



## Brazilian Case on Civil Construction Works Negotiation: Clinic Expansion

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### ABSTRACT:

The article describes a family business negotiation in Brazil. The bakery faced management and organization problems due to its family nature, lack of professional management, and 24/7 operations. The business faced issues such as centralized management, high employee turnover, high maintenance costs, emotional issues, stress, lack of schedules for family life, and the matriarch's health depletion, worsening family relationships. This work presents the negotiation's outcome and discusses best practices to solve issues without jeopardizing family ties.

### Keywords:

Business negotiation; Type II negotiation; civil construction.

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## 1. INTRODUCTION

This article introduces a descriptive case study in which the unit of analysis is the business negotiation between a physiotherapy clinic (the real name was omitted for compliance reasons) and *Smejoff Engenharia* (the original name was preserved due to formal authorization by the owners) in Porto Alegre, Southern Brazil. Both parties engaged in a Type II negotiation (Dias, 2020), where multiple parties (family members) parties negotiate multiple items.

Negotiation is defined as a "process of communication by which two or more parties seek to advance their interests or those of the persons they represent through an agreement on the desired future action" (Salacuse, 2003, p. 11). The field of research has drawn academic interest throughout the past several years (Dias, 2023; Dias, 2023a; Dias, 2023b; Dias et al., 2023; Fisher, Ury & Patton, 1981; Kissinger, 1969; Lax & Sebenius, 1986; Navarro & Dias, 2024; Pruitt, 1981; Raiffa, Richardson & Metcalfe, 2002; Rubin & Brown, 1975; Santos & Dias, 2024).

The negotiation subfields of research include: (a) conflict management (Zartman, 1988); (b) process of communication between parties (Acuff, 1993; Salacuse, 2003, 2006; Shell, 2006), (c) exchange in a social interaction (Dias, 2016; Schatzki & Coffey, 1981); as part of the (d) decision-making process (Bazerman & Moore, 1994); (e) retail business negotiations (Dias, 2023; Dias, Lafraia, Schmitz et al., 2024; Dias, Leitão, Batista & Medeiros, 2022; Dias, Pereira, Teles & Lafraia, 2023; Dias, Pereira, Vieira, et al., 2023; Dias, Toledo, Silva, et al., 2022; Santos & Dias, 2024; Valente & Dias, 2023); (f) Military negotiations (Dias, Toledo, Silva, Santos et al., 2022; Dias, Pires et al., 2022; Dias, Almeida, Silva, Russo, et al., 2022); (g) governmental negotiations (Navarro & Dias, 2024); (h) contract negotiations (Cunha & Dias, 2021; Dias, Nascimento et al., 2021). This study uses the Four Type Negotiation Matrix (Dias, 2020) to represent the negotiation category, as illustrated in Figure 1:



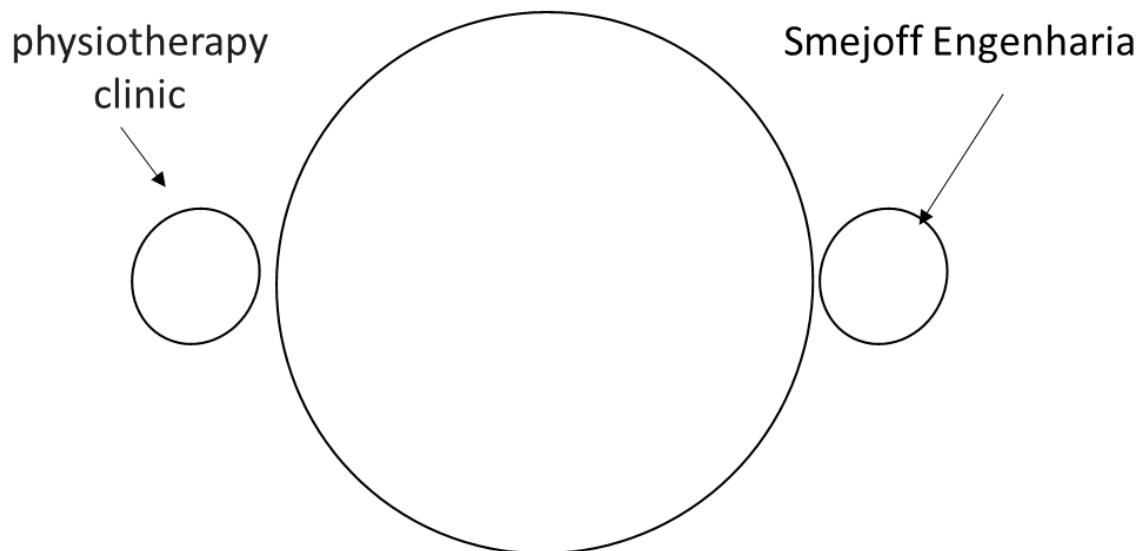
*Figure 1* The Four-Type Negotiation Matrix  
*Source:* Dias, 2020. Reprinted under permission.

