

# ***Business Negotiation Skills in Enterprise Mergers and Acquisitions***

**Shuyi Guo<sup>1,a,\*</sup>**

<sup>1</sup>*Department of International Economy and Trade. Henan University of Technology. Henan  
450000. China*

*a. gbd@yili.com*

*\*corresponding author*

**Abstract:** In recent years, with the progress of the times, more and more enterprises have chosen to acquire promising small companies and hope to work together to achieve transformation and upgrading, otherwise, they will face the risk of being eliminated from the market. This article studies the actual business negotiation case of Gree Electric's acquisition of Yinlong New Energy Company, analyzes whether the acquisition conforms to the interests of both companies, and the risks brought by the acquisition. It also analyzes the game process in detail. In business negotiations, there is inevitably conflict, so the use of negotiation strategies is essential. This article analyzes how to use language skills to effectively communicate with the other party in business negotiations, as well as how to skillfully apply offensive and defensive strategies to negotiations, in order to maximize the interests of both parties. Finally, this article believes that business negotiations also have a cooperative nature. To create a situation where one plus one is greater than two, both parties to the negotiation should implement the win-win concept and jointly explore the optimal solution through active communication.

**Keywords:** M&A negotiation, communication, offensive and defensive strategies, win-win concept

## **1. Introduction**

With the rapid development of the economy, various industries are gradually saturated, and many enterprises need to achieve transformation and upgrading through mergers and acquisitions of small enterprises with development potential, improve product competitiveness, and enhance their competitiveness in the national and even global markets. Mergers and acquisitions often require business negotiations, so companies are increasingly attaching importance to their own business negotiation capabilities.

At the beginning of this article, I introduce the actual case of Gree's acquisition of Yinlong New Energy Enterprise, analyze whether the acquisition meets the interests of both companies, and analyze some risks that the acquisition will bring to both companies. I also analyze the game process during business negotiations between the two parties in detail. Next, through the analysis of a large number of articles and practical cases, this article summarizes several extremely important aspects of negotiation. The first is the communication methods and channels used in negotiation, including verbal communication skills and non-verbal communication skills, and analyzes the advantages and

disadvantages of different communication channels. As we all know, business negotiation is a process in which both parties play games around their respective economic interests. If we can flexibly use offensive and defensive strategies in the negotiation, it will help to achieve the negotiation goal. Therefore, in the second part, I introduce some offensive and defensive strategies applicable to business negotiations, as well as three basic principles to be followed when using these strategies. In the next section, the article reveals that the essence of negotiation is to achieve a win-win situation for both parties. The survey results show that many people have the impression that business negotiations are like a war without gunpowder. However, this article believes that this is a very one-sided understanding of negotiations. In the process of business negotiation, when one party's interests are involved, some conflicts are inevitable. It is undeniable that in addition to conflict, business negotiations also have a cooperative nature. In the current negotiation arena, a win-win concept of "no losers" has gradually emerged, and more and more business negotiations are conducted to achieve the common interests of both parties. At the end of the article, it is pointed out that in order to implement the win-win concept, it is not only necessary for both parties to properly handle several relationships, but also necessary for both parties to find effective ways to resolve conflicts and find solutions that can achieve win-win results.

## 2. Case Analysis of Gree's Acquisition of Yinlong

On August 31, 2021, Gree Electric announced that they had obtained 30.47% shares of Zhuhai Yinlong New Energy Company and owned 47.93% of the voting rights of Yinlong. It means that Gree Electric has become the actual controller of Yinlong [1]. For Gree, this Mergers and Acquisitions (M&A) negotiation is in line with two interests. Firstly, the company's electrical products related to energy storage can be optimized with the help of Yinlong's relevant technology to improve product competitiveness. Secondly, Yinlong has lithium battery manufacturing capacity and a completely new energy industry chain, which can improve Gree's market share in the core parts industry of new energy vehicles. On the other hand, the new energy bus industry has been saturated, and Yinlong has lost money for several consecutive years. Therefore, in terms of Yinlong's interests, first of all, they can expand the energy vehicle market through Gree's worldwide sales channels. Secondly, Yinlong uses lithium battery technology and completely new energy industry chain to cooperate with Gree, which is conducive to its transformation and upgrading. Of course, there are some risks for both sides in this merger and acquisition. For Gree, first of all, it is a great challenge to enter the field of new energy vehicles, which may encounter bottlenecks in technology research and development; Secondly, Gree Electric's asset-liability ratio is very high, and its sales have declined for three consecutive years. At this time, it is worrying to invest heavily in the acquisition of Yinlong. For Yinlong, they will lose control over the operation and management of the enterprise, and the consistency of Yinlong's enterprise operation strategy may be damaged after the conflict between the two business models. In the negotiation, Gree hopes to capture Yinlong with about 1.4 billion yuan and hopes that Yinlong can provide its lithium battery core technology to help Gree develop energy storage products to the maximum extent. Yinlong believes that although they are in a loss state at present, its core technology is the best one in China. And discloses that some companies are willing to acquire Yinlong with 1.7 billion yuan, so they hope Gree to acquire with 1.89 billion yuan. If Gree wants to enter the new energy automobile industry, there is no doubt that Yinlong is the best choice. Therefore, Gree made a concession and said that it was willing to raise the merger price. However, due to the current shortage of funds, Gree hopes to acquire Yinlong with 1.828 billion yuan. The conditions given are: Yinlong can retain part of the business rights, and Gree is willing to negotiate with Yinlong to decide when the business models of both parties' conflict. And agreed to sign a Cooperation Agreement with Yinlong, which means that both parties will use their respective industrial advantages to cooperate in new energy vehicles, energy storage and other fields, but one

