a benchmark for examining alternatives. There may be many or few alternatives: it is not necessary to have many opportunities if all possible solutions are explored. There may also be cases where suitable alternatives cannot be found, since those parts of the policy which distort competition are essential to achieve the objective. But before reaching that conclusion, all possible alternatives must be carefully considered.

Regulations can influence the behavior of suppliers not only by altering their ability to compete in the negotiations, but also by changing the incentive to act as vigorous competitors. The main reasons why suppliers are less able to compete in negotiations are due to regulations that can facilitate coordination between them or reduce customer willingness, ability or incentive to switch to different suppliers. Other reasons include profit or market share thresholds that limit potential returns on competition. Cartel behavior may more easily result in self-regulation or co-regulation by increasing the share of suppliers' output and price information or by removing the industry or branch from competition law. The effects of increased competition in negotiations often affect sectors adjacent to those in which is fierce competition. In particular, strong competition in upstream sectors can "increase" productivity and employment in the downstream sectors and more broadly in the economy. This is largely due to competition that improves distribution efficiency by allowing more efficient companies to enter and gain market share at the expense of less efficient firms. Therefore, laws or anticompetitive behavior to enter the market and expansion can be particularly damaging to economic growth. Competition also improves firms' productivity, as companies facing competition appear to be better managed.

In practice, most of the choices that are made are qualitative, that is are not based on quantitative comparisons of variants. Relevant quantitative comparison data are not always available and, even if available, may not be possible to analyze. It is possible that very important competitive effects are practically immeasurable. For example, changes in the conditions of competition may affect incentives to innovate and develop new products. However, it is extremely difficult to quantify increased or decreased impact of innovation. Qualitative analysis combines facts and reasoning to justify which choices are better.

Qualitative analysis of reform options is a form of critical thinking. The advantage of qualitative analysis is that it is widely understood, requires little data, is as fast as possible, and ultimately practical. At the same time, qualitative analysis does not determine the value of increasing competition, so one of the main pro-competitive arguments may be missed regulations.

Quantitative analysis involves careful and rigorous use of numbers to estimate advantages of certain options compared to others. Although quantitative analysis may require less comparison of solutions, the techniques used may require more technical skills than qualitative analysis, and of course some data must be available. For particularly important or contentious issues, whenever possible is preferred for the quantitative analysis. Quantitative analysis can, for example, provide estimates of the benefits of social reform, such as how much less consumers will pay for post-reform products or how many jobs will be created. Limitation of available data or comparison time will often limit the cases in which quantitative analysis can be performed. It may also be difficult or impossible to quantify the user value of product differentiation and enhanced service. Thus, while quantitative analysis may help to select pro-competitive options, it will often have to be rejected on the basis of qualitative evidence.

16. NEGOTIATING STRATEGY: IMPORTANCE OF THE MARKET DEFINITION

The extent of competition in the market affects the balance of bargaining power of market participants. This often results in negative consequences for both buyers and suppliers. More competition opens up opportunities for the development of international business, because with more market participants, additional business alternatives appear, thus reducing the negative impact of distorted competition on the balance of negotiating power of international business negotiators. The paper discusses the possibility of applying Nash equilibrium to the preparation of negotiation strategies, looking for the best result function.

The market definition is widely used as an analytical basis for analysing and evaluating competition concerns that have an impact for preparation of negotiation strategies. The relevant market should be defined as: that the competitive constraints faced by the company, that is, potential substitutes in

the demand and supply areas would be captured as accurately as possible. The relevant market is usually determined using a hypothetical monopoly test (known as the SSNIP test), whereby the "market" covers all products and regions where the hypothetical profit monopoly reaches a small but significant price increase (Kaplow, 2018; OECD, 2012; Ghosal and Tonin, 2018).

The market definition has several options for determining the extent of competition in the market, which is essential for preparing negotiation strategies. The main purpose of the market definition is to assess the existence, creation or strengthening of market power by describing the dynamics of market power parameters. Market power is defined as the ability of an enterprise to maintain a price higher than the long-term competitive price level (OECD, 2012; Liu et al., 2018; Schlosser, 2017; Kaplow, 2018; Kumar, 2018; Yasui and Haraguchi, 2018; Chen and Tanaka, 2018; Symeonidis, 2018, Uchiyama, 2018, Gámez et al., 2018). The market shares of the undertakings concerned reflect their market power, which must be assessed in preparation of negotiation strategies.

Market definition facilitates the identification of relevant competitors and is useful for risk assessment for potential coordinated effects and mergers. In addition, defining the scope and coverage of competition it is also appropriate to examine other important competition issues, such as investigation of potential barriers to market entry. Even in the absence of sufficient detailed data for a hypothetical monopolistic test, the use of this test provides a consistent conceptual framework for defining the relevant market.

The importance of market definition is not only related to its role in analysing competition issues: the concept is also used as a basis for calculating fines in order to assess the impact of EU Member States' trade between EU Member States and as a procedural model for cross-cutting coverage (Schlosser, 2017; OECD, 2012). However, market definition is a difficult task and there are opinions that in some cases its suitability may be challenged (Kumar, 2018; OECD, 2012). The main concern is that even accurately calculated market shares and concentration in certain markets may be of limited value. In several types of markets, market shares and concentrations can be overestimated or underestimated by determining the market power of firms and the potential impact of competition.

For example, in differentiated product markets, the intensity of competition and product substitution is a more important indicator of market power than market share when assessing the impact of a merger. Similarly, in the bidding or auction markets, competition between participants is a more informative concept in merger cases. Market definition is difficult to apply in bilateral markets, which include

platforms serving individual user groups, under indirect network effects. This is also true for industries that are experiencing rapid innovation, so the defined market boundaries may be unstable and may lead to rapid changes in market shares (Symeonidis, 2018; Schlosser, 2017; OECD, 2012).

In the case of monopolization or abuse of a dominant position, the assessment of market shares cannot be a very reliable indicator of market power if the company has already increased its prices significantly above the level of competition (Kaplow, 2018; OECD, 2012). In such cases of abuse of a dominant position, a detailed market definition is problematic, as the uncontrollable opposite price has to be used for market uncertainty. With current prices, the market will be defined too broadly, so it will not be feasible to determine situations when companies can take advantage of their influence on the markets. In view of these specific shortcomings in market definition, new measures have been developed (Kumar, 2018; OECD, 2012).

The first proposal was: the assessment of mergers with price pressure indices and other tools. For monopolization or abuse of dominant cases was suggested evidence of direct effects of anti-competitive practices or other compelling evidence of abuse. Price pressure indices have recently been developed as the first representation of merger analysis, especially when it comes to differentiated product markets. In the case of enlargement, the price pressure index (UPP) focuses on the merged entity's incentive to raise prices after the merger and is calculated using the referral ratio and profit margins before the merger. The UPP also takes into account the productivity achieved during the merger, which reduces the incentive to increase prices through standard data (Symeonidis, 2018; Kumar, 2018; OECD, 2012). However, the UPP does not provide performance and size estimates for price increases. The overall price pressure index for development (GUPPI) is similar to the UPP but does not take into account its effectiveness (Kumar, 2018; OECD, 2012). The pricing indices can be combined with the demand function to quantify the price level after the merger, but the results are very sensitive to the form of the selected demand function and may be inaccurate. The proposed compensatory marginal cost reduction approach (CMCRs) is designed to avoid the need to define the curve of the demand curve, rather than focusing on the assessment of the required actuality by calculating the marginal cost reduction necessary to maintain the pre-transaction price. However, CMCR is intended for markets with price competition, and efficiency calculations are limited to cost-cutting analysis (Symeonidis, 2018; OECD, 2012). Other restrictions on price pressure indices are due to the fact that they are not consider possible supply

dynamics and targeting metrics and margin measurement problems.

For example, comments from France and Korea show that it is difficult to gather reliable and accurate information on targeting indicators, taking into account operating restrictions by competition authorities. However, the available, albeit limited, empirical literature suggests that price pressure indices work well (Kumar, 2018; Schlosser, 2017; OECD, 2012). In addition to price pressure indices, especially under intense competition, other market definition tools may be used. Simplified versions of familiarization simulation models can be used for the initial review, and full models are often not used due to difficult data requirements and complexity of application. Another recently developed method is a comparison of price and cost factors between the two products the price method for the assessment of possible substitutes (Kaplow, 2018; OECD, 2012). In cases where there is a monopoly and abuse of a dominant position, it has been proposed to bypass definition of the relevant market and to establish a dominant position according to direct effect of disputed behavior. Although new tools have been created in order to eliminate the gaps in market definitions there are many markets, such as markets with quantitative competition, when for assessing market shares is applied the best available indicator. If evaluations are applied in cases where they have not been designed, then new tools can produce unreliable and perhaps inappropriate results (Kaplow, 2018; OECD, 2012). The ability to introduce new tools for this purpose varies across jurisdictions and depends on the specific type of law and executive system (Symeonidis, 2018; Kumar, 2018; OECD, 2012).

The definition of the market relates to legal certainty. New measures can strengthen the justice dimension. The application of additional or alternative measures may be more complicated in jurisdictions where the concept of market definition is deeply embedded in competition laws, because in order to abandon market definition it is necessary to amend or repeal legislation, unlike in jurisdictions that focus more on market power (Kumar, 2018; OECD, 2012). In the first case, the term "relevant market" may be set out in legislation, including primary sources of law, as well as provisions governing competition law. Definition determines the procedure for its application (Schlosser, 2017; OECD, 2012). Even if there is no legal requirement, the courts can oblige to determine case law for definition of relevant market (OECD, 2012). For example, where the jurisprudence has to prove a dominant position, the direct evidence of damage before analysing anti-competitive activities cannot be a sufficient alternative to market definition. The possibility of setting new precedents in joint courts may be greater than in civil law systems based on the interpretation of the law.

The scope of judicial review is also important as competition authorities usually start to develop new tools, but the practice of competition authorities may be optional, and competition authorities and courts may be different (Kaplow, 2018; OECD, 2012). Judgments can be more perceived if the requirements for judicial review of market definition are limited, such as in the case of the European Union (OECD, 2012). The legal consequences of withdrawing from the market definition in order to develop negotiation strategies, where may be greater uncertainty about the standards that will govern competition issues and the assessment of their results (OECD, 2012).

The market definition is used in almost all jurisdictions and is widely used for quite a long time. The fact that the market definition is relevant and if the market does not change very dynamically, market participants can make a more accurate self-assessment, as market definition has priority (Kaplow, 2018; OECD, 2012). In contrast, the recently developed measures are specific and cannot be sufficiently matured, tested and empirically based on sound legal doctrines, a similar criticism have caused the market definition (Symeonidis, 2018; Kaplow, 2018; OECD, 2012). The existence of several methods allow for competition authorities to choose the most appropriate instrument in a particular case, but this freedom of choice is also a source of uncertainty, especially when different methods can produce conflicting results (Kumar, 2018; OECD, 2012). More and more jurisdictions are re-examining the role and importance of market definition and applying new methods to overcome its weaknesses and limitations.

In some jurisdictions it is emphasized that market definition is not the most important goal, it should not be the first step in any competition analysis and should not be applied in all cases (Schlosser, 2017; OECD, 2012). Instead of abandoning the market definition, most jurisdictions combine it with complementary methods. While generally considered to be a useful approach in all jurisdictions, a number of public authorities are increasingly reducing the importance of market definition and providing new approaches where market definition is problematic. In this context, the BIAC report highlights the need for compatibility of international practice to reduce the risk of mismatches in the assessment of cross-border mergers and other cross-border business transactions (Kaplow, 2018; OECD, 2012). In some jurisdictions, competition authorities are already applying new measures to supplement or change the market definition (Kaplow, 2018; OECD, 2012).

In 2010 the US Horizontal Merger Guidelines state that market definition is only one of many available damage assessment tools alongside more sophisticated

economic instruments that are not based on the definition of a particular market for competition dynamics, and stresses that the analysis of the impact of competition must not start with market definition. In addition, these revised guidelines allow the use of direct evidence of anti-competitive practices and provide a detailed description of the types of evidence accepted.

In the United Kingdom, the guidelines for the assessment of concentrations also reflect the transition from the definition of the relevant market to the analysis of the intensity of competition (Kumar, 2018; OECD, 2012). The use of new methods both in the United Kingdom and in the United States has created a mixed picture, which in some cases raises concerns about new measures.

Several other national competition authorities are also considering more and more new methods and measures, for example, in Ireland, the merger guidelines are currently under review. In almost all jurisdictions, a number of other important aspects, such as time zones or market entry barriers, development barriers, etc. are taken into account when analysing competitive effects (Kaplow, 2018; OECD, 2012). Generally, the competition authorities tend to use new tools to complement, rather than replace market definition (Schlosser, 2017; Symeonidis, 2018; OECD, 2012). This additionality can be reinforced when the methodology applied and the data requirements for new instruments are similar to those relating to market definition for price pressure indices. However, the clarity of procedures and technical solutions remains a challenge for many competition authorities. In addition, more research is needed to develop new tools to increase their reliability and the adequacy of performance measurement compared to the market definition indicator. Effective adaptation of new tools can also require skills and resources that are not currently available to competition authorities and professionals. In order to solve this problem, the competition authority, such as Norway, cooperate with the university in order to develop experience in applying new measures created an internal group to share knowledge about these new methods (OECD, 2012). The courts are also increasingly aware of the limitations market definition (Kaplow, 2018; OECD, 2012). It should be noted that the recent rulings of the Court of Justice of the European Union are a transition to a less formal approach, which was characteristic of the early 1990s. The definition of a market is restrictive practices. In the United States, the courts sometimes use evidence of direct damage to assess the cooperation of their competitors. However, market definition is one of the most important analytical tools for analysing and evaluating the competitive constraints faced by businesses as well as for assessing their impact on their competitive behaviour (Kaplow, 2018; OECD, 2012). The specific market should

be defined by competitive constraints: the balance between demand and supply, which should be captured as precisely as possible. The relevant market is usually determined by a hypothetical monopoly test, according to which the "market" covers all products and regions where the hypothetical maximum profit of the retailer has at least minimal impact on price increases. Market definition helps to determine the extent of competition in the market. The main purpose of the market definition is to assess the existence of market power, its ability to create or strengthen it. This can be described as the ability of the company to maintain a higher price in the long term competition. The market share of a particular company provides important knowledge of market power.