## 2. METHODOLOGY

This paper followed, to a large extent, Saunders, Lewis, and Thornhill's (2009) inductive technique with interpretative philosophy. Inspired by Yin (2004), we studied one civil construction negotiation between two parties to remodel a physiotherapy clinic in Brazil as the unit of study, enhanced with the direct engagement of one of the authors.

## 3. BACKGROUND

The case described illustrates a negotiation process between a high-end client and a renowned construction company in Porto Alegre in a scenario where expectations and budget limits are negotiated, bringing to light adjustments in the project and concessions. The client, the physiotherapy clinic, has a medium/high-end clientele and is planning a significant expansion for the future. The construction company *Smejoff Engenharia*, with a tradition in the market, was invited to carry out the budget and conduct the expansion work of the new point of the clinic, which would be located in a prime area of the city, on Avenida Goethe.



*Figure 2* Typical Type II bargaining table.

*Source:* elaborated by the authors

The clinic owners have a history of long-term partnership with the civil engineer and partner of the construction company, who has performed numerous consultations in treating injuries at the clinic. This relationship of trust and mutual understanding turned out to be an important factor in the negotiation since the clinic sought the expertise of *Smejoff Engenharia* to expand its business, maintaining the high standard and quality that were already trademarks of the clinic. The clinic has two headquarters on Avenida Cristóvão Colombo, both in Porto Alegre. The expansion aims to replace the Cristóvão Colombo unit with a new integrated health center with almost 400 m<sup>2</sup> of built area. It includes physiotherapy, orthopedics, massage, gym, sports nutrition, and other services. The clinic proposes to sublease spaces for specialized professionals, creating a unique complex in the city's health market. With the approval of the projects, the next phase would be the budget for the work. The construction company's engineer prepared a detailed budget, considering the complexity and high standard

required for the project. The budget negotiation would take place with a margin of flexibility but also with the need to justify the value and maintain the financial balance of the construction company.

## **5. PLANNING THE NEGOTIATION**

### **Zone of Possible Agreement (ZOPA):**

To keep the same project without reviewing the scope of the work: \$60,000 to \$65,000

### **Options:**

Given the budget divergence, engineering proposed reassessing the project's scope. Some changes were proposed to reduce costs without compromising the feasibility of the work:

1. The main entrance sidewalk is removed from the scope;
2. Cover the external area in the second stage of the project;
3. Simple paintings replace some high-end coatings;
4. Installment of the work, with a down payment of 65% of the amount and the rest paid in installments;
5. Completion of the work in a more extended period.

### **Alternative:**

1. Look for another company to carry out the project.

## **6. PRESENTATION OF THE BUDGET AND FIRST NEGOTIATION**

The initial budget, \$60,000, was presented to the clinic. The budget included a global contract with complete execution of the work and high-quality finishes, as expected by a medium/high-standard client. In addition, the execution time of the work was only 60 days, which increased the complexity and cost of the work due to the need for specialized labor and the efficient management of the schedule. The customers were practically offended, in a "defensive" way, stating that it was a value totally out of the conditions they were looking for. They were looking for a solution that would meet their expansion needs but at a more affordable cost.

