

# Commercial negotiations in the foundry engineering

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## Abstract

The article presents the process of commercial negotiations paying attention to the negotiation itself as well as to its basic elements. The specificity of the Polish foundries' main negotiation partners from The European Union, who are the deliverers of diverse casting range, was specified. The most important cultural factors, which determine the process of negotiations conducted by the representatives of various cultural groups, were analysed. The understanding of cultural differences and adapting to them while negotiating are important factors which constitute the parties' negotiation process. The meaning of price in the commercial negotiation process was described. The elements of sale process and the factors which influence the casts price were enumerated. What is more, the main methods of determining price were characterized. The essential problems connected with conducting the price negotiations in foundries were indicated.

**Keywords:** Negotiations; Models of cultural behavior; Price; Foundry engineering

## 1. Introduction

The following work is the explication of data presented in the article concerning international negotiations conducted by the national foundries [1].

In order to keep steady and profitable on the market, the economic entities, including the foundries, participate in the economic life and pursue a wide range of activities. The foundry's condition and position depend on its relations with the surroundings consisting of its commercial partners, suppliers, contractors, customers with whom it is in a continuous dialogue. The mutual contacts concern gaining the both parties' ends which may be either convergent or opposite. The foundries will try to reach an agreement on all moot problems. They will do that by the negotiations which are a particular form of a dialogue and reaching an agreement. Thanks to them even the most crucial conflicts of different contexts can be solved lightly.

Negotiations are said to be an art which consists of the purposeful intention to reach an agreement by the dialogue and the characteristics of negotiation process's participants. The strategies and a considerable collection of negotiation tactics and techniques which can be used by the negotiators who are very important while reaching an agreement. The quality of the process and the negotiations' result depend on using the proper ones.

In the negotiations there are several elements which decide how to proceed and what their result is. The most important of them are the conflict's parties, the issue and the negotiation context as well as the negotiations' style used by the parties [2,3]. The negotiation style applied consciously is called the negotiation strategy. It consists of the negotiation tactics which are the system of logically connected manoeuvres aiming at meeting partial ends [4,5].

## 2. The partners of Polish foundries

The subjects of negotiations conducted by the foundries are the issue of price, the terms of delivery payment, the terms of delivery dates and the rules of possible returns. On the national market, there are small, medium and big and modern foundries. The situation on the casting market changes dynamically. The increase of raw material price is inevitable. Simultaneously, the prices of auxiliary materials used in casting and casts increase.

The representatives of Polish foundries negotiate with the suppliers of diverse casting range, including casting machines, raw materials, forming materials, core materials and casts. Polish foundries cooperate with the partners from Germany, Austria, the Czech Republic, Slovakia, Hungary, the Netherlands, Denmark, Italy, France, Switzerland, Spain, Portugal, Sweden, Norway and Finland.

The main casts' customer is automotive industry, engineering industry, power industry, building industry and railway system. *Odlewnia Tarnów* is the foundry which manufacture casts for machine tool industry and which manufacture for export to Germany and Scandinavian countries such as Denmark and Sweden. On the other hand the main export market of *Odlewnie Polskie S.A.* are Germany, France and England. Apart from *Odlewnie Polskie S.A.*, one of the greatest cast iron manufacturers is *Teksid Iron Poland Sp. z o.o.*, which manufacture products for Fiat and *Odlewnia Żeliwa Śrem S.A.* specializing at manufacturing engine casts, especially for shipbuilding and automotive industries as well as products for agriculture. *Odlewnia Żeliwa Śrem S.A.* exports over 50% of its production, especially to Germany, Holland, Italy, France, Great Britain, Scandinavia. It is one of the greatest Polish exporters to the European Union. *Odlewnia Spinko* directs over 70% of the products to the demanding market in Germany, Great Britain and France. It is a renowned supplier of subassemblies for automotive industry. The products of foundries manufacturing window and door frames are exported mostly to foreign customers in Germany, but also to Russia, and even to the Far East – to Korea or China.