The market definition also helps to identify the relevant competitors and is useful in assessing the risk of potential exposure of business entities. In addition, competition concerns can be addressed by other relevant competition issues, for example market access obstacles (Schlosser, 2017; OECD, 2012). Even when there is no data needed to perform a hypothetical monopolistic test, this test can serve as a consistent conceptual framework for defining the relevant market. The importance of market definition is not limited to competition problems: this concept is used as a basis for calculating fines in order to assess the impact on trade between EU Member States, which is a model for other legislative processes.

However, market definition is a difficult task, and there are opinions that in some cases its validity may be questioned. The main concern is that even accurately calculated market shares and concentration in certain markets are limited. In markets, its parts and concentration measures may outweigh or underestimate the influence of companies on the market and the potential impact of competition.

For example, in different product markets, the intensity of competition and product substitution is a more important indicator of market power than market share when assessing the impact of a merger. Similarly, in the bidding or auction markets, competition between competitors is more informative for mergers. Thirdly, the market definition is difficult to apply in bilateral markets, which include platforms serving individual user groups under indirect network effects. Finally, industries with fast innovations but with defined market boundaries may be unstable and can rapidly change market shares. In the case of a monopoly or abuse of a dominant position, current market shares may be an unreliable indicator of market power if the company has already significantly exceeded its competitive level (Kumar, 2018; OECD, 2012).

Recently, price indices have been developed as the first tool for merger analysis. This tool is very important for analysing differentiated product markets.

However, price indices do not take into account the magnitude of the competitive impact. The rise in price pressures in the index analysis focuses on the merged entity's incentives to raise prices after the merger and is calculated using the referral ratio and profit margin levels before the merger. Account shall also be taken of the productivity achieved during the merger, which reduces the incentive to increase prices through a standard deduction. However, efficiency and price increases are not considered.

Research methodology consists in examination of tools for analysing differentiated product markets. On the analytical basis are evaluated the problems of competition that have an impact on the preparation of the negotiation strategy. Market definition in formal under consideration cases by competition authorities is presented next to market competition assessment (Symeonidis, 2018; Kumar, 2018; OECD, 2016b). But accurate market definition application thresholds are unclear because it is difficult to tell when the market definition should be used as the basis for assessing competition (Kaplow, 2018; OECD, 2016b).

All the factors discussed are relevant to the definition of the geographic market but most of them may also be related and with competitive assessment and competition authorities usually decide whether to assess evidence on the basis of a geographic market definition or a competitive assessment, or to assess either of these parameters. In general, and is expected to be certain duplication - a hypothetical monopolistic test of the geographic market definition is often simple and this may require a wide range of relevant evidence (Kaplow, 2018; OECD, 2016b).

The definition of the geographic market is an important and complex task, especially in terms of developing negotiation strategies. This describes the process of focusing on markets that may be wider than national borders. It also discusses how the geographic market definition is in line with competitive assessment and the tendency of some authorities to leave the definition in those cases when there is no problem related with competition (OECD, 2016b). The range of evidence is wide, that should be taken into account, in assessing the geographic scope of markets. Due to high price differences in all countries there may be heterogeneity in conditions of competition, and thus a narrower definition of the market, however price analysis can also lead to misleading results. It may also be necessary to consider import flows and dynamics of their evolution. However, this process can be speculative and some competition authorities are sceptical about them. Given the complexity of the use of price

and import data, competition authorities and their specialists should also consider carefully the additional evidence. Despite the fact that they can be inseparable from product features, product characteristics, transport costs, regulatory and trade barriers, the consumer preferences and market dynamics are playing an important role in forming volume of geographic market (Kumar, 2018; OECD, 2016b).

In the upcoming market definition tests, new challenges may arise. In particular, different jurisdictions have different approaches to foreign competition when assessing mergers. Although these differences do not seem to lead to fundamentally different decisions in different jurisdictions however, they may cause some uncertainty. Competition authorities should be alert to the fact that the definition of a geographic market that is too large (or unnecessary), may affect future interconnections and can hurt the efficiency on measures of competition remedies. This risk is particularly pronounced in the light of current market trends, which may mean that global market definitions (or at least global market statements from reporting countries) are increasing. Therefore, the authorities of different countries should be cautious and will use all available evidence in defining international geographic markets, even by way of cooperation. Merger reviews or the definition of the geographic market for antitrust proceedings may be a controversial issue (Kaplow, 2018; OECD, 2016b), as with the product market definition, the parties may be motivated to provide a geographical definition that would best minimize concerns about concentration or other impact of competitive behaviour (often by defining the market as widely as possible). This can lead to disagreements with competition authorities, in particular when it is probability that the market will expand beyond national borders. The competition authorities must carefully monitor decision-making, taking into account the broad market definition for future cases relating to the same market, for example market definition as "global" rather than "regional", "continental" or others can significantly affect future merger approvals within and outside the jurisdiction of competition authorities (Kaplow, 2018; OECD, 2016b). Setting competition rules is an important process for competition authorities and professionals to evaluate competitive effects of mergers or behavioural strength. The OECD has summarized this market definition process as follows (Symeonidis, 2018; OECD, 2016b):

"The market definition has several goals in determining the extent of competition in the market. The main purpose of market definition is to assess the presence, creation or strengthening of market forces, which is defined as the

ability of the company to maintain a higher price than long-term competitiveness. Relevant firm market share shows its market power. Market definition also helps to identify relevant competitors and is useful in evaluating possible harmonized effects of merger risk. In addition, setting area of competition can be examined other important competition issues, such as barriers of potential entry".

The market is defined in terms of both the product concerned and its geographical area (OECD, 2016b). Competition arena, which is affected by the merger may be geographically limited if geography limits the willingness or ability of some customers to replace certain products or the willingness or ability of some suppliers to serve some customers. This can affect both suppliers and customers. "The guidelines state that geographic markets are usually based on the location of suppliers, unless the suppliers can discriminate against consumers. In turn the European Commission (EC) has highlighted the place of consumers, noting that "the market definition is essentially a customer-oriented task: to find out which alternative suppliers are relevant to customers in a particular area. If customers cannot rely on suppliers, located outside this area, the other suppliers are not part of the relevant geographic market"(Kaplow, 2018; OECD, 2016b).

The most commonly used market definition tool is called the hypothetical monopolistic test (Symeonidis, 2018; OECD, 2016b). This test generally defines geographic market as the smallest area in which a hypothetical monopolist could profitably determine small but significant and uninterrupted increase in prices, exceeding the competitive price. In the distant territory would result the narrowest area, where one business entity could profitably to fix for their customers the increase in prices by 5 – 10%, because of:
– Customer's failure (or unwillingness) to travel to purchase from alternative stores outside the region;
– Failure of business entities to supply their customers outside the region.

In some high-tech industries having only a few manufacturers and complex users worldwide, the geographic market can be defined as global because a hypothetical monopolist in a narrower geography could be unprofitable, because of possible substitutes from other foreign manufacturers (Kumar, 2018; OECD, 2016b).

The competition authorities reviewing cases where there are no problems related to competition, without taking into account the geographic scope of the market, and the courts, often use an indicator of openness of geographic market

definition (Symeonidis, 2018; OECD, 2016b). Keeping the geographic market definition open can save time and resources for competition authorities when they review mergers where there is no competition problem without assessing the geographic scope of the market. It also prevents authorities from seeking an unnecessary market definition that may affect future cases based on superficial analysis (Kaplow, 2018; OECD, 2016b). However, this approach is not always the right choice – as mentioned above, it is limited to cases where no problems are found related with competition (OECD, 2016b). Without justifying the definition of the geographic market in controversial cases, which are related with bans or rights defence ways, these cases may be challenged in court, the actions of competition authorities may be associated with a lack of clarity in the assessment of the situation (Kaplow, 2018; OECD, 2016b). In addition, this approach can be criticized for perceived arbitrariness and uncertainty. If potential competitive pressure is marked by a change in demand (and hence a part of the market definition) or a potential entry barrier (and therefore not a market share), it should not be subject of General competitive assessment.

The analytical perception of the geographic market definition is similar to the product market definition, although the relevant evidence of the geographic market definition is somewhat unique (Symeonidis, 2018; OECD, 2016b). There is no reason to expect a dominant position to be assessed in cases of abuse, for example by including a different approach to the definition of the geographic market, except that it has completely refused to apply the impact–based approach as discussed in the OECD. It is important to consider criticism under which making decisions on abuse cases wrongly defines geographic markets taking into account the alleged anti–competitive behaviour in the affected area but not to the extent of market competition (Kaplow, 2018; OECD, 2016b). However, the geographical area where anti-competitive behaviour is taking place may sometimes be a good indicator to define the geographic market boundaries.

Review and analysis of price data is the first step in establishing a geographic market (OECD, 2016b) for example, price correlation analysis is sometimes used to prepare preliminary market descriptions before a complete hypothetical monopoly test quantitative implementation (if such implementation is possible). Justification of this approach is important because in the same geographic market for existing goods are applied equal conditions of competition (in line with EC guidelines) and thus price changes will be similar. Products with high prices may not put competitive pressure on each other and

would therefore not be kept on the same market in terms of a hypothetical monopoly test (Symeonidis, 2018; OECD, 2016b).

This intuitive explanation suppresses the difficulties associated with making conclusions only from price evidence (Symeonidis, 2018; OECD, 2016b). For example, price data may be useful for conducting event investigations, seeking to examine influence of price changes on import flows or margins. However, the possibility of such natural experiments on the market may be limited. In general, the limited amount of data available to competition is a serious obstacle to carry out a detailed analysis of the price.

Preparation and implementation of negotiation strategy may determine the future of a business entity, so before making strategically important decisions it is required comprehensive analysis of interests and needs of the parties involved in the future negotiations, which would allow a better understanding of the priorities of the other side of the negotiations, to assess the available negotiating power. This is especially true where distorted competition is in the market. Gaming theory techniques can help to achieve this, because gambling theory is a mathematical discipline that examines the interaction of objects with their own goals.

John Nash, who has successfully summed up the min-max theorem and confirmed that each competing game has at least one equilibrium point in both mixed and pure strategies. John Nash in 1951 in his scientific article has defined the equilibrium of non-linear gaming, which is now called Nash equilibrium, and has introduced many strategic games with this equilibrium (Madeikytė, 2011). Nash is best known for his work in game theory. In mathematics, a game involves two or more "players" who earn rewards or penalties depending on the actions of all the participants. Some games are called *zero–sum*, which means that one player's gain is another player's loss.

In 1950 was announced theorem proving the existence of Nash equilibrium in each of n non-realistic gambling games. Nash equilibrium is widely applied in practice: to optimize networks, production plans and elsewhere (Madeikytė, 2011). John Nash gave his name to these equilibrium points, which are most widely used in the concept of gambling theory today. At the age of 21 he made a discovery that won him the Nobel Prize 1994 in Economics (along with Harsanyi and Selten).

Here is a mathematical description of the payout function:

The profit of a 1st business entity is:

$$\pi_1(k_1; k_2) = k_1(X(k_1 + k_2) - c) = \begin{cases} k_1(\alpha - c - k_2 - k_1) & \text{if } k_1 \leq \alpha - k_2 \\ -cq_1 & \text{if } k_1 > \alpha - k_2 \end{cases},$$
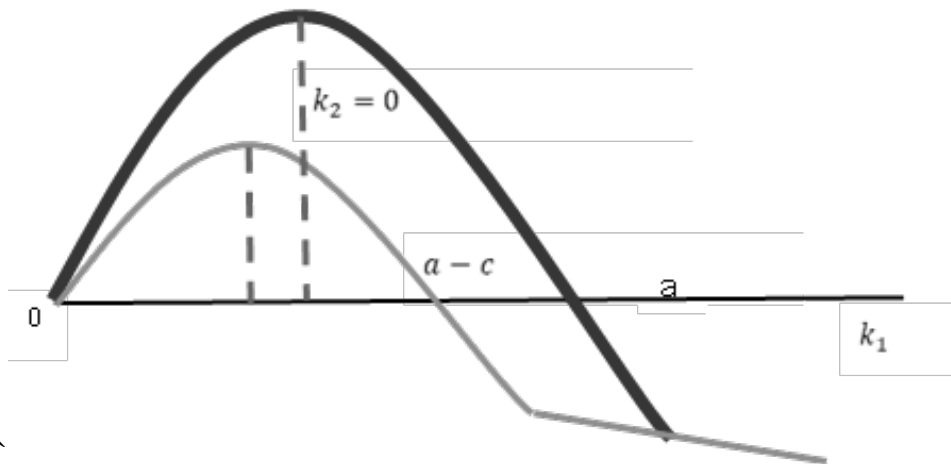
(1)

Fig.24. The best result functions (source: Madeikytė, 2011)

Nash's work was applied to *non – cooperative games*. In these situations, players may unilaterally change strategy to improve (or worsen) their own outcome without affecting the other players. What Nash discovered is that any such game has a strategy, now called *Nash equilibrium*, where any unilateral change in strategy by a player results in a worse outcome for that player. Many scenarios in international relations may be modeled as non–cooperative games. Nash equilibrium helps negotiators work out how competing companies set their prices, how governments should design auctions to squeeze the most from bidders and how to explain the sometimes self–defeating decisions that groups make.

In the market definition it is widely used analytical basis to analyse and evaluate the problems of competition that have an impact on the preparation of the negotiation strategy. The relevant market should be defined in such a way that the competitive constraints faced by the company, that is substitutes of demand and supply side, would be captured as accurately as possible.

The definition of the geographic market is an important and complex task, especially in terms of preparing negotiating strategies. There is described process of focusing on markets that may be wider than national borders. There is also discussion on how the geographic market definition is in line with the competitive assessment and the tendency of some authorities to leave the definition open in cases where there are no problems with competition.

The variety of evidence to be taken into account when assessing the

geographic scope of the markets is wide. Because of the high price difference in all countries may appear heterogeneity of competitive conditions, and hence will be a narrower market definition, and price analysis can lead to misleading results. Keeping the open geographic market definition can be saved time and resources for competition authorities when they review mergers where there is no competition problem, regardless of the geographic scope of the market. It also prevents authorities from seeking an unnecessary market definition that may affect future cases based on superficial analysis.

The geographical area, in which anti-competitive behaviour is taking place, may sometimes be a good indicator outside the geographic market. Price data review and analysis is the first step in establishing a geographic market, for example, a price correlation analysis is sometimes used to prepare preliminary market descriptions against the quantification of a fully hypothetical monopoly test (if this is feasible). The rationale of this approach is that goods in the same geographic market subject to the same conditions of competition, with similar price changes. Products with high prices may not put competitive pressure on each other and would therefore not be kept on the same market for the purposes of a hypothetical monopoly test.