The engineer from *Smejoff Engenharia* showed in detail the value of the work and stressed that the project would be different from what exists in the city. He also explained that *Smejoff*, which has almost 40 years of tradition, would guarantee quality work without surprises and strict deadline compliance. In his negotiation, the company's representative stressed the importance of carrying out a differentiated project with high-standard finishes and respecting the expectations of the public that the clinic aimed to serve. The engineer explained that a work of this magnitude, with the level of sophistication and demand, could not be carried out by any small company, as the risks of unforeseen events and rework would be high. In addition, *Smejoff Engenharia's* commitment to quality, punctuality, and the delivery of successful works was emphasized, highlighting that the cost of \$60,000 was a fair proposal, taking into account the volume of work, the high-quality materials, and the complexity of the project.

## **7. COUNTER OFFER: BUDGET LIMITATION**

Despite the construction company's arguments, the clinic owners insisted that the amount was far above the available budget, with a maximum target of \$50,000. They sought a discount, which caused an impasse in the negotiation. The construction company, in turn, was unwilling to grant discounts, as its profit margin was small and could not absorb the unforeseen events without compromising the project's financial viability.

Smejoff Engenharia's response was: "Our margin is adjusted to ensure the quality and sustainability of the work, considering the variations in material prices over time and the financial cost of maintaining the flow of payments. That is why we could not reach the amount proposed. "The engineer explained that it would be necessary to review the scope of the work to meet this budget, which could impact the quality of the final project and the realization of the "dream" that the clinic wanted.

## **8. CLOSING THE DEAL**

After negotiations and showing the options proposed by Smejoff Engenharia, the agreement was closed. Modifications to the project's scope allowed the budget to be adjusted to the target value of \$50,000, thus meeting the clinic's need to reduce costs without sacrificing essential aspects of the project. With the adjusted amount, the negotiation advanced to the payment terms. The clinic suggested an initial payment of 50% of the amount, with the remaining balance paid in installments directly, with the SELIC correcting the amount to compensate for the monetary variation over time. After discussions, Smejoff Engenharia agreed to this proposal as long as the inflation index adjustment was maintained since the construction company would need to cover its financial costs during the flow of payments. The proposal was accepted, and both parties agreed to execute the work satisfactorily.

## **9. IMPLICATIONS AND DISCUSSION**

The implications of this negotiation include the importance of flexibility and creativity in finding solutions and the value of building trust and understanding between clients and contractors. The case also highlights the need for effective communication and transparency in negotiation, allowing both parties to find common ground and reach a satisfactory agreement. Additionally, the negotiation demonstrates the importance of considering the long-term implications of a project, including the potential for future collaborations and referrals. Overall, the successful negotiation between the clinic and Smejoff Engenharia showcases the potential for win-win outcomes in business negotiations.

There are also some implications in other fields of study, such as (i) business negotiations (Dias, Waltz & Oliveira, 2021; Dias, 2020a; Dias, 2020b; Dias, 2020c; Dias, Duzert & Lopes, 2021); (ii) family business negotiations (Dias, 2021; Dias & Lopes, 2020; Dias & Lopes, 2021; Dias & Navarro, 2020; Dias, Lopes & Duzert, 2020; Dias, Lopes & Teles, 2020; Sartori et al., 2020). (iii) role-play simulations on business negotiations (Dias, Lopes, Cavalcanti & Golfetto, 2020; Dias & Silva, 2021; Dias, Netto, Oliveira et al., 2021; Dias, Andrade, Sotoriva, et al., 2021; Dias & Lopes, 2021), for example.

## 10. CONCLUSION

In conclusion, the negotiation between the physiotherapy clinic and Smejoff Engenharia was successful, with both parties reaching a mutually beneficial agreement that met their underlying interests. Even though the initial budget was a challenge, the ability to communicate openly and transparently allowed us to find a viable solution for expanding the clinic and maintaining the high standard of quality necessary for its success. The final agreement involved concessions but resulted in a positive negotiation for the company and the customer. Through open and transparent communication, creative problem-solving, and a willingness to compromise, the parties were able to find a solution that balanced the clinic's budget constraints with the construction company's need for profitability. The outcome of this negotiation demonstrates the importance of effective communication, trust, and flexibility in achieving successful outcomes in business negotiations.

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