

# TRANSACTIONAL ANALYSIS IN THE BUSINESS CONTEXT

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## Abstract

*Every day people are faced with changes that are sometimes spontaneous, and that influence our state of mind, depending on the circumstances. The Transactional Analysis managed to identify these states of the Ego being at the same time an instrument of communication and interconnection in this direction. Starting a business means the entrepreneurs must stand risks and make continuous efforts. Moreover, they must face challenges and novelty that define the business environment which is continuously changing and moving. Starting and developing a business mean the entrepreneurs must make a real effort; they are always trying to develop their business in order to meet the various needs of potential customers. The study, presents the following main issues: 1).emphasizing the role of business in the current economic context; 2).presenting the economic and strategic business construction; 3).showing the main steps in developing a business; 4). identifying the role of transactional analysis and its influences in business; 5). highlighting the main principles and rules of business behavior in the contemporary context. Transactional Analysis helps businessmen adapt their future actions to concrete situations. Therefore, Transactional Analysis is a tool for analysis and action and its application allows businessmen to master more than ever the so called "rules of business".*

**Keywords:** competitiveness, strategy, transactional analysis, business, communication.

## 1. Introduction

This study emphasizes the main aspects that define transactional analysis in the contemporary business context, and also the main elements that influence the development of a business.

The importance of this study is reflected by presenting the main elements that contribute to business success, such as business economic and strategic development, as well as identifying the main steps entrepreneurs must undertake in order to start a business. The main methods for determining the price, reflected by business economic development, are also presented in literature review. These methods are highlighted in the present study. Moreover, by presenting transactional analysis aspects, one tries to analyze the personality of businessmen, since their attitude can influence business success.

Companies must face unpredictable changes, must exploit existing advantages, must implement appropriate strategies in order to survive, and why not, even thrive. This permanent concern to adapt all actions to the business environment is the most important thing for a managerial team. The managers' attitude has a major role in achieving the company's targets.

Business ethics, principles and rules that must be followed are the components of a long and difficult process. Along this road of obtaining performance the businessman faces many obstacles, that once exceeded can complete the business success. An entrepreneur must be smart and innovative to succeed in business. Although an entrepreneur applies intelligent strategies he sometimes fails. Therefore it is very important to learn from failures, to analyze the failure's causes and to identify mistakes in order to turn failure into success.

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Business has an economic construction, and also a strategic one. The economic construction of the business reflects the relation between price and performance, and the other one, the strategic construction, takes into account the main steps of achieving the businessman's goals.

## 2. Literature review

Throughout time, businesses have had periods of development, as well as downfalls. The way they have been tackled throughout time represented their starting point.<sup>1</sup>

**In antiquity**, although there were small traders and salesmen, trade was seen as a profitable activity. In ancient Rome and in ancient Greece trade has developed, and businesses have gradually grown.

**The Middle Ages** was a period of stagnation in business, economic development being threatened by the feudal system. Aristocracy and clergy couldn't trade because trading was seen as a disdainful activity. However, in the last period of the Middle Ages, there had been a fundamental change in the conduct of trade in some cities in Italy.

**In the ethical capitalism**, the gradual development of urban planning determined the expansion of business, and the attitude regarding trade became positive.

Adam Smith in his volume "Wealth of Nations" published in 1776 laid the theoretical foundations of the capitalist development ethics. He thought economic freedom is the premise of the self-interest maximization, each person contributing to the wealth fare of society.<sup>2</sup>

**In the contemporary period**, businesses have experienced a period of expansion, innovation and technological and economic progress that contributed to their development.

The person who creates a business is called entrepreneur. In the past, in ancient times, the common entrepreneur was represented by the military and by traders. By applying successful strategies, military and traders could obtain substantial benefits.

In the middle Ages, even if the trade was considered a disdainful activity, the entrepreneur was a clergyman who got involved in huge projects (construction of castles and fortifications, public buildings, monasteries). He didn't take risks, he only found material and human resources for the project's development. However, later, it was established that an effective entrepreneur must know potential risks and must be well informed about the quality and price of the products.

**In the 17<sup>th</sup> century**, entrepreneurs were considered land speculators and farmers. They were sealing bargains with buyers who wanted to acquire a particular product.