Were examined possibilities to adjust Nash equilibrium for preparing negotiation strategies seeking to find function of the best result. The findings will give opportunities for negotiators to develop and implement better strategies for business negotiations.

17. THE SEARCH FOR EQUILIBRIUM OF NEGOTIATING POWERS IN BUSINESS NEGOTIATIONS UNDER CONDITIONS OF GLOBALIZATION (CASE OF MONOPSONY)

Distorted market competition poses new challenges for business negotiations. It affects the balance of negotiating powers among negotiation participants. Such situations often result in negative consequences for both buyers and sellers. As a result, it opens additional opportunities for international business, because of the emergence of other market participants in the relevant markets, which can provide additional alternatives for both buyers and sellers by reducing the negative impact on the distortion of competition and balancing the negotiating powers of the negotiating parties (Ewa Kiryluk-Dryjska 2016; Jeanne Brett, Leigh Thompson 2016; Małgorzata Przybyła-Kasperek, Alicja Wakulicz-Deja

2016; Michael Schaerer *et al.* 2016; Seyed Morsal Ghavami *et al.* 2016; Maria Jesus Rufo *et al.* 2016; Andreas Jäger *et al.* 2017). The development and implementation of an effective international business negotiation strategy, as well as the assessment of the negotiating powers among negotiating parties and the essential components of their deviation from balance is important for the effective use of the potential of business negotiations - the negotiating power. When solving the scientific problem it is necessary to ensure that its solutions help to consider the balance of negotiating power among negotiation participants, allowing them to achieve the balance and to ensure the most efficiency of the development and implementation of their negotiation strategy.

A higher number of sellers and suppliers, allows the buyer to enjoy a greater variety of solutions and more alternatives. In such case, the buyer can take advantage of competitive tension. However, the situation in the absence of competitive tension is completely different. One of the reasons resulting in a lack of competitive tension in the market is that the number of suppliers is not sufficient to create a free and open competition, for example, in case of a monopoly. Therefore, we could define market distortion as the absence of free and open competition. Free competition means that market participants are competing with each other, instead of cooperating to create and maintain a cartel. Open competition means that the market entry barriers are sufficiently low, thus making the profits of existing players rather low, because otherwise new entrants coming into the market would try to sell with lower profits, which would essentially be useful for customers and thus ensure their sales.

There are two types of buyer power: the power, arising from the nature of the market (monopsony, oligopsony and monopoly markets), and the negotiating power. If the buyer can reduce the price to the level lower than the market competition among suppliers, it means that he has the monopsony power. Negotiating power depends on the bargaining strength, demonstrated by the buyer during communication and negotiations with suppliers. Monopsony power makes getting a lower price easier than using negotiating power. Negotiating power is used only when the supplier has a corresponding market power, which can be levered with negotiating power. The consequences of using negotiating power in each case are very different. In cases of monopsony and oligopsony markets, buyers' powers decrease the volume of sales and productivity in the supply market, which ultimately has a negative effect on the consumer market. The negotiating power of the buyer is more of a compensatory nature. It increases the volume of production in the supply market

and can improve the market situation in the consumer market.

They should help make an objective assessment of the negotiating powers and relationships between international business negotiation participants and their competitors, purposefully and effectively forming and using the negotiating powers of the negotiating team. These measures should guarantee a successful development and implementation of an effective business negotiation strategy in the context of international business development and increase its competitiveness, taking into account the circumstances, which distort market competition.

In scientific literature, the implementation of effective business negotiation strategies was researched by the following authors: Aistė Mažeikienė *et al.* (2012, 2010); Dirk Moosmayer *et al.* (2013); Robert Wilken *et al.* (2013); Priyan Khakhar, Hussain Gulzar Rammal (2013); Przybyła-Kasperek, Wakulicz-Deja (2016); Schaerer *et al.* (2016); Schaerer *et al.* (2016); Kęstutis Peleckis (2016); Elena Dinkevych *et al.* (2016); Timothy Dunne *et al.* (2016); Ghavami *et al.* (2016); Arnold-Peter C. Weiss (2017).

The importance of searching for alternatives of strengthening negotiating power was highlighted by a number of scientists: Mažeikienė *et al.* (2010); Mažeikienė, Peleckis (2012, 2010, 2009); Charles Antaki, Alexandra Kent (2015); Andrea Petriwskyj *et al.* (2015); Claude Alavoine, Caroline Estieu (2015); Kiryluk-Dryjska (2016); Brett, Thompson (2016); Przybyła-Kasperek, Wakulicz-Deja (2016); Schaerer *et al.* (2016); Peleckis (2016); Ghavami *et al.* (2016); Rufo *et al.* (2016); Jäger *et al.* (2017).

Distorted market competition and its circumstances were researched by the following scientists: cases of monopsony - Dassiou, Glycopantis (2008); The Organisation for Economic Co-operation and Development (OECD) (2008); Jordan D, Matsudaira (2014); Leif Danziger (2010); Alessandro Bonanno, Rigoberto A. Lopez (2012); Eric Strobl, Frank Walsh (2007); Tavis Barr, Udayan Roy (2008); Julio J. Rotemberg (2008); Timothy J. Brennan (2011); Strobl, Walsh (2016); cases of monopoly — Leonard J. Mirman *et al.* (2014); Paul Rogers 2013; Luis H. B. Braido, Felipe L. Shalders (2015); Georges Sarafopoulos (2015); Vesna D. Jablanovic (2013); Manuel Willington, Jorge Li Ning (2014); Alhassan G. Mumuni *et al.* (2016); Lawrence Wai Chung Lai *et al.* (2016); Mendoza (2016); Akio Matsumoto, Ferenc Szidarovszky (2015); Eugen Kováč, Krešimir Žigić (2016); Euncheol Shin (2017).

Monopsony power is a mirror reflection of the power of a monopoly: it is the buyer's market power, as opposed to the seller's market power (Dassiou,

Glycopantis 2008; Matsudaira 2014; Danziger 2010; OECD 2008; Bonanno, Lopez 2012; Strobl, Walsh 2007; Barr, Roy 2008; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016). Monopsony power can be determined directly and indirectly. In cases of the former, it is determined by comparing the competitive market price with the price obtained by the buyer. The level of the prevailing market prices, determined by competing companies, does not reflect the actual purchase price. Meanwhile, the indirect monopsony power assessment method includes such factors as the market, market segments, entrance barriers and other relevant factors.

The buyer power is related to the way how purchasing companies may affect the trade relations with sellers and suppliers. The buyer power can manifest both through monopsony power and through the buyer's negotiating powers. The difference between these two types of buyer power is based on the structure of their sources and the entirety of the measures.

A business entity is considered as having monopsony powers, when the share of its purchases in the market is relatively high and when it can influence the price according to the sales volumes. The differences in the use of the negotiating power show on the level of discounts obtained. The negotiating power of the buyer shows his bargaining strength in relation with the supplier. Both types of buyer power opens the way to the level of lower sales prices. In case of monopsony power this can be achieved by emphasizing lower purchase volumes, when the negotiations involve expressing intensions to buy less (Brennan 2011; Strobl, Walsh 2016). The main difference with the case of monopsony power is that this case involves reducing prices below the competitive level, while in case of negotiating power, the seller still operates on a competitive level (OECD 2008; Bonanno, Lopez 2012; Strobl, Walsh 2016). Monopsony and oligopsony powers (assuming that there is no price discrimination) lead to market distortions. As a rule, that is detrimental both to direct sellers and suppliers, as well as further links of the supply chain (Matsudaira 2014; Danziger 2010; OECD 2008).

Monopsony power supply in the market transfers the profit from supplier to buyer. Business entities with monopsony power behave as if they had higher marginal costs compared to companies that do not possess monopsony power. This ultimately increases the price for the end user, even if the costs are actually lower. Owning market power in the supply market as well, monopsonists do even more damage than if it they wouldn't.

Customers using negotiating power as a compensatory element (for example, where their negotiating power fully or partially compensates the market power of sellers) may increase the volume of production in the market and make the final consumers in the market better off. The extent to which customers can benefit from the negotiating power depends on the nature of contracts with suppliers and the level of competition in the consumer market. Increased consumer competition and their extent result in this negotiating power earning greater discounts for a wholesale price and bringing greater benefit to the consumers (OECD 2008; Bonanno, Lopez 2012; Strobl, Walsh 2007).

The research of monopsony power in practice shows that it may be determined by available alternatives for the sellers, which determine the volume of the buyers' monopsony power. If finding alternative buyers is easy, then their monopsony power is limited. Other sellers may be located in different geographical regions, be engaged in different activity and have different market needs, but their products may still be able to satisfy the same needs. Also, when searching for new markets, it is important to identify the presence of monopsony power in smaller geographic areas with a smaller number of products, where a hypothetical monopsonist could influence the price drop in that territory (Antaki, Kent 2015; Petriwskyj *et al.* 2015; Alavoine; Przybyła-Kasperek, Wakulicz-Deja 2016; Schaerer *et al.* 2016; Ghavami *et al.* 2016; Rufo *et al.* 2016; Jäger *et al.* 2017).

When the number of buyers and sellers is small, negotiations between buyers and sellers (according to their capabilities) may also take place regarding the possible excess profit. The allocation of excess profit depends on the relative negotiating power. This excess profit is the objective of the buyers and sellers, thus motivating them to come into an agreement without looking for alternatives. The more efficiency buyers show in their negotiations, the more alternatives they have, resulting in fewer alternatives for the sellers and getting a larger share of the excess profit. Buyers' profit from transactions depends on their ability and willingness to look for alternative suppliers. Similarly, sellers' profit gained from transactions depends on their ability and willingness to look for other buyers. The essential factor influencing the negotiating power and showing that buyers have more alternatives than sellers is that buyers can easily switch suppliers without incurring significant additional costs (buyers act as consumer market intermediaries) (Matsudaira 2014; Danziger 2010; OECD 2008; Bonanno, Lopez 2012; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016).

Monopsony power is influenced by the current suppliers' model. Suppliers' market models can be divided into Ricardian, Quasi or Monopoly models (Matsudaira 2014; Danziger 2010; OECD 2008; Bonanno, Lopez 2012; Strobl, Walsh 2007; Barr, Roy 2008; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016):

1. The **Ricardian model** refers to suppliers using differentiated supply of raw materials. In this case, the monopsony power depends on the flexibility of supply. More flexibility means greater opportunity to use the monopsony power, which determines production output disruptions in the supply market and is harmful to the end users. In the supply market companies with monopsony powers tend to behave in a way as if they experienced more costs than companies without monopsony powers. Monopsonistic power in supply market harms both productivity of suppliers and consumers. Possessing monopsony powers makes it necessary to recognize, whether your seller has an alternative, which is what determines the monopsony power. Monopsony power is limited if the seller can easily find other buyers in the local market or other geographical areas, or customers who would use these products as substitutes.

2. *The Quasi model* refers to the difference between total revenues and short term expenditures. A monopsonist can use this in the short term. In the long term, any attempt to use suppliers' situation may encourage them not to conclude a deal: the suppliers would not be able to get a return on their investments. If suppliers' market is engaged in fair competition, monopsonists will not be able to use their monopsony power in the long term.

3. In case of **Monopoly model**, suppliers and buyers will be more inclined to maximise the total profit for both sides, rather than refuse to cooperate. The creation of compensatory power in case of Monopoly model may lead to smaller prices for the end users. However, if one of the participants withdraws, such a case could lead to a failure of the deal. This would encourage the buyer to look for other markets.

Oligopsony among buyers. Oligopsony among buyers and high level of supply frequently results in Nash equilibrium. In cases of Nash equilibrium in procurement, all buyers define their product value according to the values determined by all buyers. Nash equilibrium will enable to exploit buyers' market power, which will depend on the product threshold value, the number of competing buyers and the flexibility of supply (Dassiou, Glycopantis 2008; Matsudaira 2014; Danziger 2010).

Cartel monopsonists. Oligopsonic Nash equilibrium does not maximize customer profits, resulting in a need to coordinate purchases by exploiting the collective market power, increasing profits, reducing purchases and selling prices (OECD 2008; Bonanno, Lopez 2012).

Refusal of the transaction. Monopsonists can threaten to refuse their transactions thus seeking for more beneficial conditions. For example, proposing to purchase a greater quantity of goods for a price, corresponding to a significantly smaller amount. In such case suppliers merely cover their production costs, only ensuring the utilisation of their capacity (Strobl, Walsh 2007; Barr, Roy 2008; Rotemberg 2008; Brennan 2011; Strobl, Walsh 2016).

We examined some aspects of distorted market competition in cases of monopsony and oligopsony. We also defined measures for reducing or eliminating their negative effect by taking advantage of the opportunities of international business negotiations. Further on it would be appropriate to examine the monopoly power of suppliers, ways to identify and assess them, as well as define the means to direct the balance of power towards the benefit of the buyer.

We examined aspects of distorted market competition in case of monopsony, which are significant for developing and implementing negotiating power in international business. One of the reasons for the lack of competitive tension in the market is an insufficient number of suppliers to create a free and open competition, such as in case of a monopoly. Therefore, we can refer to a distorted market as an absence of free and open competition. Free competition means that market participants are competing rather than cooperating with each other and forming cartel relations. Open competition means that the market entry barriers are sufficiently low, thus making the profits of existing players rather low, because otherwise new entrants coming into the market would try to sell with lower profits, which would essentially be useful for customers and thus ensure their sales.

The buyer power refers to how buyers or users can influence transaction terms with their suppliers. There are two types of power: monopsony power and bargaining power. If the buyer can reduce the price to the level lower than the market competition among suppliers, it means that he has the monopsony power. Negotiating power depends on the bargaining strength, demonstrated by the buyer during communication and negotiations with suppliers. Lower price is achieved from monopsonic power, rather than negotiating power. Negotiating power is used only when the supplier has a corresponding market power, which

can be levered with negotiating power. The consequences of using negotiating power in each case are very different. Monopsony and oligopsony powers decrease the volume of sales and productivity in supply market, which ultimately has a negative effect on the consumer market. The negotiating power of the buyer is more of a compensatory nature. It increases the volume of production in supply market and can improve the market situation in the consumer market.

