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The Role of Trust in Civil Construction Negotiations: *A Brazilian Case Study*

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Abstract

This article investigates an intricate real estate negotiation occurred in Sorocaba, São Paulo. The R$360 million transaction encountered a major obstacle because a real estate intermediary led to the breakdown of trust. The negotiating team faces increasing difficulties because they need to handle various relationships and power systems to protect the agreement. The negotiating team needs to show their ability to rebuild trust during agreement completion but their ongoing disputes threaten to surpass their problem-solving capacity. The case study presents an interesting story about negotiation and conflict resolution and relationship development which offers vital data for academic researchers and professional practitioners.

Keywords

Real estate development; Negotiation; trust building.

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1. Introduction

The case study examines a Type IV negotiation (Dias, 2020) which occurred when trust violations triggered a conflict between real estate project stakeholders. The negotiation process contained multiple major obstacles together with multiple errors yet delivered essential learning experiences. The actual situation demonstrates how complex negotiation

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becomes when parties need to maintain open communication for creating mutually beneficial agreements. Past researchers have studied negotiation since Fisher et al. (1981) and Dias (2023) and Dias (2023a) and Dias (2023b) and Dias et al. (2023) and Navarro & Dias (2024) and Santos & Dias (2024) and Kissinger (1969) and Lax & Sebenius (1986) and Raiffa et al. (2002) and Rubin & Brown (1975) and Pruitt (1981). The process of negotiation functions as a communicative method which enables parties to achieve mutual agreement (Fisher, Ury & Patton, 1981). Researchers have studied negotiation through various business environments including Dias et al. (2022) and Dias et al. (2024) and Dias et al. (2023) and Dias et al. (2022) and Santos & Dias (2024) and Dias (2023) and Dias et al. (2023). The study of negotiation has expanded to various fields including government (Navarro & Dias, 2024) and retail (Valente & Dias, 2023) and software contract negotiations (Cunha & Dias, 2021; Dias et al., 2021) and complex military negotiations (Dias et al., 2022; Dias et al., 2022; Dias et al., 2022). Negotiation is a central element in the corporate environment, particularly in the real estate and construction sector, where large values, diverse stakeholder profiles, and divergent interests converge. Complex negotiations involve not only financial aspects but also trust, interpersonal communication, and conflict management. The present work describes a real negotiation conducted in June 2017 regarding the acquisition of a plot of land in Sorocaba for large-scale real estate development. The analysis will draw on concepts from the discipline of Negotiation and Conflict Management, such as BATNA, ZOPA, alternatives, options, and strategies for resolving impasses. The objective is to report the case, apply the theory, and reflect on the lessons learned and possible improvements. The negotiation type is illustrated in Figure 1:

Figure 1 The Four-Type Negotiation Matrix
Source: Dias, 2020. Reprinted under permission.

2. Materials and Methods

The research employs case study methods to study a Type II negotiation (Dias, 2020) which takes place in a professional setting. The case study method allows researchers to analyze both the negotiation process and its final results (Dias, 2023). Yin (2018) explains that case studies function as empirical research methods which study real-world phenomena through complete analysis of their natural settings. The research investigates the negotiation process through a single case study approach (Yin, 2018). The research examines a particular workplace program which evolved into a major conflict because of age-based team member differences. The researchers observed the negotiation process while simultaneously documenting all interactions between involved parties. The writer who facilitated the negotiation applied communication methods and conflict resolution strategies which Acuff (1993) and Salacuse (2003, 2006) and Shell (2006) recommend for effective negotiations. The mediator established an agreement which brought advantages to all involved parties instead of imposing a solution (Fisher, Ury & Patton, 1981).

3. Research Context

The project in question provided for the acquisition of a 70,440 m² plot of land, with potential for the construction of 1,400 housing units. The projected sales price per unit in 2017 was R$150,000.00, resulting in a PSV (Price Sales Value) of R$210 million. Corrected to 2025, the value of the units would reach R$258,314.00, with a PSV of R$361.6 million.

It is, therefore, a strategic business for the company, given the financial volume and the impact on the expansion plan. The proposals presented to the owners were:

1. Financial Exchange: 10% of the project's revenue (R$36.1 million corrected).
2. Physical Exchange: 12% in units in the project (168 units, R$43.3 million).
3. Proportionality between both and advance: R$ two million (in 10 installments after the Incorporation Registration).

The land was initially intermediated by a reputable broker close to the owner's family. However, during the process, the owner of the real estate company where the broker worked tried to take control of the negotiation, which generated a conflict of trust with the owners and almost made the operation unfeasible.

4. Project development

First Phase: Presentation of the Proposal

The real estate agency started with their first meeting where team members presented their project and brought an initial financial Exchange proposal of 8% while demonstrating their ZOPA range from 8% to 10% for financial Exchange and 12% for physical Exchange. The company began with the lowest ZOPA value of 8% to determine how well the owners would receive the proposal. The owners showed no interest in the proposal which made it difficult to determine their main issues and important matters.

Second Phase: Real Estate Interference

The case experienced a significant change when the real estate company owner took away the initial broker from negotiations to handle the process himself. The owners lost their trust because the previous relationship depended on their close relationship and straightforward communication. The owners experienced a cultural shift because their trusted broker maintained a humble demeanor while speaking their language yet the real estate agency owner used formal and forceful communication which broke down their established empathy. The sellers became suspicious when he asked for an exclusive power of attorney to negotiate because they believed he wanted to replace their original broker and take control of the business deal.