## 3. Cultural models of behaviour in commercial negotiations

Negotiating parties have different interests, priorities and strategies [5]. Taking under consideration people from different cultures, the basic problem may not be a high price or unattractive terms of payment but the element which is one of the cultural factors. The national foundries negotiate with different European countries belonging to different cultural models presented in the fig.1. The characteristic of the main cultural models is depicted in the tab.1.

Polish negotiators belong to the model of moderately propartnership culture (hospitality, positive attitude to meeting new people, especially foreign partners) and moderately protransactional (the desire to meet an end), ceremonial, polichronic and of changeable expressiveness. In tab. 2 the main negotiation partners of Polish foundries attributing them to the cultural model were enumerated.

In fig. 2 the elements of the sale process were enumerated. In the tab. 3 the basic elements of cost and demand formula used in the process of establishing prices were introduced. A lot of elements influence the cast price, the most important are shown in the fig. 3.

## 4. Foundries' price policy

Prices to a large degree depend on the goals set by the foundries. The goals may be: survival, maximization of the running profits, maximization of the running incomes etc. The survival is applied only in emergency situations, when the foundry's existence is endangered. The maximization of the running profits requires estimating demand and costs of the alternative prices, what gives the possibility to choose the price which yields the price in the shortest period of time. The maximization of incomes takes into consideration only the relation of prices demand. Then, the goal achieves the highest sale level measured in actual units. The main assumption is when the production volume is considerable, the unit cost is lower, therefore the price may be at a low, competitive level.

The method to establish the final price, i.e. the deal value, are negotiations. The most important is to establish the initial price properly. Then, the basic negotiation rule "concession for concession" is applied. If during the negotiations you are forced to lower the price, you have to take something, for example shorten the warranty coverage, postpone the delivery date, lower the quality. For client, the most important are price strategies which offer long-term advantages. Short-term strategies are usually prepared for the maximization of profits.

## 5. Conclusion

The business globalization challenged the managers of Polish foundries. One of the new, important challenges is the ability to negotiate with the partners from many countries. While negotiating with the foreigners, cultural differences should be taken into account, because they considerably influence the progress of commercial talks. It concerns especially countries with a different national culture. The unawareness of different behaviour which stems from different culture may cause disagreement and even become the reason of unconscious insulting another party and finishing negotiations.

Nowadays, we deal with the divergence and convergence of cultures. The term divergence means the cultures grow apart because people identify themselves with the country or region they live in and reject what is unknown. The societies seek their own cultural roots, they emphasise their identity and autonomy. Convergence, on the other hand, makes the cultures similar. The globe inhabitants have more and more common features and values. However, when it comes to the values and cultures, the world will always be divided, diverse, full of conflicts and contradictions. Therefore the attempts to introduce intercultural global management are made in order to enable making use of the cultural diversity to the mutual dialogue of cultures, religions, nations and mutual tolerance [1,6]. During the

negotiations, apart from cultural behaviours, some of the manufacturer's, the foundry, features are essential. For example, the analysis of cast iron prices conducted in the country by foundries show a relatively huge range of prices negotiated with foreign partners for different cast irons. The following ranges are:

- grey cast iron of EN-GJL200 i 250 kind - 3,00-6,00z/kilo (0,88-1,90 Euro),
- spheroidal cast iron of EN-GJS-400-15; 450-10 and 500-7 kind - 5,50-12,00z/kilo (1,61-3,51 Euro),
- malleable white cast iron of EN-GJMW 360-12 kind - 6,00-13,20 (1,75-3,86 Euro),
- 70-90% of the given prices are the costs of production along with margin, which include first and foremost,
- the complicity of the cast,

- the overall dimensions,
- the necessity to use cores,
- the technology of preparing liquid cast iron and the forms production,
- the kind of form and yield.

Apart from the given elements and cultural behaviour, the considerable influence on the final cast price have:

- the substantial knowledge of the manufacturer employees who conduct negotiations,
- the high-quality cast production technology,
- the high technical culture of the foundry,
- the latest cast manufacturing monitoring system,
- the proper production quality monitoring management system.