We also analysed measures, which help in situations of distorted market competition, reducing the negative impact on the balance of powers during international business negotiations. Some of the most important elements determining the balance of negotiating power include: market structure, market concentration and competition. Solving situations of distorted competition opens opportunities for international business, as the presence of other market participants can provide additional alternatives for reducing the negative impact of distorted competition on the balance of negotiating powers between negotiating parties. When the number of buyers and sellers is small, the negotiations may revolve regarding the possible excess profit between the buyer and the seller, according to their capacities. Excess profit distribution depends on the relative negotiating power. Being the goal of both buyers and sellers, excess profit encourages them to come to an agreement rather than seek for alternatives. Greater bargaining efficiency of the buyer opens him more possible alternatives, reducing the number of alternatives for the seller, thus allocating the greater share of the excess profit to the buyer. Buyers' transaction profit depends on their ability and willingness to look for alternative suppliers. Similarly, sellers' transaction profit depends on their ability and willingness to look for other buyers. The assessment of the negotiation powers of the negotiating parties is crucial for the development and implementation of an effective international business negotiation strategy in order to make the best use of the negotiation potential - the negotiating power.

The search for new suppliers can help expand the available alternatives, thus increasing buyers' negotiating power. Also, having more alternatives means expanding the existing market boundaries. This can be achieved by examining similar or related markets, which may become potential supplier markets. Sometimes other market participants find it quite difficult to switch to another market.

Therefore, buyers looking for potential cheaper suppliers from other markets could think of possible negotiating proposals, which would make it

easier to convince potential future partners to cooperate in a new market: sharing experience, such as attaching project managers or sharing some of the technology during joint meetings; subsidising certain costs of entry, buying appropriate measures, or otherwise investing into mutually-beneficial cooperation; offering longer contracts; gradually increasing the volume of orders and their complexity, thus giving the supplier an opportunity to adapt their own technology for more complex work.

Buyers often find themselves in an awkward position, when they need their suppliers more than the suppliers need them. One may consider the possibility of closer cooperation with a monopoly enterprise, thus increasing one's dependence. This works in situations, where suppliers have a monopoly in several business areas, but not in all. Such measures can increase the available negotiating power. Of course, it is necessary to avoid situations, where one supplier can provide a full package of services. Therefore, it is important to divide the needed service into segments, creating more freedom of choosing from several suppliers, without giving all the negotiating powers to a single supplier. Or, on the contrary - a strategic move of the negotiations may include offering the supplier to sell more if they made a better offer.

18. COMPARISON OF THE POSSIBILITIES OF APPLICATION OF SPECTRUM AND GAMING THEORIES IN MODELING MARKET ECONOMY NEGOTIATIONS

In market economy negotiations, negotiators are faced with a huge amounts of information about objective parameters, determining the context of the negotiations. However, no less important is the subjective economic behavior, which it is not always possible to assess. Also existing theories have not considered subjectivity as an important aspect of economic behavior. The assessment and formation of bargaining power is especially relevant for negotiations, in which it is necessary to harmonize the processes of interaction between participants of different cultures, taking into account the context of negotiations, cultural differences, the conflict prevention aspects. The assessment of these aspects of internationalization is relevant in order to make more effective use of the potential of bargaining power in market economy negotiations. This highlights the need to look for modeling approaches focused on cross-cultural compatibility, conflict prevention, and a more effective

understanding of the context of negotiations.

In negotiation, when modeling decision-making at both the individual and market levels, it is important to understand and be able to evaluate important aspects of economic behavior. Therefore, the paper examines the basic principles of behavioral economics: the psychological value of monetary profit or loss and the functions of assessing uncertainty. How both theories take into account these principles: gambling and spectrum. The approach of spectrum theory can be used to model the economy, both at the individual and market levels. This is especially relevant in international business negotiations, where when modeling solutions and various operations, there are opportunities to evaluate subjective parameters. Therefore, the possibilities of applying the theory of spectrum in comparison with the classical theory are examined in this work. Spectrum theory is proposed to be applied in modeling decision making.

Game theory in economics is used as standart model for analyzis of situations, ion which people are interrelated (Duffy et al., 2011). For example, in negotiations, in the markets, where social problems are solved, such as selling or changing products and servises. Theory of economical behavior is aproach, which takes principals of psichology, in order to offer methods on weakening assumptions of rationality expand the motivational basis for economical behavior. The problem of negotiations is reflected in situations, where subjects of business are trying to get profit in the market from possible situations (Sun et al., 2020; Chen, 2020). In cases where monetary profit and losses compensate each other, so the usefulness of such profit and losses not necessarily offset each other, for example, if one of the individuals avoids the loss. The weakness in games of theoretical negotiation models is a high level of abstraction. It means that it is a lack of many aspects of negotiations. There are left many communication details in non-cooperative game theory, for example to persuade other part, to bluff and misrepresent interests. There are some disagreements on what extent communication of negotiations is called as manipulation, or kept as valuable, open and fair (Chen, 2020).

The models of negotiations foresee a high degree of negotiation effectiveness. Coase's theorem states that, assuming that there are no any transaction expenditures and that it is fully formed, the results of the negotiations are Pareto efficient. The development and using of Rational choice theory was important economic achievement (Chen, 2020). According to the Rational choice theory, it is assumed that individuals make preferences that meet the requirements for consistency of choice. It is controversial evaluation,

that standard economic theory also assumes that preference is given only to get the material gain or loss for the person himself from the deal. Also, the Rational choice theory requires to give assumptions about beliefs, which people have about the option to choose, with which they meet, and about how other people can behave. The believes are formed on the bases of the current person's information and searching of new important information. A rational economic person, based on his beliefs, chooses an alternative that maximizes his choice, as it is given in the utility function, taking into account resource constraints such as money and time (Duffy et al., 2011). In traditional Game theory a zero sum game describes the game, in which one player wins against other player, losing the net change of assets or benefits. The number of players is not limited. There is simplification, options and futures, which replicate bets on future stock prices, and profit is received when market prices fluctuate against expectations. Most games in real life are described as follows: all players have not all information, for example the agent does not know the preferences of other players as they do. So such games are called as games having incomplete or asymmetric information. Example of static game with incomplete information can be the recruitment process in the firm, when every player has some type, namely its capabilities, about which nor other players, nor firm has no any complete information. The firm selects few players, then each player monitors their own type, but not the other players, and ultimately all players at once decide on their own actions only by knowing his type. So the profit of player now depends from his actions and type.

Information becomes the essential, if not the most important source (Duffy et al., 2011; Sun et al., 2020; Chen, 2020). The scientists recently became increasingly aware that information processing is a physical phenomenon and that information theory is inseparable from both applied and basic physics. The attention for more physical information processing aspects revealed new perspectives on computational, cryptographic, and communication methods (Duffy et al., 2011; Sun et al., 2020; Chen, 2020). In many cases quantum description of the system gives advantages over the classical situation. It is similar that game theory, which studies (rational) decision-making in conflict situations, requires a quantum version - spectrum theory.

The purpose of applying the Game theory is to determine economic behavior, to find mathematically complete principles that would describe the rational behavior of participants, and to determine the main characteristics of their behavior (Danilov et al. 2018; Piotrowski and Sładkowski, 2003; Moreira

and Wichert, 2018; Orrell, 2020). This is especially relevant in market economy negotiations in order to choose the most advantageous alternative for a market participant. In classical theory, 4 basic principles are given - axioms. Suppose a participant has two games α and β with different potential gains. The axiom of completeness states that the participant has clearly defined preferences and can always choose between the two alternatives. The axiom of transitivity assumes that if a participant prefers alternative α over β, and alternative β over δ, then he prefers alternative α over δ. The interconnection axiom assumes that if a participant prefers the alternative to α rather than β, then the newly introduced unrelated alternative δ does not change that provision (Danilov et al. 2018; Piotrowski and Sładkowski, 2003; Moreira and Wichert, 2018; Orrell, 2020). The projected benefits of each alternative are described as the sum of all possible winnings when they are defined as coefficient. Suppose alternative α has two probable winnings: α_1 size with possibility P (α_1), and quantity α_2 with possibility P (α_2). Then probable winnings are

$$U(\alpha) = P(\alpha_1)u(\alpha_1) + P(\alpha_2)u(\alpha_2) = P(\alpha_1)\,\alpha_1 + P(\alpha_2)\,\alpha_2 \qquad (1)$$

Game β is more attractive if its expected utility satisfies U (β)> U (α).

Although the theory of expected utility is still the basis for the behavior of many economic models, psychologists and economists have shown that the theory does not cover sequential cognitive phenomena (Moreira et al. 2020; Haven and Khrennikov, 2017; Orrell, 2020; Yang and Zhang, 2019; Piotrowski and Sładkowski, 2002) One of the first attempts to modify the predicted utility theory was Perspective Theory, where solutions were analyzed, when there is a risk. This theory of expected utility has been modified in two ways. Firstly, it was said that in this case what matters are not the final amounts, but are the gains or losses, compared to a certain reference point. Second, it has been said that the results are evaluated by a nonlinear weighted uncertainty function rather than by probability itself. These two main findings of Perspective theory are illustrated in Figures 1 and 2.
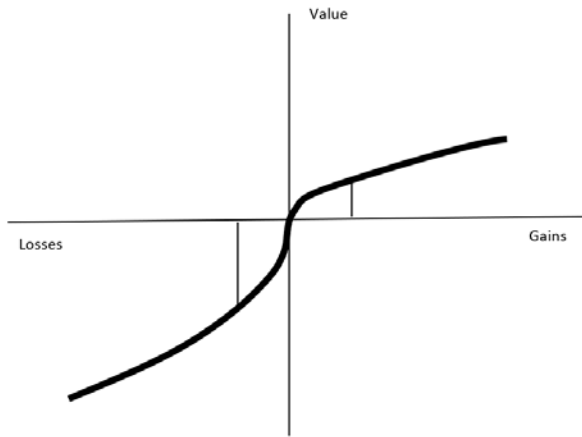
Fig. 25. A drawing of a value function showing the psychological value of an event. as a function of monetary gain or loss (Orrell, 2020)

The Center shall indicate the reference level at which the gain or loss is incurred. The function is rich because of the high profits or losses in addition, it is asymmetrical around a reference point, because a certain amount of loss is felt more than a comparable gain (dashed lines).
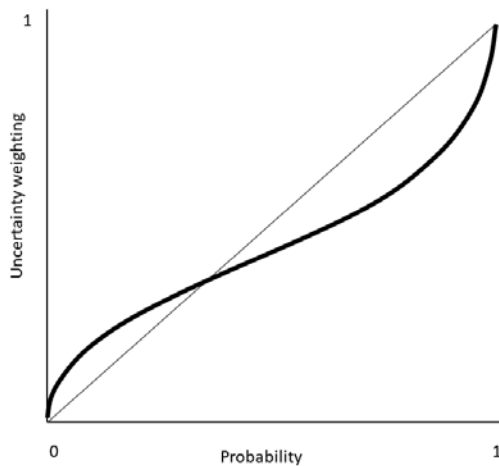

Fig. 26. Drawing of the uncertainty weighted function (Orrell, 2020)

In the Theory of Expected Utility the event uncertainty factor is equal to its probability (dashed line). In Perspective theory, the curve is concave near 0 and convex at 1 (solid line). The curve will differ in terms of losses and gains, but the shapes will be similar. Considering the value function v (x). and the uncertainty estimation function w (p), the following formulas were formed:

$$v(x) = -2(-x)^{0.5} \; for \; x < 0 \qquad (2)$$

$$v(x) = x^{0.5} \; for \; x \geq 0 \qquad\qquad (3)$$

And

$$w(p) = \frac{p^{\gamma}}{(p^{\gamma}+(1-p)^{\gamma})^{1/\gamma}} \qquad\qquad (4)$$

Where $\gamma = 0.61$.

These figures summarize together many basic cognitive phenomena that form the basis of behavioral economics. For example, losses and gains are felt in relation to a certain point of reference, which will depend on the context. This point is plotted on the horizontal axis of the value curve, which is equal to zero (shown in Figure 1). Most people don't seek a loss, but losing a certain amount is about twice as painful as winning the same amount. This is why the value curve is asymmetric around the initial position and the slope of the loss is steeper (Moreira et al. 2020; Haven and Khrennikov, 2017; Orrell, 2020; Yang and Zhang, 2019; Piotrowski and Sładkowski, 2002).

Experiments also show that we do not properly evaluate possible outcomes according to their probabilities. We change much more sensitively. probability from 0 to 0.1, or from 0.9 to 1. than from 0.4 to 0.5. this is why the uncertainty function in Figure 2 is bent at zero and convex at 1.

The difference between Perspective Theory and Expected Benefit Theory. is shown instead of formula

$$U(\alpha) = p(\alpha_1) \, \alpha_1 \; + \; p(\alpha_2) \, \alpha_2 \qquad\qquad (6)$$

we are writing:

$$U(\alpha) = w(\alpha_1) \, v(\alpha_1) \; + \; w(\alpha_2) \, v(\alpha_2) \qquad\qquad (7)$$

Where v is a function of value and w is a function of estimating uncertainty. Perspective theory can be seen as a modified version of the Expected Benefit Theory, where the linear relationship is replaced by nonlinear curves. It could be considered the Allais paradox:

Game α: choice between

α_1 500   EUR   with   80   percent.   probability

α₂ line:

α_2	375	EUR	with	100	percent.	probability

Game	β:	choice	between
β_1	EUR	500	with	20%.	probability
β_2 375 EUR with 25 percent. Probability

According to the Theory of Expected Benefits, we have:

for game α

$$U(\alpha_1) = p(\alpha_1)\,\alpha_1 = 0.80\text{x}500 = 400 \qquad (8)$$

$$U(\alpha_2) = p(\alpha_2)\,\alpha_2 = 1.00\text{x}375 = 375 \qquad (9)$$

For game β

$$U(\beta_1) = p(\beta_1)\,\beta_1 = 0.20\text{x}500 = 100 \qquad (10)$$

$$U(\beta_2) = p(\beta_2)\,\beta_2 = 0.25\text{x}375 = 94 \qquad (11)$$

In the first choice, the game offers slightly better benefits. In practice, however, participants choose the first option in the β game and the second option in the α game. The reason that in game α is the warranty option, which is more attractive. However, this meant that their Utility Theory was inconsistent, which violated the Axioms of Proposed Utility Theory (Palafox-Alcantar et al., 2020; Golroudbary et al., 2020; Orrell, 2020 Whalen et al., 2018).