party should give priority to purchasing the other's products. Although an agreement has been signed, Gree is still the ultimate beneficiary in this merger and acquisition.

### **3. Business Negotiation Skills**

Communication methods are crucial in business negotiations, and good communication is an important prerequisite for successful negotiations. During the negotiation process, poor communication or misunderstandings often occur. Therefore, in order to achieve better communication effects, both negotiating parties can adopt some communication skills in communication.

#### **3.1. Verbal Communication Skills**

In business negotiations, language communication mainly includes two aspects: "speaking" and "listening"[2]. On the one hand, as negotiators, when expressing their views, they need to pay attention to the wording and pronunciation to avoid causing misunderstanding and discomfort to the other party.

For example, when both parties cannot reach an agreement. If the negotiator says, "It's terrible, it seems that we can hardly reach a consensus!" This expression not only leads to negative emotions on the other side but may even lead to the breakdown of the negotiation. However, if the negotiator adopts a positive expression, saying, "Although we have not reached an agreement yet, we have fully understood each other and believe that in the next negotiations, we can definitely explore solutions that are in the interests of both parties." Such an expression can ease the emotions of the other party and help achieve a win-win negotiation result. On the other hand, if the other party is speaking, the negotiator, as the listener, needs to listen carefully and respond positively. Some negotiators believe that the other party's statements are hostile and believe that the purpose of listening to the other party is to effectively refute the other party. In fact, this idea is wrong, and the other person's speech contains a lot of valuable information. By listening to each other's statements, negotiators may gain new ideas and find solutions to problems.

#### **3.2. Non-verbal Communication Skills**

In addition to verbal communication, non-verbal communication also plays an important role in business negotiations [3]. For example, many negotiators can read a lot of information from the other party's body language and micro-expression. If the negotiator "puts his arms across his chest", it means a defensive mentality; if the negotiator "places his hands in the shape of a spire on his chest," it indicates a sense of superiority, believing that he or she has an advantage over the other party. In addition, if the negotiator always blinks, it may mean that the negotiator has hidden some information [2].

#### **3.3. Communication Channels Used in Business Negotiations**

Face-to-face communication is the most common communication channel in business negotiations. Not only can they accurately communicate information, but they can also intuitively feel each other's emotions. However, face-to-face communication costs are high, and negotiators often choose to communicate through telephone, video conferencing, e-mail, and other channels [2]. Telephone communication costs less, but the information obtained is limited, and one cannot see the other person's facial expressions and body movements. Video conferencing is somewhat superior to telephone communication. However, using these two methods to negotiate requires the negotiator to have a quick reaction ability, which greatly tests the negotiator's negotiation skills and experience.

Therefore, for less experienced negotiators, using email to negotiate can make up for the disadvantage of lack of experience. Before replying, negotiators have sufficient time to look up information, consult others, and modify the content of the email.

#### **4. The Application of Offensive and Defensive Strategies in Business Negotiations**

Business negotiation is the process of a game between two parties around their respective economic interests. Therefore, flexible use of offensive and defensive strategies in negotiations will help achieve negotiation goals.

##### **4.1. Offensive Strategies in Business Negotiations**

The first offensive strategy is to create momentum and pressure [4]. During the negotiation, Party A pointed out the market situation and changing trends, emphasized Party A's strength and trading advantages, and caused psychological pressure on Party B to make demands accordingly. Using this strategy can create a sense of urgency in the negotiation and shake the other party's position.