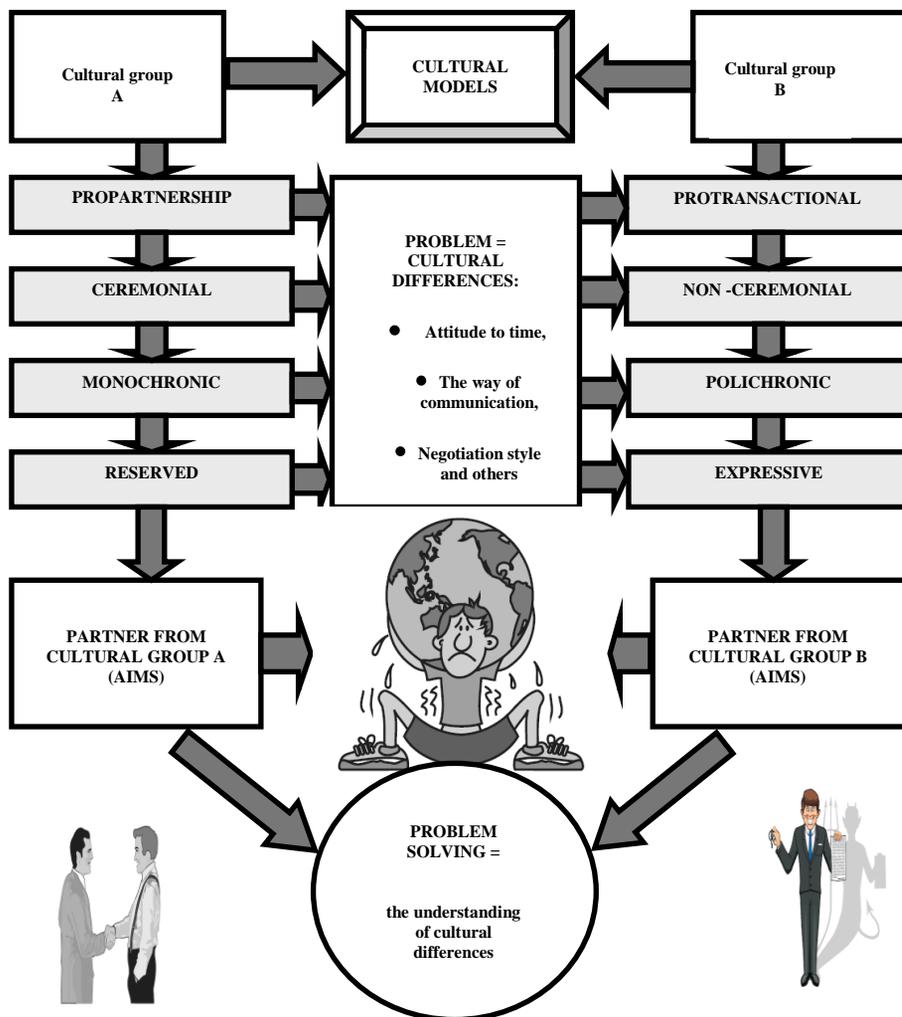


Fig.1. Cultural models in international negotiations

Table 1.  
The profile of the basic cultural models in business

SPECIFICATION	CULTURAL MODEL	
	MONOCHRONIC	POLICHRONIC
<b>Attitude to time</b>	Punctuality, accuracy	Less emphasis on punctuality, accuracy
<b>Co-ordination of actions</b>	Fixed plans, schedules, complying with them consistently	Important interpersonal relations, drawing less attention to planning, preparing schedules and complying with them
<b>Time of the meetings</b>	Fixed, starting the negotiations on time	Flexible, possible delays in starting the negotiations
<b>The main topic of negotiations</b>	Very important, not divagating from the topic	Less important, frequent divagating from the topic
<b>Preliminary talks</b>	Short or none	Longer
<b>Conducting the assignments</b>	One assignment in one time (linear, sequential time)	Many assignments in one time (non linear time, synchronic)
<b>Breaks and free time</b>	Strictly observed	Dependent on the individual duties
<b>Time structure</b>	Inflexible time	Flexible time
<b>Work and free time</b>	Visibly separated	Not separated visibly
<b>Organizational perception</b>	Actions divided from the organization, actions measured by the productivity	Actions integrated with the organization, actions measured as a part of the organizational goal
SPECIFICATION	PROPARTNERSHIP	PROTRANSACTIONAL
<b>Attitude to foreigners</b>	Mistrust	Confidence