In Perspective Theory, using the value and uncertainty estimation function, these calculations become for α game:

$$U(\alpha_1) = w(\alpha_1)\,v(\alpha_1) = 0.61*22.36 = 13.64 \qquad (12)$$

$$U(\alpha_2) = w(\alpha_2)\,v(\alpha_2) = 1.00*19.37 = 19.37 \qquad (13)$$

for β game:

$$U(\beta_1) = w(\beta_1)\,v(\beta_1) = 0.26*22.36 = 5.81 \qquad (14)$$

$$U(\beta_2) = w(\beta_2)\,v(\beta_2) = 0.29*19.37 = 5.62 \qquad (15)$$

The most attractive alternative is now α_2 and β_1, which corresponds to the experiments. The reason for that was. psychological overestimation of the guarantee.

The Ellsberg paradox should also be examined. There is a box with 180 balls, of which 60 are red and 120 are black or yellow. There are two choices: in the case of α, you can bet on red or black; In the case of β, you can bet on red or yellow, or black or yellow. In each game, the probability of finding a color is 1 to 3. The difference is that in game β, each guess has a yellow color as an alternative. Therefore, if you want red in the case of α, then you have to choose red or yellow in game β. Most people see it differently - they don't look at the color of the ball, but at the uncertainty (Moreira et al. 2020; Haven and Khrennikov, 2017; Orrell, 2020; Yang and Zhang, 2019; Piotrowski and Sładkowski, 2002).

In game α we know that number of red will be 60 and black is unknown. Therefore, the red color is chosen in the game α. In the game β. the number of yellow balls is unknown, but the known amount is 120. Therefore, black or yellow is chosen, again due to less uncertainty. This inconsistency contradicts the theory of Expected Utility, but it also denies the Theory of Prospects for the simple reason that probabilities are not known, making it impossible to reconcile them with the function of the uncertainty weight (Liu et al., 2019; Omrani and Fahimi 2020; Orrell, 2020; Becchetti et al. 2020; De Lange and Valliere, 2020). The paradox could only be explained by the introduction of a new and different ad hoc weighting function, which led to the avoidance of doubt (Phoenix et al., 2020; Wang and Xiang, 2019; Asano et al. 2012).

Using classical theory, there are a number of cognitive phenomena that are difficult to predict (Phoenix et al., 2020; Wang and Xiang, 2019; Asano et al. 2012). These include so-called merge and detachment effects, order effect, and preference change. These cases show that context and measurement procedures affect responses. The Elsberg paradox presents two formally identical variants, with a script difference. Uncertainty about black and yellow balls creates interference that determines the assessment. It will therefore be examined further. a quantum approach that could be used to address these paradoxes.

In this section, we will examine spectrum theory, and its applications for modeling market negotiations, with the aim to fill the limited possibilities of classical theory to evaluate subjective parameters of economic behavior. Therefore, in the case of the Alay effect, we note that the problem can be

presented in the form of a matrix, forming a benefit matrix for the game α

$$U = \begin{pmatrix} u_1 & 0 & 0 \\ 0 & u_2 & 0 \\ 0 & 0 & u_3 \end{pmatrix} = \begin{pmatrix} 500 & 0 & 0 \\ 0 & 375 & 0 \\ 0 & 0 & 0 \end{pmatrix} \qquad (16)$$

The probabilities will be the vectors $\Psi_1 = (\sqrt{0.8} \quad 0 \quad \sqrt{0.2})$ ir $\Psi_2 = (0 \quad 1 \quad 0)$, where the third component takes into account the possibility of not winning anything. The likely benefits in this case are

$$O(\Psi) = \Psi U \Psi^T \qquad (17)$$

$$O(\Psi_{\alpha1}) = (\sqrt{0.8} \quad 0 \quad \sqrt{0.2}) \begin{pmatrix} 500 & 0 & 0 \\ 0 & 375 & 0 \\ 0 & 0 & 0 \end{pmatrix} \begin{pmatrix} \sqrt{0.8} \\ 0 \\ \sqrt{0.2} \end{pmatrix} = 400 \, (18)$$

$$O(\Psi_{\alpha2}) = (0 \quad 1 \quad 0) \begin{pmatrix} 500 & 0 & 0 \\ 0 & 375 & 0 \\ 0 & 0 & 0 \end{pmatrix} \begin{pmatrix} 0 \\ 1 \\ 0 \end{pmatrix} = 375$$

(19)

$$O(\Psi_{\beta1}) = (\sqrt{0.2} \quad 0 \quad \sqrt{0.8}) \begin{pmatrix} 500 & 0 & 0 \\ 0 & 375 & 0 \\ 0 & 0 & 0 \end{pmatrix} \begin{pmatrix} \sqrt{0.2} \\ 0 \\ \sqrt{0.8} \end{pmatrix} = 100$$

(20)

$$O(\Psi_{\beta1}) = (0 \quad \sqrt{0.25} \quad \sqrt{0.75}) \begin{pmatrix} 500 & 0 & 0 \\ 0 & 375 & 0 \\ 0 & 0 & 0 \end{pmatrix} \begin{pmatrix} 0 \\ \sqrt{0.25} \\ \sqrt{0.75} \end{pmatrix} = 94$$

(21)

The answers are the same as before. We can also use spectral decay to describe U

$$O(\Psi) = \Psi U \Psi^T = \Psi \left(\sum_i u_i V_i V_i^T \right) \Psi^T = \sum_i u_i |\Psi V_i|^2 \quad (22)$$

Where V_i is the real vector of column 0 with respect to the real value Ui,

and $ViViT$ is the projection operator is the projection operator that protrudes into that self-vector. In the classical case, where 0 is diagonal, the matrix V of the real vector is an identical matrix, the formula decreases to the weighted expected benefit function, where the win u_i is weighted by the possibility

$$|\Psi V_i|^2 = \Psi_i^2 \tag{23}$$

In this case we can write:

$$O(\Psi) = 500\,\Psi \begin{pmatrix} 1 & 0 & 0 \\ 0 & 0 & 0 \\ 0 & 0 & 0 \end{pmatrix} \Psi^T + 375\,\Psi \begin{pmatrix} 0 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 0 \end{pmatrix} \Psi^T +$$
$$0\,\Psi \begin{pmatrix} 0 & 0 & 0 \\ 0 & 0 & 0 \\ 0 & 0 & 1 \end{pmatrix} \Psi^T \tag{24}$$

In the quantum case, the matrix U responds to the observation, which is a Hemitian operator with real true values. Expected benefit O (Ψ) is the probable value of the observation when the system is in place

$$|\Psi\rangle = \sum_i \langle V_i|\Psi\rangle * |V_i\rangle \tag{25}$$

Where the weights $\langle V_i|\Psi\rangle^2$ take into account the conditions $|\Psi V_i|^2$ in the matrix version, and show the subjective weight assigned to the win Ui. In other words, we break down Ψ the position of the decision maker to the real vectors V_i where each takes into account the corresponding result, and uses the result to reach the observed O (Ψ).

In the classic case, probabilities Ψ indicate the objective state of the game, and the weights combine these probabilities with the winners V_i. The problem is that there is no punishment administered to the fact that nothing is unwinnable, what is known as influencing decisions. Based on La Mura's theory of projected expected benefits, this can be done in a quantum system by choosing an observational U that would be a Hermitian operator where non-diagonal conditions are not zero (Škare and Porada-Rochoń, 2020; Gazda et al., 2017; Suzanne et al., 2020; Orrell, 2020). In this case, the weights $\langle V_i|\Psi\rangle^2$ will not only weigh the result according to its probability of occurrence, but may include other factors as the fact that the appearing result means that the next result will not occur. For example, a low degree of fear risk of not winning anything (the third component) can be modeled by including

$$U = \begin{pmatrix} 500 & 0 & -40 \\ 0 & 375 & -40 \\ -40 & -40 & 0 \end{pmatrix} \qquad (26)$$

Which gives

$$O(\Psi_{\alpha 1}) = \begin{pmatrix} \sqrt{0.8} & 0 & \sqrt{0.2} \end{pmatrix} \begin{pmatrix} 500 & 0 & -40 \\ 0 & 375 & -40 \\ -40 & -40 & 0 \end{pmatrix} \begin{pmatrix} \sqrt{0.8} \\ 0 \\ \sqrt{0.2} \end{pmatrix} = 368$$
$$(27)$$

$$O(\Psi_{\alpha 2}) = \begin{pmatrix} 0 & 1 & 0 \end{pmatrix} \begin{pmatrix} 500 & 0 & -40 \\ 0 & 375 & -40 \\ -40 & -40 & 0 \end{pmatrix} \begin{pmatrix} 0 \\ 1 \\ 0 \end{pmatrix} = 375 \qquad (28)$$

$$O(\Psi_{\beta 1}) = \begin{pmatrix} \sqrt{0.2} & 0 & \sqrt{0.8} \end{pmatrix} \begin{pmatrix} 500 & 0 & -40 \\ 0 & 375 & -40 \\ -40 & -40 & 0 \end{pmatrix} \begin{pmatrix} \sqrt{0.2} \\ 0 \\ \sqrt{0.8} \end{pmatrix} = 68$$
$$(29)$$

$$O(\Psi_{\beta 1}) = \begin{pmatrix} 0 & \sqrt{0.25} & \sqrt{0.75} \end{pmatrix} \begin{pmatrix} 500 & 0 & -40 \\ 0 & 375 & -40 \\ -40 & -40 & 0 \end{pmatrix} \begin{pmatrix} 0 \\ \sqrt{0.25} \\ \sqrt{0.75} \end{pmatrix} = 59,10$$
$$(30)$$

Therefore, the alternatives α_2 and β_1 are now chosen as more useful.

In summary, the diagonal utility matrix means that perspectives are evaluated by projecting the results of an underlying object with known benefits. In practice, the person will appreciate the perspective by designing on subjective frameworks that will not fit perfectly with the classical version and will give negative weights to undesirable outcomes (Fahrenberg and Legay, 2020; Riser et al., 2020; Rashkovskiy and Khrennikov, 2020; Samadi et al., 2018; Orrell, 2020; Shubik, 1999; Orrell, 2020). This method transfers non-zero non-diagonal data to the U utility matrix, which has the advantage of simplicity, of course U has two negative effects: objective and subjective weights.

Therefore, instead of calculating U, the alternative method provides a subjective basis. Which projects the position Ψ and uses the spectral decay together with the normalized conditions to generate the U result.

In market economy negotiations, the participants are confronted with vast amounts of information about the objective parameters that determine the context of the negotiations. However, no less important is subjective economic behavior, which is not always possible to assess, and existing theories have not considered subjectivity as an important aspect of economic behavior. The assessment and formation of bargaining power is especially relevant in negotiations, where it is necessary to harmonize the processes of interaction between participants of different cultures, assessing the context of negotiations, cultural differences, aspects of conflict prevention. The assessment of these aspects of internationalization is relevant in order to make more effective use of the potential of bargaining power in market economy negotiations. This highlights the need to look for modeling approaches focused on cross-cultural compatibility, conflict prevention, and a more effective cognition of negotiation context.

The Spectrum theory approach can be used to model economic behavior, more specifically negotiation strategies, at both the individual and market levels. This is especially relevant in international business negotiations, when modeling solutions and various operations, there are opportunities to evaluate subjective parameters. Classical economic theory does not define subjective parameters of economic behavior, therefore, when modeling market negotiation strategies, it is difficult to identify and evaluate appropriate parameters of economic behavior required for decision-making in market negotiations. Therefore, the possibilities of application of Spectrum theory in comparison with the classical theory are examined in this work. Spectrum theory is proposed to be applied in modeling decision making. Using classical theory, there are a number of cognitive phenomena that are difficult to predict. These include so-called merge and detachment effects, order effect, and preference change. These cases show that context and measurement procedures affect responses.

In summary, the diagonal utility matrix means that perspectives are valued in design on a basis, having object results with known benefits. In practice, the person will appreciate the perspective by designing on subjective frameworks that will not fit perfectly with the classical version and will give negative weights to undesirable outcomes. This method transfers non-zero non-diagonal

data to the U utility matrix, which has the advantage of simplicity Of course U has two negative effects: objective and subjective weights. Therefore, instead of calculating U, the alternative method provides a subjective basis, which projects the position Ψ and uses the spectral decay together with the normalized conditions to generate the U result.

CONCLUSIONS

1. Negotiation strategies may be associated with the negotiation structures. From the structure of negotiating depends what negotiating strategy will be prepared. In the paper is presented typology, negotiating models. Structure of negotiations in organizations and between them are very similar to the organization's management theories, of course, the two negotiating parties may have the same management structure, but the structure of the negotiating may be different. Negotiations can be more or less formal and this affects the team's focus, resources, communication system and negotiating behavior.

2. In order fully explore the negotiating process it is necessary to know and understand the key negotiation parameters and principles. Negotiation principles are essential in modeling negotiating situations and designing various negotiating support systems. The paper reviewed the scientific literature and have been selected and presented the most often cited principles of negotiation. Most of the negotiations referred are based on the principles of self knowledge of the other side, on principles of communication quality conditions (questioning, listening, understanding, etc.)., ethics, and principles of information acquisition and exchange of consistency, the principles of emotional control and manipulation.

3. Subsequent studies should investigate the principles for granting concessions and their impact on the final results. There is also a need to explore intercultural communication impact on the negotiations.

4. Negotiating communication has created new challenges, as business becomes global, and the distance between the two parties do not allow to negotiate fully – to take full advantage of the bargaining power remotely. Existing e-negotiating systems can perform many functions, but can't determine the context of the negotiations when negotiating questions are dynamically changing. The use of innovations can be helpful not only in the process of negotiation support, but also in preparation for the negotiation phase. In order to save resources, algorithms can be used for data collection and analysis in the

online space, which would help to prepare for the negotiations, learning more about the other side of the negotiating organization, its current situation, relationships and organizations represented negotiating expertise and experience. Modeling negotiation strategies can be deployed in organizations websites ranking systems with the purpose to see the essential differences between the two parties.

5. Studies of international business negotiations team building processes showed that are significant the personal qualities and skills on the negotiation process and the end result. To ensure correct preparing for negotiations it is necessary to develop an effective negotiating team whose analytical work and capacity could contribute to the achievement of the highest results of the negotiations. This is particularly important in the context of preparing for intercultural negotiations, which require an understanding of other cultures and other languages, possession of legal knowledge, knowledge of the negotiation context and so on. Before you start international negotiations it is required to be familiar with the features of another culture or even to hire a mediator familiar with that culture. In preparation for international negotiations should be taken into account that negotiator may not necessarily be representative of the same country and culture. Negotiating parties can also hire representative / expert from the other side of the negotiating party which will help in the negotiations. Therefore, prior negotiations it is necessary to take this into account. To hire an expert from another party can be useful for the possibility to learn more about the context of the negotiations, prevailing in the market of that country / region.