The second strategy is to find fault with the other party [4]. During negotiations, Party A intentionally points out the shortcomings of Party B's products, which can undermine Party B's confidence and reduce the difficulty of subsequent bargaining. Party A can start with the shortcomings of Party B's products in terms of quality, shape, function, etc., or can start with the fact that Party B's products do not meet Party A's needs. Party A needs to note that, the problem pointed out must be the real existence of Party B's products. Creating something out of nothing will make Party B believe that Party A has no sincerity in cooperation.

The third strategy is to manufacture competition. Before negotiation, Party A can contact other companies similar to Party B, realize cooperation intentions, and create a competitive situation. In the subsequent negotiations, Party A shall disclose competitive information and the trading conditions given by competitors to Party B. After putting pressure on Party B, force them to make concessions.

##### **4.2. Defense Strategy for Business Negotiation**

The first defensive strategy is to overcome hardness with softness. If Party B insists on not making concessions during the negotiation, Party A can face a tough attitude with a gentle attitude. Let Party B calm down to analyze the interests sought by both parties and discuss the plan to meet the interests of both parties. A Japanese electric power company has caused the death of surrounding marine organisms due to the discharge of wastewater. Fishermen angrily broke into the company and urged the company to compensate for the losses. The manager listened patiently to the fishermen's complaints, firstly, he expressed sympathy for their losses; then he apologized sincerely to them on behalf of the company; finally he explained the company's difficulties and the next steps the company would take to the fishermen. The fishermen quelled their anger and reached a settlement with the company [4]. The second strategy is to plan every step carefully. It means not making concessions hastily in negotiations. Only when Party B makes concessions on issues requested by Party A, then Party A will make corresponding concessions. Careful planning of each step can connect the concessions of both parties and effectively prevent Party B from attacking.

The third strategy is to adjourn the meeting temporarily. During the negotiation, when Party B's strong attitude makes Party A unable to parry, party A may propose to adjourn the meeting. Party A can not only avoid the sharp edges of Party B, but also strive for better negotiation through private communication. The Nordic Deep Sea Fisheries Company sent representatives to China to negotiate with a canned goods factory for distribution. The Deep Sea Company offered higher prices and insisted on not reducing prices. The cannery representative proposed to adjourn the meeting, and in the following days, he took the other representative to visit several large supermarkets. The crowded

flow of people in supermarkets has enabled representatives of Deep Sea Company to see a promising new market. Therefore, in order to open up the Chinese market, the Deep Sea decided to reduce its quotation by 30% and provide some advertising and promotional expenses to Chinese distributors [4].

### 4.3. Principles for the Application of Offensive and Defensive Strategies

When applying offensive and defensive strategies to business negotiations, some principles need to be followed. The first point is to use techniques moderately and reasonably. The use of negotiation strategies is essential, but it is important to grasp the right balance. Overriding the opponent's bottom line may be counterproductive.

The second point is to follow the principle of contingency when negotiating. Before business negotiations, both parties will collect negotiation information and formulate negotiation plans. However, in reality, many situations are unpredictable. This requires negotiators to have rich negotiation experience and appropriately use negotiation strategies to respond flexibly.

The third point that must be observed is the win-win principle. The goal of a win-win strategy is to meet the interests and needs of both parties. First of all, in negotiations, one party cannot only adhere to their own position, but should explore the common interests of both parties and propose their suggestions to the other party. Secondly, after identifying the same needs of both parties, they can collaborate to expand the overall interests of both parties, create a result where one plus one is greater than two, and create a win-win situation [5].

## 5. Suggestions for Using Business Negotiation Skills

Since ancient times, the Chinese people have regarded negotiation as a game between the two sides and tried to gain the desired benefits in various ways. With the continuous progress of human thinking, people have realized that if negotiations are viewed as a war, the outcome must be a win-win situation. Some people may say that confrontation in negotiations is inevitable. However, if only entangled in this, it may cause both sides to miss great benefits [6]. Therefore, the win-win concept of "no losers" has gradually formed in the current negotiation arena. However, in business negotiations, both parties often want to obtain as many benefits as possible, so it is inevitable that both parties conflict due to their respective interests.

In real life, to implement the win-win concept, both parties need to properly handle these relationships. The first is the relationship between people and problems [7]. When dealing with issues encountered in negotiations, we should adhere to the principle of "treating matters rather than people". First, both sides should engage in empathy and try to understand each other's position. No matter how fierce the argument may be, one should not use malicious language or engage in personal attacks. Second, both sides should put their mutual interests first. It is meaningless to always complain or accuse the other party during negotiations. Both parties should actively listen to the other party's statements and discuss their views on the issue together [8]. The second is the relationship between giving and gain. No party in the negotiation will only gain benefits without abandoning any benefits [9]. In negotiations, without compromising one's core interests, one should understand how to make concessions by abandoning something, so as to obtain what one wants from the other party.