<b>Contact with partner from other country</b>	Often by an agent, getting to know the business partners and their cultures is necessary	Direct, individual meetings and getting to know the business is not necessary
<b>Attitude</b>	To interpersonal ties	To transaction, conducting them successfully, commercial profit
<b>Preliminary talks</b>	Long	Short or no talks
<b>The agreement form</b>	Verbal respected	Only written
<b>The attendance of a legal expert</b>	Out of conference room	In the conference room
SPECIFICATION	CEREMONIAL	NON CEREMONIAL
<b>Attachment to hierarchy and business protocol</b>	Great	Lesser, not observed
<b>Distance to power</b>	Rather great	Small
<b>The respect of youthfulls to the elderly</b>	Great	Lesser
SPECIFICATION	EXPRESSIVE	RESERVED
<b>Emotions and feelings</b>	Exposing	Not exposing
<b>Utterance tone</b>	Loud, quick	Rather quiet and low-pitched
<b>Distance between persons</b>	Small	Great
<b>Tactile contact</b>	Acceptance	Lack of acceptance
<b>Visual contact</b>	Direct	Not direct

Table 2.

The cultural models of countries where the Polish foundries' negotiation partners come from

CULTURAL MODELS	UE COUNTRIES WHICH NEGOTIATE WITH POLISH FOUNDRIES
<ul style="list-style-type: none"> <li>• protransactional,</li> <li>• moderately ceremonial</li> <li>• monochronic,</li> <li>• reserved</li> </ul>	• DENMARK
	• FINLAND
	• SWEDEN
	• NORWAY
	• SWITZERLAND
	• AUSTRIA
	• GERMANY
	• THE CZECH REPUBLIC
	• THE NETHERLANDS
	<ul style="list-style-type: none"> <li>• moderately protransactional,</li> <li>• ceremonial,</li> <li>• of varied attitude to time</li> </ul>
• BELGIUM	
• ITALY	
• SPAIN	
• PORTUGAL	
• HUNGARY	