6. In preparation for negotiations phase is necessary to know better the other side of negotiation. Knowing capabilities of technical communication of other party in negotiations it is possible to prepare effective negotiation support tools. Having experience in another culture of the business sphere it is possible to avoid misunderstandings that could undermine the smooth functioning of information exchange. In view of cross-cultural negotiation principles it is appropriate to foresee the potential of other negotiation side steps. The better we know the other side of negotiations the more accurately we know its needs, available alternatives, resources, and so on. In negotiation communication work many dynamic variables, therefore during forming negotiating team it should be taken into account the experience of members in different cultures also. Negotiation's success often depends on the effectiveness of the preparation - the better will be known another side of the negotiating and bargaining context, the better results will be achieved.

7. The cross-cultural communication in business negotiations are facing new challenges in the context of the rapid changes in media of communication, changes of globalization, changes of the values in different cultures. This assessment is significant for prevention of conflicts in intercultural business negotiations, which can help to achieve smoother interactions between participants and results of negotiation.

8. From the overview of the researched literature we see a significant contribution of the recent year scientists in examining the exchange of information and conflict prevention in negotiations. However, these studies are missing elements of the overall study of streamlined talks. Because until now investigations been only on separate or few items. Although it is not easy to perform but the real negotiations are assessed by the other side not only on a few elements but as a whole. It should be based on the advice of H. Mintzberg, do not perform experiments, investigations of separate elements, but to do investigations of certain life processes - real negotiations, their communication, because it is the only way to avoid errors due to the reliability of experiments.

9. In the management of expectations it is important to understand the context of the negotiations. In the international negotiations, it is not so easy because of the language, distance and cultural barriers. Examining the partners expectations we need to identify their sources, which influence the decisions of the other side of the negotiation and understanding of the transactions. Therefore, organizations often have customer's information databases in which are recorded their history. Such a database can reduce the preparation time for negotiations and after the changes in the negotiating team remains as part of the information. It can depend on national culture of negotiating side, on the organizational culture and its experience in negotiating. Further research should explore in more detail the process of managing expectations during negotiating.

10. When analyzing incompatibilities of different cultures it is possible to use analysis of Hofstede's cultural dimensions. This can be extremely useful in the design of international business negotiations. When negotiating at international level, it is essential to collect and systemize information, not only about the other side of the negotiation, but also on the context of the negotiations. This may be impact of other entities that affect, changes in the legal, political processes, and many other important factors in a particular negotiation situation. Intercultural communication is an integral part of such factors as the negotiation environment, culture, ideology, bureaucracy, law, stability and other. All these factors influence the process of negotiations. Therefore, the essential

influencing factors must be taken into account when creating strategies of negotiation.

11. The scientific literature does not sufficiently investigated the effects of the process of cross-cultural negotiating to the final results of negotiations. Intercultural negotiation plays a significant role in the cultural dimension. They may have a negative influence on negotiating communication understanding differently various cultural values, symbols, patterns and so on. It is necessary to foresee these elements in the preparation of negotiating strategies in the negotiations at transnational level.

12. There are necessary to provide for potential cross-cultural incompatibilities in the intercultural negotiations, previously getting acquainted with different cultures and to foresee measures to prevent or solve them. In order to prepare for negotiations it is necessary also to develop an effective negotiating team whose analytical work and capacities contribute to the achievement the highest outcome of the negotiations. This is particularly important in the context of preparing for intercultural negotiations, which require an understanding of another culture, another language, possession of legal knowledge, knowledge of the negotiation context and so on.

13. In forming the strategy of negotiations it is needed to get acquainted with the negotiating context. When planning the international business talks, preparation is usually more complex than between the subjects of the same country or regional negotiations. The analysis of the global scientific literature revealed a lack of research on the impact of cross-cultural context of the negotiations to the negotiation process and outcome.

14. Further investigations must be done by exploring the international negotiations, team building and preparation for the negotiation issues and their impact on the negotiation process and the end result. There is also a need to investigate the formation process of the negotiation team in an international context of the negotiations.

15. Intercultural communication is an integral part of such factors as a negotiating environment, culture, ideology, bureaucracy, law, stability and so on. All these factors have an impact on negotiating process. Therefore, in the development of negotiation strategies is necessary to take into account key factors affecting. The existence of intercultural differences between the cultural dimensions in the negotiations may result in unavoidable inconsistencies: the characters understanding differences, language barriers, different behaviors, gestures, and so on. Negotiations are often interacting at a distance in an

interactive way for obvious reasons of cost. There are various technical measures in remote talks: e. mail, phone, mail, video conferencing, chat boards, text messages, multimedia online negotiating and others. With the help of video conferencing in the international negotiating communication can be exploited more bargaining power than for instance telephone, e-maill, text message or other.

16. Use multi negotiating support systems, in which are used to the situation and unnecessary features may require more resources for system knowledge and to select appropriate functions than without the use of negotiating support systems. In negotiations the help of electronic support systems may be useful in negotiating remotely with other national partners (customers, suppliers, colleagues and others.). Knowing the available technology options to support the negotiations, it is possible to adapt them in supporting of individual processes, but it should be noted that adaptation of the negotiating support system for specific situation should not request more resources than the process itself without negotiation support systems, otherwise the negotiating support system would be meaningless.

17. The author proposes the use of internet search engines' ranking algorithms and cultural dimensions as elements of negotiating context in order to more accurately simulate the processes of international business negotiations, and the final results. In further studies will be required in more detail to explore effects of innovations for negotiations. It is also necessary to explore the impact of cultural differences in negotiations and the possibility to simulate the interaction between representatives of different cultures in the negotiations.

18. In this chapter was analyzed changes of strategic management theory over the past decades and methodology of strategic management. The article emphasized the importance of management and staff in the preparation of the company's strategy, because they are the people who prepare and implement strategies of companies. However, their opposition to the strategy implementation can result in the failure of the company as well. The same applies to formulation and implementation of the negotiation strategy, since one of main factors for the success of the negotiations is a staff motivation, which makes influence to the effectiveness of future negotiations. As well, the employees during negotiations can notice the changes of environment, competitors' activities - thus in preparing the company's strategy is necessary to consider the recommendations of the negotiators, as they have nearest relationship with market developments. In this chapter is overviewed the main

ideas and concepts of strategic management schools, based on Mintzberg's suggested typology, which allows to see from different angles of view the same process. The analysis of the management schools show, that it is precisely the Power school is the most appropriate for negotiating strategy development and implementation. Power and policy approach is consistent with the nature of the negotiations, as the bargaining power has a significant impact on the negotiation strategy formulation and implementation processes. Other aspects of the negotiations, such as internationalization, context-awareness, negotiating activity limitations, experienced bargaining power and uniqueness were revealed and can be realized in the ideas and concepts of Entrepreneurial, Cognitive, Educational, Environmental and Cultural schools of strategic management approaches. Since negotiation is a dynamic process, it is appropriate to use and the Configuration school approach - integrating conceptual variations of several schools. The Power school ideas and concepts on power effects for strategy formulation and implementation are closest for negotiations. The negotiating practice shows that precisely negotiating power is the negotiating strategy. Therefore, in terms of negotiating strategy formulation and implementation, great attention should be given for the analysis of both sides negotiating powers and their configuration composition.

19. Game theory cannot fully define the decision-making process on some circumstances, but it is a great tool helping to make the right strategic decisions. Game theory does not give ethical or moral guidance, but explores what encourages selfish interest. The basic weak point of game theory is rationality itself, as theory itself deals solely with rational games. And how to examine them, when it is not entirely clear the basis of game theory - the concept of rationality and causes which encourages irrationality? In reality, people are not always based on rational (such as decision-making may be influenced by emotions of the individual), and rationality itself can be interpreted in different ways, as to the rules of the individual rationality can influence prior experience, the region's cultural influence, moral awareness, and other factors. From the overview of the typology can be said that game theory methods can be considered both as the negotiations of two negotiators (because in negotiations are at least two negotiators) and as negotiations of dozen participants. It is also possible to examine multi criteria negotiations, which combination can be called as alternative to the negotiating strategy. However, solutions are not always accepted on the rational basis, so in future we will explore this question of game theory and important aspects for the negotiations. From the results we can see

that created algorithm has helped to find the optimal way for the negotiation strategy in negotiations with other business entities. To make a selection of principles and rules can negotiators with high qualifications and experience in the fields concerned. In order to determine which option is the best is needed to assess specifics, goals and context for each individual task. The author is proposing such cases of use: in the context of multiple negotiations and making a lot of solutions it is advisable to apply Bayes (Bayes-Laplace) and Hurwitz principles. If negotiations are one-off, it is better to apply the minimax and Savage-Niehaus principles. If in certain circumstances is unacceptable even minimal risk, so solutions should be based on the principle of Wald. If it is possible the partial risk, then defining of the optimal strategies is a subject to Savage-Niehaus rule. The examination of application the negotiation strategies can be seen that the application of the principles of strategic subject can change for each question of negotiations. From the investigations carried out it can be said that created by author mathematical algorithm for strategy formulation of international business negotiations, can be used in electronic business negotiations, both as a standalone tool, both as partially requiring intervention by the negotiator. As well, this created negotiation algorithm can be used to support the negotiations through the various databases. In this work we analyze the reduction of uncertainty in formation of negotiation strategy through databases, describing the context of the negotiations, as well we examined possibilities of assessment the potential cross-cultural differences through the database of intercultural dimensions. The results showed that created negotiation algorithm can be used for analyzis and support of negotiation strategies which consist of various parameters.

20. It was established that the negotiating strategy model, based on the assessment of negotiating power, allowed to take more effective strategic decisions than without using this model. Therefore, we can conclude that the results confirm the first and second hypotheses. Prospects of utilization the developed model of international business negotiations: negotiation support tool, information uncertainty reduction measure, independent engine of the negotiation process, management of large quantities information, improving communication conditions. In this paper is developed and described model, based on assessments of negotiating power on negotiating strategy development and implementation. Is described empirical research methodology for preparation and control application of model, based on assessments of bargaining power on negotiating strategy development and implementation. It is

appropriate to adapt this model and to check it in typical international business of other areas of negotiations: services, transport and logistics services, attraction of new investment, e-commerce cases.

From the research results it can be stated that the developed international business negotiation strategy planning model can be used for wholesale trade negotiations: both as a standalone tool or as a means partly demanding intervention of the negotiator. As well created negotiation strategy model can be used to support the negotiations through various databases. Results of the investigation can be used to create business negotiation strategies in international business, with regard to globalization, internationalization and cooperation processes characterized by multiculturalism. The complex decision support model of international business negotiations allows adequately to evaluate the bargaining power of participants of negotiations and business stakeholders, take into account comprehensive real factors, affecting the outcome of negotiations, different countries and cultural cooperation specifics, to optimize international business negotiation strategy development and implementation processes, to use effective negotiating powers of international business development under modern conditions. Recently for optimization management tasks are applied heuristic optimization technique, relying on a variety of solution search paradigms, which are often developed by analogy with nature, applying artificial intelligence techniques and so on. Heuristic algorithms in negotiations are purposeful due to the nature of the negotiations - knowledge of negotiating power is going in the negotiation process itself, thereby reducing the uncertainty that hampers negotiating situations by using the rules for calculating the optimal strategy (Wald, Werner, Hurwitz et al.). To deal with these tasks are developed a number of heuristic algorithms which calculates optimum possible to get result over time. Heuristic algorithms are used for optimization problems, and they help to achieve high quality. Negotiation is based on the gradual knowledge of negotiating power of the other side of negotiations, so with every issue you can use other tactics. So, heuristic algorithms can help to manage effectively the negotiation process. Selection of principles and rules must be carried out by specialists of high qualifications and experience, consultants, negotiators in the fields concerned, in order to determine which option is the best, taking into account the specifics of each task, goals and conditions.

21. Electronic technologies in distance business negotiations are key factors and a priority for the international business development under conditions of

globalization, the internationalization of the ecofignomy and management. Electronic technologies in business negotiations allows to carry out significantly effectively distance business negotiations by using the most important negotiating powers, it is designed negotiating strategy development model, which is based on the assessment of bargaining powers with regard to negotiating differences, interference and enabling to solve most challenging, complex negotiation issues and problems in order to reduce the uncertainty of the information needed for strategic decision making. Submitted universal model of international business negotiation strategy development and implementation focused on negotiating strategy development support, by using game theory methods to adapt the model for electronic business negotiations, international business negotiation support, international business negotiation context modeling. In the preparation of international business negotiation strategy based on the assessment of bargaining power, it is appropriate to use game theory methods. For negotiation support the most suitable is the game theory, because it is a method for analysis of objects with their targets, interactions. Electronic systems in negotiations can be useful when negotiating in distance way with partners in other countries (customers, suppliers, colleagues, etc.). Electronic negotiation systems can be an effective means of solving complex problems in managing large amounts of information. Also, these bargaining systems can be specialized and targeted facilitating specific processes or be universal to all processes. Therefore, we can say that the study results confirm the hypothesis. Designed negotiating strategy development model based on the assessment of bargaining power in international business has several prospects for application:

- Negotiations support tool. The main purpose of this model use - support of the international business negotiation. As in these days businesses lack propensity to take strategic decisions based on negotiations bargaining power evaluations, assessing the negotiating partners, competitors and their resources, so this model, unlike currently existing tools assess the influence on these entities by a variety of factors. To use this model encourages management simplicity of this instrument and good results of support the negotiations.

- Information uncertainty reduction. The main negative feature of negotiation support measures is uncertainty of information. This model has the possibility to assess the uncertainty by using both databases as well as expert evaluations. Databases can include both economic indicators such as tender, creditworthiness of entities, operating history, as well as non-economic, such as

cultural dimensions, which are important for international business negotiations. In making decisions it is important correct understanding of participants in the negotiations, because in represented different cultures can vary even understanding of rationality.

- Autonomous negotiation process engine. Presenting businesses in cyberspace increasingly are gaining popularity in distance trade, and thus the distance negotiations. After making appropriate restrictions this negotiation model could function as an autonomous negotiation process engine that can itself provide solutions options and alternatives. The negotiator should only assign the model databases which should help to assess participants in the negotiations and their proposals.