Phase Three: Open Conflict

The owners displayed hostility after discovering their trusted partners faced the possibility of being taken out of the process. The owners shared their feelings of distrust and pain about the real estate company's conduct during an informal meeting at their family farm. The conflict has evolved past monetary disputes because it now includes trust problems and opposing values and different opinions about commitment. The situation deteriorated when the real estate agency owner attempted to bypass the problem by reaching out to the buying company CEO for my removal from the negotiation process. The CEO who understood the historical context of the situation kept me at the negotiation table while he handled the unethical actions of the intermediary.

Phase Four: Rebuilding Trust

The negotiation almost failed before the solution involved direct trust restoration with the owners. The real estate agency needed ten months of continuous owner interactions to regain trust following its reputation deterioration. The broker led the owners to the balcony for a resumption meeting which resulted in a final agreement through mutual concessions and adjustments. Physical Exchange of 12% (168 units, R$43.3 million). The company paid R$2 million through 10 equal installments after finishing the income tax.

5. Case Analysis

BATNA. The best alternative for the owners would be to seek another interested developer, given the land's potential. For the purchasing company, the BATNA would be to allocate efforts to other areas under analysis, since there was a pipeline of land under study. The threat of each side following through with external alternatives was constantly used implicitly.

ZOPA. The Zone of Possible Agreement was delimited between 8% and 10% in financial exchange and up to 12% in physical exchange. This range proved realistic, as the close occurred precisely at the upper limit of the ZOPA (12% physical).

Options. Three main options were generated (financial, physical, and hybrid with advance). Receive equity interest instead of pure sale (feel like a partner, not "lose the land"). Exchange in ready-made lots (reduces the feeling of total loss). Staggered or lifetime payment (predictability). Bonus linked to appreciation (if the PSV exceeds projections).

Origin of the Conflict. The conflict was neither technical nor economic, but relational and trusting, caused by the real estate company's interference. This fact reinforces that negotiation is not just about numbers but also involves ethics, perceptions of loyalty, and communication appropriate to the other party's profile. Close attention was driven to the owner to determine which specific issues he was unhappy with. The owner received trust restoration through my scheduled site visits and my direct communication with him. A dependable broker functioned as the link between the two entities. The solution needed a middle ground which kept all elements between the ZOPA range boundaries to achieve success. The process revealed both positive aspects and negative points which included: (i) The team established particular boundaries for ZOPA and BATNA definitions. (ii) The team succeeded through their implementation of their recommended presentation approach for the proposal. (iii) The team kept their focus on building a solid connection.

6. Discussion and Implications

The research results from this study create essential knowledge for business negotiation science which directly benefits real estate and construction operations. The case study shows that trust and ethical conduct and effective communication must be the main priorities for negotiators when they handle important deals. The real estate intermediary managed this situation through process control maintenance which included all parties involved in the agreement. The research results from this study confirm previous negotiation research which demonstrates that direct communication to establish trust and rapport results in successful negotiation results (Dias, 2020; Dias & Lopes, 2021). The research shows that negotiators must recognize how cultural aspects together with relationship patterns influence all stages of negotiation. The owner wanted to handle negotiations directly but the real estate agent followed standard procedures which demonstrates that negotiators need to adjust their methods according to cultural and relational factors (Dias, 2020a). The case study shows that successful negotiation needs effective management of all stakeholders who participate in the negotiation process. The real estate agent tried to take over the negotiation process by dismissing the original broker which demonstrated how opposing interests between parties can block successful negotiations. Research on stakeholder management supports this finding because it shows organizations must identify and manage their vital stakeholders during negotiation processes (Freeman, 1984). The research results from this study created new understanding about business ethics and corporate social responsibility practices. The real estate agent's unethical behavior during negotiations shows that businesses need to maintain ethical conduct in their professional activities (Dias, 2021). The research shows that real estate and construction negotiations contain multiple difficult elements which need trust and ethical behavior and direct communication to achieve successful outcomes. The research results demonstrate that successful negotiation depends on building relationships and managing stakeholders and understanding cultural differences.

7. Lessons Learned

Based on the learning of the case, some strategic changes could have reduced the attrition: (a) Relational due diligence: previously investigate the relationship between brokers, real estate agents, and owners. (b) Stakeholder management: mapping who really influenced the decision and maintaining constant alignment. (c) Build report: Adopt a language and style that is compatible with the simple salespeople profile from the start. (d) Communication plan: avoid noise by being transparent about exclusivity, intermediation, and the roles of each actor. (e) Preventive use of BATNA: make it clear that there were alternatives, but without threatening, only as a reinforcement of credibility.

8. Limitations and Future Research Directions

The research study provides essential information about real estate negotiation but it has particular limitations. The single-case research design produces detailed results but its findings remain restricted to the particular business environment under investigation. The research needs to establish connections between our results and different business sectors including technology and healthcare while studying trust patterns and ethical standards in international people-to-people institutional negotiations between cultural groups. The research demonstrates that trust and ethics influence negotiations yet emotional and social elements determine the success of negotiation processes. Research needs to determine how emotions and intuition affect negotiation results and develop methods for negotiators to control their emotions during successful negotiations. The research design limited our ability to analyze how personal characteristics including personality traits and negotiation approaches affect the negotiation process. Research should investigate how personal characteristics affect negotiation results while creating training methods which understand unique individual characteristics.

9. Conclusion

The analyzed negotiation demonstrates that, in addition to financial calculations and structured proposals, trust and ethics are decisive factors in high-impact negotiations. The conflict arose not from the proposal itself, but from a breach of trust by an intermediary, which almost made a deal valued at more than R$360 million in PSV unfeasible. The core learning is that trading is about building sustainable relationships. Applying concepts such as BATNA, ZOPA, and option generation is fundamental, but sensitivity to people, cultural profiles, and intangible values is what distinguishes a successful negotiation. With the experience gained and the concepts studied in the course, it would be possible today to conduct the process with more preparation, preventing conflicts and strengthening the relationship of trust with the owners from the beginning.

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