**In the 18<sup>th</sup> century**, the entrepreneur's role was recognized and exploited for the first time. Richard Cantillon thought that the entrepreneur is someone who takes risks, buys and sells products at available and consistent prices.

**In the 19<sup>th</sup> century**, the entrepreneur was thought to be the business manager. He wasn't distinguished from the manager. Jean-Baptiste Say thought that an entrepreneur was the supervisor and the manager of a business, who had to possess the following qualities: perseverance, intuition, modesty, flair, tenacity.

**In the 20<sup>th</sup> century** the entrepreneur was acknowledged as an innovative person who used to promote change. According to J. Schumpeter he was usually a creative person. In other words, an entrepreneur was the person who used to start and develop a business. In many cases, he used to take risks in order to obtain personal or material satisfactions.<sup>3</sup>

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<sup>1</sup> Constantin Sasu, *Inițierea și dezvoltarea afacerilor*, Editura Polirom, București, 2003.

<sup>2</sup> Zezi Ghe. Popescu, „Evoluția gândirii economice”, Editura C.H. Beck, București, 2009, Partea a-II-a.

<sup>3</sup> Constantin Sasu, *Inițierea și dezvoltarea afacerilor*, Editura Polirom, București, 2003, p.17.

**Nowadays**, as a consequence of technology and science progress, society is increasingly concerned about the quality of work factor, which depends a lot on a person's level of general education and vocational training. The economic development of a country is also an important element in this matter. Thus, the 21<sup>th</sup> century entrepreneur is a person with a high level of training, who provides, organizes, coordinates and controls the company activity to obtain the optimum efficiency in business.

The businessman has several qualities which are acknowledged on the business market. He is the person who: has the ability to take risks, has an innovative and creative spirit, and has experience in human relationships and management conflicts. Today, the businessman has an essential role in contemporary society. The business environment is uncertain and changeable. Entrepreneurs can obtain the incentive profit only if they take into account certain particularities of the business market. Business market should not be confused with the consumer goods market.<sup>4</sup>

#### **Business market versus consumer goods market**

Is derived from the demand on the consumer goods market

Has an inelastic character, because any change of the products price from consumer goods market attracts a smaller change on the business market.

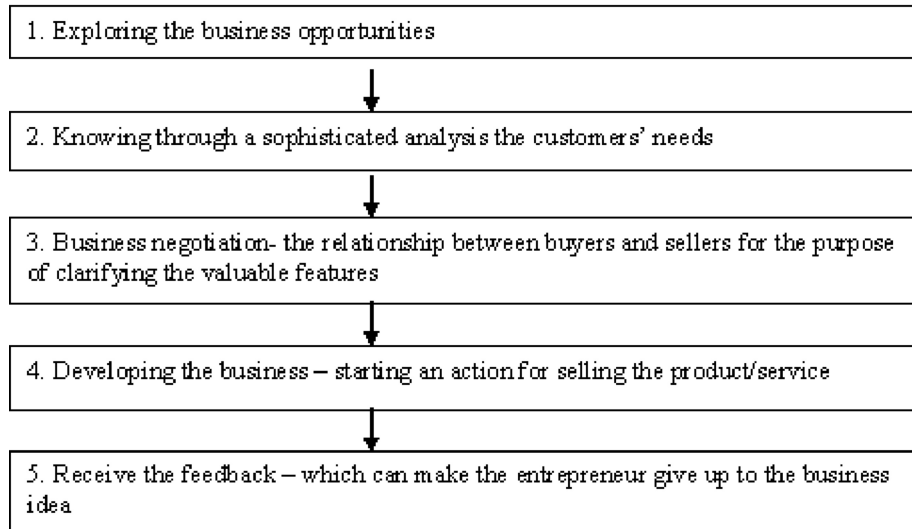
Has a variable character, because a smaller change from the consumer goods market generates a bigger change on the business market.

**Source: Authors**

### **3. Strategic and economic construction of the business**

The business is a commercial, industrial or financial activity based on speculation, and it implies the organized effort of economic agents to produce and to sell in order to obtain maximum profit, assets and services that meet the request of the citizens. In other words, the business is one's intention to develop an activity that generates profit.

<sup>4</sup> Vezi Virgil Balaure, „Marketing. Ediția a II-a revăzută și adăugită, Editura Uranus, București, 2002, Capitolul IV.