So how to use effective methods to resolve conflicts and find a win-win solution becomes the key. First, both negotiating parties can seek differences in their interests. It is often easier to achieve a win-win situation with each need. A professor once shared a story about him and his little daughter. There is only one orange at home, but the professor and his little daughter both want it, so they discuss how to divide the oranges. Neither of them wanted to get only one orange, and the argument lasted a long time without any result. So the professor calmed down and asked his daughter, "How do you want to eat this orange?" The little daughter said, "I want to grind the orange peel and bake a cake." The



professor said, "Really? I want to use the pulp of the orange to squeeze juice." Finally, the professor got the complete orange pulp, and the girl got the complete orange peel. From this, we can see that they have each obtained the maximum benefits and made the best use of their resources. This shows that communication makes them clear about their respective interests and maximizes the interests of both parties. Therefore, when both parties find that the interests themselves are not conflicts but differences, things are much easier to handle.

Secondly, one of the most important win-win solutions is development or creative solutions [10]. Aristotle once mentioned that the purpose of economic science is to increase wealth, that is, increase the size of the pie, not just distribution. Therefore, the best way to handle differences with negotiating opponents well in negotiations is to find optimized solutions that can lead the interests and needs of both parties to a common goal level. The key is to create a set of supporting plans that exceed both parties' expectations, including strategic alliance cooperation plans, or resolve conflicts that may threaten the survival of the enterprise. Negotiators need to be prepared to create value, increase discussion topics, conduct hypothetical thinking, and bring new participants to the negotiating table [6].

## 6. Conclusion

Business negotiation refers to the negotiation and negotiation conducted by people in various economic businesses in order to bring the opinions of both parties closer to consensus. This is a relatively complex process, which involves both determining one's own interests and considering the interests of the other party. Communication plays a crucial role in the negotiation process, and nonverbal communication also conveys a large amount of information in business negotiations. If company negotiators master various communication skills through learning and speculation, they can continuously improve their ability to persuade the negotiating party. In negotiations, negotiators should not only focus on tangible benefits but also maintain a good relationship and harmonious atmosphere with the other party. A pleasant atmosphere helps to achieve negotiation goals. In addition, there are various offensive and defensive strategies in business negotiations, which need to be flexibly applied according to actual situations, and always take mutual benefit and win-win results as the core. Only with a degree of attack and defense can we maximize the role of various strategies, achieve the expected goals, and achieve successful negotiations. But if negotiations are viewed only superficially as a war, the outcome must be a win-win situation. A successful negotiation is not just about maximizing the interests of one party, but rather guiding the interests and needs of both parties to one level. Both parties to the negotiation should resolve conflicts with a positive attitude, explore the best solution that meets the interests of both parties, and ultimately achieve a win-win situation.

## References

- [1] Yang, SK.: *The Risks and Countermeasures of Enterprise Mergers and Acquisitions from the Perspective of Diversified Strategy—Taking Gree Electric Appliances' Acquisition of Yinlong New Energy as an example*. *Chinese Agricultural Accounting* (08), 89-90 (2022).
- [2] Shen, Q., Haibu, LQGL., Ruan, QH.: *Analysis of communication and persuasion skills in business negotiations*. *International Public Relations* (19), 77-79 (2022).
- [3] Li, GG.: *Cultural barriers and strategies in international business negotiations*. *Today's Wealth* (12), 40-42 (2022).
- [4] Pang, YH.: *Exploration of Business Negotiation Offensive Strategies and Application Principles*. *Modern Marketing (Business Edition)*, No.348 (12), 7-9 (2021).
- [5] Zhang, H.: *Strategic Selection, Impact, and Countermeasures of Principle Based Negotiation in International Business Negotiations*. *Marketing Journal* (31), 183-184 (2021).
- [6] Liu, YT.: *How to win more in win-win negotiations—Inspiration from Reading "Harvard Win Win Negotiation Course"*. *Chinese Times*, No. 400 (08), 57 (2018).
- [7] Chen, HT.: *Analysis of International Business Negotiation Strategies Enterprise Technology and Development* (05), 149-150 (2019).

- [8] Ding, YQ.: *How to achieve a win-win situation in business negotiations* *Value Engineering* (25), 146-147 (2012).
- [9] Zhao, YY., Sun, L., Shen, RN.: *Win Win in Business Negotiation*. *Electronic Production*, No.263(14), 274-275 (2014).
- [10] Nielsen, R. P.: *Varieties of Win-Win Solutions to Problems with Ethical Dimensions*. *Journal of Business Ethics*, 88(2), 333–349 (2009).