- The management of large amounts information. During the international business negotiations unlike a single country-wide increase the number of negotiations, competitors or partners, for a dozen, a few dozen or a few hundred times. Such processing of data flow physically without computer assistance is practically impossible. Therefore this model would be appropriate to use for simplicity and speed processing of large information flow.

- Communications improving conditions. Negotiations often lost even before start because of language barriers or different understanding matters or values. Therefore, this model is designed to help identify and understand common points of reference of the international business negotiation subjects. For this task would be deployed the various cultural brokers who assist to manage this model with partial intervention.

22. In this chapter the author provides the opportunities to influence the process of negotiating strategy and structure on the basis of formation of negotiating power. The negotiating power structure contains key elements: preparation for negotiations, communication conditions, ethics, management of emotions, time management, managing expectations. According to these elements this article performed survey of researches, done till this day and problems solved, directions for further research.

23. In the intercultural negotiations are not easy to understand the most important elements in the negotiation with another culture. The review performed in this article should facilitate this task and help the scientific community to draw attention to the critical points in the process of negotiations.

24. Preparing for negotiations is one of the most important elements of the negotiating power in international negotiations. Research on the preparation for negotiations mainly deals with electronic negotiation support, cross-cultural

differences, cross-cultural context, the use of negotiation strategies depending on the negotiation behavior.

25. In international business negotiations appear the barriers of language and understanding of symbols - so it is important to ensure that both sides of the negotiations would properly understand one another.

26. Researchers in international business negotiation communication mainly analyze the use of mail and other interactive media, cross-cultural aspects and language barriers in the negotiations. They also analyze the possibilities to exploit the bargaining power through email and the measures by comparing with face-to-face negotiations.

27. Studies of negotiation ethics focuses on profit achievement and ethical behavior compatibility dilemma, multicultural ethical differences, benefits of ethical behavior, trust of issues and the use of unethical tactics.

28. Over the past decades increased interest in the emotions, the researchers examined how emotions influence other people's knowledge, experience and behavior. This research is mainly focused on awareness of emotions to the other side of the negotiation, the different possibilities of manipulation of emotions during the negotiations, emotional rendering capabilities by email measures, influence of different emotions to concessions granting.

29. Time management is one of the most important elements of the negotiation power, because that can directly affect the outcome of the negotiations. In this area, the researchers analyze impact of time pressure on the negotiations, as well as delays in awkward situations, disclosure of the terms to the other side and the consistency of the negotiating process.

30. In the management of expectations is important to understand the context of the negotiations. In the international negotiations, doing so is not simple: concerning language, distance, culture and other barriers. Scientists of this field analyze knowledge, exchange of information, the management of expectations of another side of the negotiations in whole negotiation process and the reduction of uncertainty.

31. A systematic analysis of scientific literature has shown that there is no consistent terminology in definitions of business negotiations concepts, where different things are described equally, lack of identification and classification system features of the negotiatingstrategy, due to the fact there is a problem for the adequacy of assessment of thebusiness participants in negotiations bargaining power and international business negotiating interaction effectiveness.

32. Having analyzed the concepts used in the scientific literature, the author proposes to use the following definition of the negotiating power: negotiating power - it is an agregate of subject options and its operation-specific conditions that determine the negotiating targets and their implementation, and the negotiating power assessment - the process of entities participating in the negotiations objectives, their feasibility and implementation conditions and the identification of opportunities.

33. The author has proposed and based hierarchical conceptual framework of business negotiations in the chapter: negotiations orientation (to relationship or to results); form of negotiations (competition, avoidance, cooperation, adaptation, compromise); negotiating strategy; negotiating tactics; negotiations actions (steps).

34. After examination of the key elements of the negotiation potential and bargaining power it was determined that the international business negotiation strategy based on the assessment of bargaining power gives more effective results of the negotiations, compared with the outcome of the negotiations which is not based on bargaining power assessment. Also the most important elements, forming the negotiating power, that determine the success of the negotiations, were identified.

35. The author has justified that the negotiation strategy cannot be universal, it must be unique, taking into account his/her own and opponents negotiating powers, evaluating negotiating powers of potential competitors, the location of the object of bargaining and opportunities in a competitive environment. Therefore, the preparation of the negotiating strategies, when a large amount of variuos information has to be collected, plays a particularly important role. In this context, there is a need for effective negotiation support systems.

36. Afte the analysis of modern negotiation support systems development and customization options it was found, that over the past decades through excellence in computer and communication technologies, appeared in business negotiations various communication tools and support systems, which are not always convenient and easy to understand, and require a lot of resources costs, have appeared in business negotiations.

37. The investigation was carried out in order to set adaptation of the game theory methods, suitability of these methods for support for strategic decisions in international business negotiations showed that game theory is very suitable for support of negotiations, because these methods allow to analyze in full

interactions of objects, which have their own aims, it is possible to simulate easily the negotiations, to find appropriate alternative solutions.

38. The author of this work using Game theory methods developed an original model focusing on the bargaining power ratings in the preparation and implementation of the negotiating strategy, allowing to carry out analysis of the negotiating powers of the participants, to prepare the most appropriate strategy for the current situation in the negotiations, to develop and evaluate alternative solutions, focused on cross-cultural compatibility, conflict prevention and effective cooperation and search for compromise.

39. In the thesis has been examined pattern of the negotiating strategy preparation and implementation and created on its base algorithm in typical areas of international business negotiation: wholesale trade, construction, transport and logistics services, attracting investment, and e-commerce; which showed that it was accepted much more effective strategic decisions, nor without the algorithm. The efficiency of the use of algorythm is confirmed that rezults of the international business negotiations in 5 researched areas deviated in comparing with the forecasts from 0.12 to 2.01 percent.

40. The electronic negotiation systems can be useful in distant negotiations with other national partners (customers, suppliers, colleagues, etc.), can be specialized andtargeted to specific processes to facilitate, or may be universal and applicable to all the negotiating processes.

41. The author of the paper suggested perspectives of the algorithm use in international business negotiations: negotiations support, information, uncertainty reduction measure, independent of the negotiation process engine, large quantities of informatikon management, improvement of communication conditions.

42. After complex considering the established theory and practice of international business negotiations and the development and implementation of negotiation strategies the author justifies that the use of electronic technologies in distance business negotiations is a key factor and a priority for international business development. In conditions of globalization, internationalization of the economy and management the use of electronic technology in business negotiations allows significantly effective distance business negotiations, using the key negotiating powers.

43. In this article, we examined aspects of distorted market competition in cases of monopsony, oligopsony and monopoly, which are significant for developing and implementing negotiating power in international business. One

of the reasons for the lack of competitive tension in the market is an insufficient number of suppliers to create a free and open competition, such as in case of a monopoly. Therefore, we can refer to a distorted market as an absence of free and open competition. Free competition means that market participants are competing rather than cooperating with each other and forming cartel relations. Open competition means that the market entry barriers are sufficiently low, thus making the profits of existing players rather low, because otherwise new entrants coming into the market would try to sell with lower profits, which would essentially be useful for customers and thus ensure their sales.

44. The buyer power refers to how buyers or users can influence transaction terms with their suppliers. There are two types of power: monopsony power and bargaining power. If the buyer can reduce the price to the level lower than the market competition among suppliers, it means that he has the monopsony power. Negotiating power depends on the bargaining strength, demonstrated by the buyer during communication and negotiations with suppliers. Lower price is achieved from monopsonic power, rather than negotiating power. Negotiating power is used only when the supplier has a corresponding market power, which can be levered with negotiating power. The consequences of using negotiating power in each case are very different. Monopsony and oligopsony powers decrease the volume of sales and productivity in supply market, which ultimately has a negative effect on the consumer market. The negotiating power of the buyer is more of a compensatory nature. It increases the volume of production in supply market and can improve the market situation in the consumer market.

45. We also analysed measures, which help in situations of distorted market competition, reducing the negative impact on the balance of powers during international business negotiations. Some of the most important elements determining the balance of negotiating power include: market structure, market concentration and competition. Solving situations of distorted competition opens opportunities for international business, as the presence of other market participants can provide additional alternatives for reducing the negative impact of distorted competition on the balance of negotiating powers between negotiating parties. When the number of buyers and sellers is small, the negotiations may revolve regarding the possible excess profit between the buyer and the seller, according to their capacities. Excess profit distribution depends on the relative negotiating power. Being the goal of both buyers and sellers, excess profit encourages them to come to an agreement rather than seek for

alternatives. Greater bargaining efficiency of the buyer opens him more possible alternatives, reducing the number of alternatives for the seller, thus allocating the greater share of the excess profit to the buyer. Buyers' transaction profit depends on their ability and willingness to look for alternative suppliers. Similarly, sellers' transaction profit depends on their ability and willingness to look for other buyers. The assessment of the negotiation powers of the negotiating parties is crucial for the development and implementation of an effective international business negotiation strategy in order to make the best use of the negotiation potential □ the negotiating power.

46. The search for new suppliers can help expand the available alternatives, thus increasing buyers' negotiating power. Also, having more alternatives means expanding the existing market boundaries. This can be achieved by examining similar or related markets, which may become potential supplier markets. Sometimes other market participants find it quite difficult to switch to another market.

47. Therefore, buyers looking for potential cheaper suppliers from other markets could think of possible negotiating proposals, which would make it easier to convince potential future partners to cooperate in a new market: sharing experience, such as attaching project managers or sharing some of the technology during joint meetings; subsidising certain costs of entry, buying appropriate measures, or otherwise investing into mutually-beneficial cooperation; offering longer contracts; gradually increasing the volume of orders and their complexity, thus giving the supplier an opportunity to adapt their own technology for more complex work.

48. Buyers often find themselves in an awkward position, when they need their suppliers more than the suppliers need them. One may consider the possibility of closer cooperation with a monopoly enterprise, thus increasing one's dependence. This works in situations, where suppliers have a monopoly in several business areas, but not in all. Such measures can increase the available negotiating power. Of course, it is necessary to avoid situations, where one supplier can provide a full package of services. Therefore, it is important to divide the needed service into segments, creating more freedom of choosing from several suppliers, without giving all the negotiating powers to a single supplier. Or, on the contrary - a strategic move of the negotiations may include offering the supplier to sell more if they made a better offer.

49. It is not simple to improve information accessible to users. Negotiators may suffer from information overload. Complex contracts written in a specific legal

language can help reduce the cost of resolv-ing potential contractual disputes, but the lan-guage of such contracts and their disclosure can-not help ordinary users to make decisions. Some-times providing the right information which could help negotiatiors agreeing on better deals may actually confuse their assessment of the attrac-tiveness of different alternatives. It is difficult to ensure that consumers receive the information they need in a timely manner, but improving the content of the information available to consumers can bring significant benefits to consumers' well-being and potentially save significant amounts.

50. Some rules, regulations, and mechanisms that allow companies to exchange information and collaborate on specific activities can create an environment that reduces incentives for business to compete. Of particular concern is that these circumstances may lead to cartel-like behavior, leading to higher prices, lost output and reduced diversity. These circumstances are very different from those related to the number and range of suppliers or business opportunities to compete. Of particular concern is the expenditures experienced by dominant market players, which were previ-ously regulated.

51. Many information exchange mechanisms and negotiators collaboration are allowed, because they can help facilitate innovation and establish uniform technical codes, standards, and business practices. For companies and industries in many countries a partial or total exemption has been (is) granted from competition laws to encourage their growth and increase exports. In some cases, eco-nomic and social objectives can be justified, in other cases they may be wrong. The fact that a formal regulatory process is avoided means that self-regulation in its form and method is poten-tially more flexible, than governmental regula-tion, and that it is easier to change over time as problems arise.

52. The exclusive rights in many aspects are ma-jor barrier for the negotiatiors to entry and can lead to monopoly pricing and other problems re-lated to the exercise of market power. Regulation does not always prevent these outcomes, as regu-lators are often unable to limit market power and protect consumers. Therefore, such rights should be limited and determined only after careful con-sideration of the taxable prices, the duration of the rights and the alternatives to achieve the same goals. In the absence of alternatives, regulators may consider auctioning exclusive rights. In many cases, the division of exclusive rights be-tween two or three parties can preserve the dy-namics of competition to some

degree in order to achieve desired benefits. The entry to the market is restricted by licenses or permits required for the activities.

53. Qualification requirements may take the form of minimum standards for formal education and / or experience and may include requirements of a positive nature regulation of minimum prices is sometimes a response to extreme price competi-tion in the negotiations. In such cases, minimum price regulation is generally seen as a means of protecting small suppliers from "unfair" competi-tion. The effect of such price regulation needs to be carefully evaluated, as higher prices to con-sumers or unmet demand are likely to result. Maximum prices are often set as a necessary con-sequence of entry restrictions. The alternative is to let more freely to enter the market. Price regu-lation is rarely the most effective or efficient means of achieving the intended objectives.

54. Legislation restricting the geographical flow of goods can take very clear forms, such as a di-rect ban on the purchase of goods and services from within a country or region. It is important to recognize that the free movement of goods, ser-vices and capital across regions of the country is crucial for consumers to reap the benefits of com-petition and for businesses to gain access to wider markets to sell and grow. These advantages can be lost if the regions or states of the countries will legitimize flows of goods and services. This means that the proposed rules and regulations restricting the flow of goods and services should be closely scrutinized and assessed their expected benefits, costs and impact on competition.

55. Regulations can influence the behavior of suppliers not only by altering their ability to compete in the negotiations, but also by changing the incentive to act as vigorous competitors. The main reasons why suppliers are less able to compete in negotiations are due to regulations that can facilitate coordination between them or reduce customer willingness, ability or incentive to switch to different suppliers. Other reasons include profit or market share thresholds that limit potential returns on competition. Cartel behavior may more easily result in self-regulation or co-regulation by increasing the share of suppliers' output and price information or by removing the industry or branch from competition law.

56. The effects of increased competition in negotiations often affect sectors adjacent to those in which is fierce competition. In particular, strong competition in upstream sectors can "increase" productivity and employment in the downstream sectors and more broadly in the economy. This is largely due to competition that improves distribution efficiency by allowing more efficient companies to enter and gain market share at the expense of less efficient firms.

Therefore, laws or anticompetitive behavior to enter the market and expansion can be particularly damaging to economic growth. Competition also improves firms' productivity, as companies facing competition appear to be better managed.