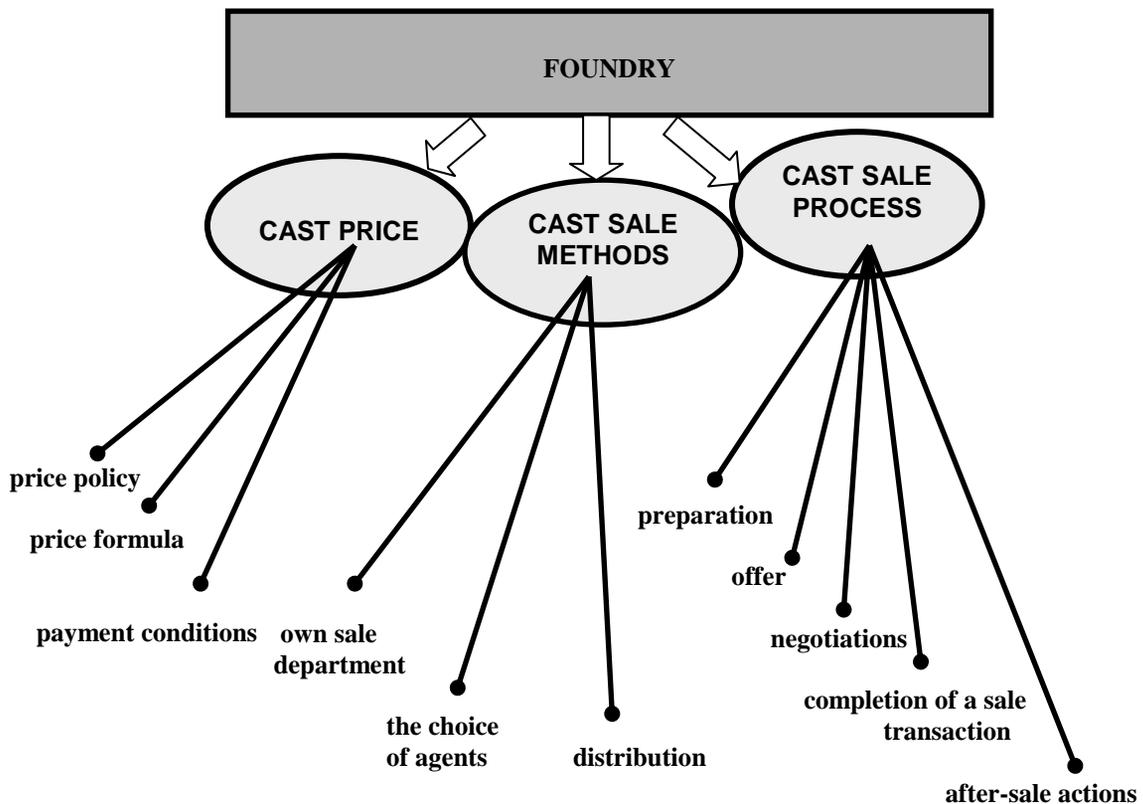


Fig. 2. The elements of casts sale process

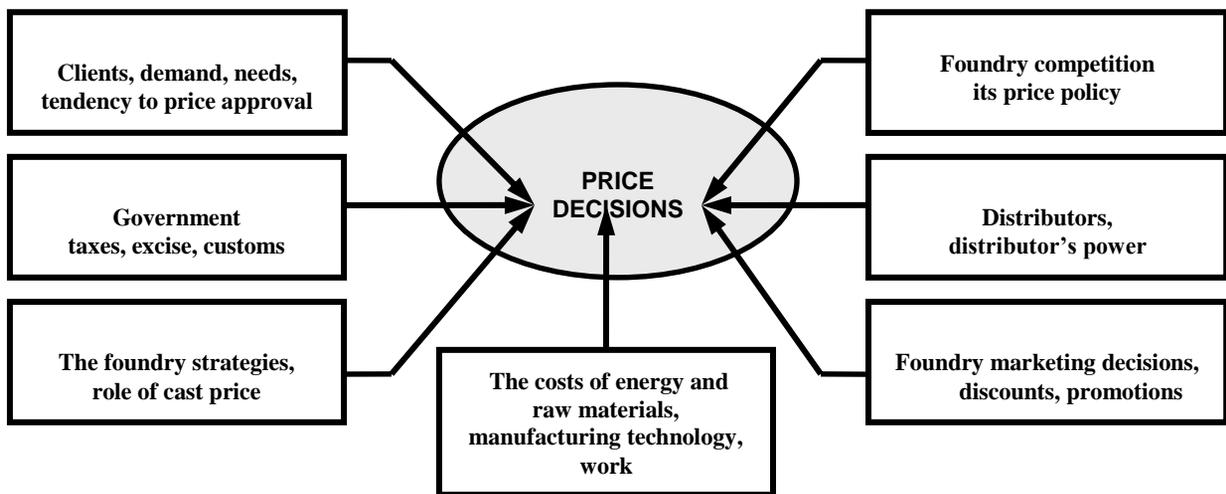


Fig. 3. Factors influencing foundry's price decisions

Table 3.  
The cost and demand formulas

COST FORMULA	DEMAND FORMULA
1. MANUFACTURING COST + PROFIT = FACTORY PRICE	1. THE AMOUN AND CONDITIONING OF DEMAND: THE PRICE WHICH THE PURCHASER IS WILLING TO PAY
2. AGENT'S MARGIN: NOMINAL INITIAL PRICE	2. PLACE OF THE FOUNDRY AMONG COMPETITORS: COMPETITORS' PRICES
3. MARKET PRICE: <ul style="list-style-type: none"> <li>• competitors',</li> <li>• leaders' proces,</li> <li>• average,</li> <li>• exchange:</li> </ul> ACTUAL INITIAL PRICE	3. CALCULATION OF COSTS
4. NEGOCIATIONS: CONTRACTUAL PRICES	4. CURRENT INITIAL PRICE: PRICE TO NEGOTIATE

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