57. In practice, most of the choices that are made are qualitative, that is are not based on quantitative comparisons of variants. Relevant quantitative comparison data are not always available and, even if available, may not be possible to analyze. It is possible that very important competitive effects are practically immeasurable. For example, changes in the conditions of competition may affect incentives to innovate and develop new products. However, it is extremely difficult to quantify increased or decreased impact of innovation. Qualitative analysis combines facts and reasoning to justify which choices are better.

58. Qualitative analysis of reform options is a form of critical thinking. The advantage of qualitative analysis is that it is widely understood, requires little data, is as fast as possible, and ultimately practical. At the same time, qualitative analysis does not determine the value of increasing competition, so one of the main pro-competitive arguments may be missed regulations.

59. Quantitative analysis involves careful and rigorous use of numbers to estimate advantages of certain options compared to others. Although quantitative analysis may require less comparison of solutions, the techniques used may require more technical skills than qualitative analysis, and of course some data must be available. For particularly important or contentious issues, whenever possible is preferred for the quantitative analysis. Quantitative analysis can, for example, provide estimates of the benefits of social reform, such as how much less consumers will pay for post-reform products or how many jobs will be created. Limitation of available data or comparison time will often limit the cases in which quantitative analysis can be performed. It may also be difficult or impossible to quantify the user value of product differentiation and enhanced service. Thus, while quantitative analysis may help to select pro-competitive options, it will often have to be rejected on the basis of qualitative evidence.

60. In the market definition it is widely used analytical basis to analyse and evaluate the problems of competition that have an impact on the preparation of the negotiation strategy. The relevant market should be defined in such a way that the competitive constraints faced by the company, that is substitutes of demand and supply side, would be captured as accurately as possible.

61. The definition of the geographic market is an important and complex task, especially in terms of preparing negotiating strategies. There is described process of focusing on markets that may be wider than national borders. There is also discussion on how the geographic market definition is in line with the competitive assessment and the tendency of some authorities to leave the definition open in cases where there are no problems with competition.

62. The variety of evidence to be taken into account when assessing the geographic scope of the markets is wide. Because of the high price difference in all countries may appear heterogeneity of competitive conditions, and hence will be a narrower market definition, and price analysis can lead to misleading results. Keeping the open geographic market definition can be saved time and resources for competition authorities when they review mergers where there is no competition problem, regardless of the geographic scope of the market. It also prevents authorities from seeking an unnecessary market definition that may affect future cases based on superficial analysis.

63. The geographical area, in which anti-competitive behaviour is taking place, may sometimes be a good indicator outside the geographic market. Price data review and analysis is the first step in establishing a geographic market, for example, a price correlation analysis is sometimes used to prepare preliminary market descriptions against the quantification of a fully hypothetical monopoly test (if this is feasible). The rationale of this approach is that goods in the same geographic market subject to the same conditions of competition, with similar price changes. Products with high prices may not put competitive pressure on each other and would therefore not be kept on the same market for the purposes of a hypothetical monopoly test.

64. In this work were examined possibilities to adjust Nash equilibrium for preparing negotiation strategies seeking to find function of the best result. The findings of the article will give opportunities for negotiators to develop and implement better strategies for business negotiations.

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Appendix 1

Specification of research calculations

Table A.1. The matrix of the experts evaluation

Estimation of criteria weight by negotiation expert group				
	Criteria			
Experts	**1**	**2**	**3**	**Sum**
1	0,6	0,3	0,1	1
2	0,5	0,2	0,3	1
3	0,6	0,3	0,1	1
4	0,6	0,3	0,1	1
5	0,6	0,3	0,1	1
6	0,5	0,3	0,2	1
7	0,7	0,2	0,1	1
8	0,7	0,2	0,1	1
9	0,6	0,3	0,1	1
10	0,6	0,3	0,1	1
Sum	6	2,7	1,3	10

Table A.2. The matrix of the experts evaluation ranking

Matrix of the experts evaluation ranking				
	Criteria			
Experts	**1**	**2**	**3**	**Sum**
1	1	2	3	6
2	1	3	2	6
3	1	2	3	6
4	1	2	3	6
5	1	2	3	6
6	1	2	3	6
7	1	2	3	6
8	1	2	3	6
9	1	2	3	6
10	1	2	3	6
Sum	**10**	**21**	**29**	**60**
Ranking sum averige	**20**	**20**	**20**	**Sum**
Deviation	**100**	**1**	**81**	**182**
Concordation coefficient W	**0,91**			

Table A.3. Normalized decision-making matrix (negotiations between the Participant No. 1 and Participant No. 2)

Normalized decision-making matrix				
	Criteria			
Alternatives	Delivery term, mėn.	Price, EUR	Possibility of pay delay, percent	Sum by significance
A1R1	1,000	0,579	1,000	0,886
A1R2	1,000	0,687	1,000	0,915
A2R1	1,000	1,000	1,000	1,000
A2R2	1,000	0,422	1,000	0,844
W11	A1	A2		
R1	0,886	1,000		
R2	0,915	0,844		

Table A.4. Normalized decision-making matrix (negotiations between the Participant No. 3 and Participant No. 2)

Normalized decision-making matrix				
	Criteria			
Alternatives	Delivery term, mėn.	Price, EUR	Possibility of pay delay, percent	Sum by significance
A1R1	1,000	0,715	1,000	0,923
A1R2	1,000	0,835	1,000	0,956
A2R1	1,000	1,000	1,000	1,000
A2R2	1,000	0,766	1,000	0,937
W12	A1	A2		
R1	0,923	1,000		
R2	0,956	0,937		

Table A.5. Normalized decision-making matrix (negotiations between the Participant No. 4 and Participant No. 2)

Normalized decision-making matrix				
	Criteria			
Alternatives	Delivery term, mėn.	Price, EUR	Possibility of pay delay, percent	Sum by significance
A1R1	1,000	0,463	1,000	0,855
A1R2	1,000	0,670	1,000	0,911
A2R1	1,000	1,000	1,000	1,000
A2R2	1,000	0,367	1,000	0,829
W13	A1	A2		
R1	0,855	1,000		
R2	0,911	0,829		

Appendix 2

Formulas of optimization rules

Wald rule

$$S_1^* = \{S_{1i}|\, S_{1i} \in S_1 \cap \left\{ S_{1i0} a_{i_0 j_0} \max_i \min_j a_{ij} \right\} \}.$$

(7)

Hurwicz rule

$$A_j = \max_i ((1 - \lambda) \min_j a_{ij} + \lambda \max_j a_{ij}),$$ (8)

$$A_j = \min_i ((1 - \lambda) \max_j a_{ij} + \lambda \min_j a_{ij}),$$ (9)

$$S_1^* = \{S_{1i}|\, S_{1i} \in S_i \cap \{S_{1i0}\,|\, h_{i0} = \max_i h_i \,; h_i = \max_i (1 - \lambda) \min_j a_{ij} + \lambda \max_j a_{ij} \,; \, 0 \le \lambda \le 1 \} \}. \tag{10}$$

Savage and Niehaus rule

$$S_1^* = \{S_{1i}|\, S_{1i} \in S_1 \cap \{S_{1i0}\,|\, r_{i_0 j_0} = \min_i \max_j r_{ij} \} \}. \quad (11)$$

Čia $r = \overline{1m}; s = \overline{1, n}.$

Bernoulli-Laplace rule

$$S_1^* = \{S_{1i}/\, S_{1i} \in S_1 \cap \max_i (1/n \sum_{i=1}^n a_{ij}) \}. \quad (12)$$

Bayes-Laplace rule

$$S_1^* = \{S_{1i}/\, S_{1i} \in S_i \cap \max_i (\sum_{j=1}^n q_j a_{ij}) \cap \sum_{j=1}^n q_j = 1 \}. \quad (13)$$

Hodges-Lehmann rule

$$S_1^* = \left\{ \frac{S_{1i}}{S_{1i}} \in S_i \cap \max_i \left[\lambda \sum_{j=1}^n q_j a_{ij} = (1 - \lambda) \min_j a_{ij} \right] \atop \cap\, 0 \le \lambda \le 1 \right\}. \quad (14)$$

Werner rule

$$S_1^* = \left\{ S_{1i}|\, S_{1i} \in S_i \cap \left\{ S_{1i0}|a_{i0} = \max_{i \in M_\varepsilon} a_{ij} \,; M_{\varepsilon i} = \left\{ i|\, \max_i a_{ij} \min_j a_{ij} - a_{ij} \le \varepsilon \right\}; \, \max_j a_{ij} \ge \max_j a_{i0j} \right\}. \right.$$

(15)

ε − the extent of the risk.

Concordance coefficient

Concordance coefficient W is calculated by the following formula (Ginevičius *et al*., 2008; Sėrikovienė, 2013; Maskeliūnaitė, 2012):

$$W = \frac{12S}{r^2 m(m^2 - 1)}. \tag{16}$$

Here r - the number of experts, m - the evaluates the indicators number number.

The value S is calculated as follows:

Calculating assessments made by experts e_{ik} each indicator rank-sum e_i by the following formula (Ginevičius *et al.,* 2008; Sėrikovienė, 2013; Maskeliūnaitė, 2012):

$$e_i = \sum_{k=1}^r e_{ik}, \tag{17}$$

The total number of grades on average $\bar{e}$ by the following formula (Ginevičius *et al.,* 2008):

$$\bar{e} = \frac{\sum_{i=1}^{m} e_i}{m},$$ (18)

Value S, t.y. rank-sum e_i deviations from the general average $\bar{e}$ the sum of the squares counted by the following formula (Ginevičius *et al.*, 2008):

$$S = \sum_{i=1}^{m}(e_i - \bar{e})^2,$$ (19)

Appendix 3

Specification of research calculations

Table E.1. The matrix of the evaluation of experts

Estimation of criteria weight by negotiation expert group			
	Criteria		
Experts	1	2	3	Sum
1	0,1	0,6	0,3	1
2	0,2	0,5	0,3	1
3	0,1	0,6	0,3	1
4	0,2	0,7	0,1	1
5	0,2	0,5	0,3	1
6	0,1	0,5	0,4	1
7	0,2	0,5	0,3	1
8	0,2	0,5	0,3	1
9	0,1	0,6	0,3	1
10	0,2	0,6	0,2	1
Sum	1,6	5,6	2,8	10

Table E.2. The matrix of the ranging of the evaluation of experts

Matrix of the experts evaluation ranking				
	Criteria			
Experts	1	2	3	Sum
1	3	1	2	6
2	3	1	2	6
3	3	1	2	6
4	2	1	3	6
5	3	1	2	6
6	3	1	2	6
7	3	1	2	6
8	3	1	2	6
9	3	1	2	6
10	2	1	2	5
Sum	28	10	21	59
Ranking sum averige	20	20	20	Sum
Deviation	64	100	1	165
Concordation coefficient W		0,825		

Table E.3. Normalized decision-making matrix (negotiations between the Participant no. 1 and Participant No. 2)

Normalized decision-making matrix					
	Criteria				
Alternatives	Term of server delivery, weeks	Price, EUR	Possibility of delay, percent	Sum by significance	Sum of alternative
A1R1	1,000	0,933	1,000	0,963	2,933
A1R2	1,000	0,817	1,000	0,897	2,817
A2R1	1,000	1,000	1,000	1,000	3,000

A2R2	1,000	0,817	1,000	0,897	2,817
W31	**A1**	**A2**			
R1	0,963	1,000			
R2	0,897	0,897			

Table E.4. Normalized decision-making matrix (negotiations between the Participant no. 3 and Participant No. 2)

Normalized decision-making matrix					
	Criteria				
Alternatives	**Term of server delivery, weeks**	**Price, EUR**	**Possibility of delay, percent**	**Sum by significance**	**Sum of alternative**
A1R1	1,000	0,909	1,000	0,949	2,909
A1R2	1,000	0,868	1,000	0,926	2,868
A2R1	0,296	0,953	1,000	0,861	2,249
A2R2	1,000	1,000	1,000	1,000	3,000
W32	**A1**	**A2**			
R1	0,949	0,861			
R2	0,926	1,000			

Table E.5. Normalized decision-making matrix (negotiations between the Participant no. 4 and Participant No. 2)

Normalized decision-making matrix					
	Criteria				
Alternatives	**Term of server delivery, weeks**	**Price, EUR**	**Possibility of delay, percent**	**Sum by significance**	**Sum of alternative**
A1R1	1,000	0,801	1,000	0,888	2,801
A1R2	1,000	0,893	1,000	0,940	2,893
A2R1	1,000	1,000	1,000	1,000	3,000
A2R2	1,000	0,944	1,000	0,969	2,944
W33	**A1**	**A2**			
R1	0,888	1,000			
R2	0,940	0,969			

About the Author

Kestutis Peleckis was born in 14 July, 1987 in Vilnius.

In 2010 he obtained a bachelor's degree in Civil Engineering at Vilnius Gediminas Technical University, Faculty of Civil Engineering.

In 2012 year – master's degree in Management in Vilnius Gediminas Technical University, Faculty of Business Management.

For 2012–2016 - Vilnius Gediminas Technical University PhD candidate.

At 2014 Kestutis Peleckis had an internship at the University of Technology in Bialystok, Poland.

In 2016 he defended his doctoral thesis on "International business negotiation strategies based on assessment of negotiating power".

Since 2017 works at VGTU as a Associate Professor of Vilnius Gediminas Technical University, Faculty of Business Management.

The relevance of this study has both theoretical and practical aspects. The theoretical relevance is related to the assessment and development of negotiating power among participants at international business negotiations, as well as the scientific search for measures to ensure their effectiveness and the development of a scientifically-based, sustainable and effective negotiation power balancing system. Such a system could improve the efficiency of negotiating teams in distorted market competition. The practical relevance is related to challenges of organising business, increasing purposefulness of recent developments, which unfolds in increasing numbers of alternative business solutions and the need to search for new business partners, leading to greater expedience of business transactions, their efficiency and, ultimately, increasing the competitiveness of businesses entities in international business environment. Thus theoretical and practical relevance of this research can be characterized by the need to find and create a scientific basis for measures used for balancing negotiating powers among participants at business negotiations. They should help make an objective assessment of the negotiating powers and relationships between international business negotiation participants and their competitors, purposefully and effectively forming and using the negotiating powers of the negotiating team. These measures should guarantee a successful development and implementation of an effective business negotiation strategy in the context of international business development and increase its competitiveness, taking into account the circumstances, which distort market competition

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