**Figure no.2: Steps which must be followed in starting and developing a business**

**Source: Authors**

In order to succeed an entrepreneur must take into account the business novelty degree (usually a relative novelty). Development of a business can be seen as an adventure because starting a business is a challenge for the business partners. Entrepreneurs must use efficient strategies because a business is characterized by complexity.

**The Strategic construction of a business** designates few interconnected elements which allow a selection of the business and, also, the correct positioning of the company on the business market. Thus, the following actions are necessary:

1). Choosing the proper business so it can represent an idea or an existing product in appropriate situation when the existing offer is insufficient and the supplier is able to hold a competitive advantage.

2). Understanding the goals set, in order to survive on the business market, or to obtain an incentive profit.

3). Understanding each step in business development in correlation with other stages: selection, construction, beginning and operation.

4). The need for understanding the level of price as an instrument of attraction for the consumer. New understandings of price are: a). non-monetary value (the consumer buys the product not because of the low price, but due to the intrinsic value they bring to the product); b). emotional attraction – the product attracts the consumer's attention because it has started a whole industry of sophisticated and attractive packing.

5). A business must be seen as a multidimensional activity with a legal, responsible, ethical and technically advanced economic construction.

Business strategic objectives must be appreciated in correlation with the entrepreneur's objectives. There are tactical, strategical and practical objectives.

The tactical objectives are the following: strengthening the position in correlation with competition; attracting the new customers; targeting new markets.

The strategic objectives are the following: price strategy regarding the business differentiation; price strategy regarding cost control; price strategy regarding the competitive advantage.

The strategic vision of the businessmen expressed the market orientation in the near future. The main guidelines that reflect the strategic vision are: geographic expansion, attracting new customers, diversifying the product range, business expansion through franchising, closing the business, selling the business, selling the brand, merging the business especially in air transport, vertical integration that involves opening a new business segment correlated with the first, creating strategic alliances.

#### 4. Economic construction of the business

On the basis of business economically construction there are four levels of correlation in terms of price – performance relation:

- 1). Price war (it is generally considered a lose-lose strategy);
- 2). The level of competition through price (the price is a key element in directing strategically option);
- 3). Non-price competition.

Methods for determining the price reflects the economic construction of the business. These methods can be divided into three main groups:

1). Method of price formation through cost: a). cost pricing method – which consists in determining the price by adding a commercial addition to the overhead costs; b). mark-up pricing method – which express the method of determining the price by adding a higher commercial addition to variable costs (20%) or lower (10%) than average total cost.

2). Methods based on demand: a). break-even pricing method- expresses the determination of optimal price corresponding to the break-even point so that it can have an upward trend; b). experience curve pricing method – expresses the determination of prices according to the short-term dynamics of demand at the certain businesses which have started for a while their activity on the market.

3). Methods based on competition: a). price taker method – expresses the actions in buying and selling stocks of the most investors who don't have enough power to change the security of the prices; this method is opposed to the price setter method; b). method of auction price – which has two specific types: a normal variant of auction (it starts at a lower price, then price starts to rise) and the second variant, Dutch auction price variant (it starts at a higher price).

#### 5. Transactional Analysis and business environment

Transactional Analysis was developed in 1965 when has been created “The International TA Association” (ITAA) and in 1976 the “European Association for TA” (EATA).

The definition developed by the I.T.A.A. regarding the Transactional Analysis is: *“Transactional Analysis is an explanatory theory of personality and is a psychotherapeutic system dedicated to the development and personal change”*.

Eric Berne's contributions to business are significant. He said that the businessmen' moods are the results of their spontaneous personality.

Transactional Analysis is a set of methods and techniques through which the businessmen' personality can be analyzed. This identification is based on analytical scales where the most important scale is the businessman's mood. Transactional Analysis is a practical approach that emphasizes the capacity of people regarding the communication skills.

There are various questions about how Transactional Analysis find the answers, such as: why a certain consumer systematically chooses the same product and doesn't try to buy another one which can probably satisfy his various needs – the answers are found in the analysis of their moods;

or why sometimes even if we find a solution to our everyday problems, we often face with an ability to confront reality and we get “stuck”.

Transactional Analysis can be used in various domains (organizational, educational, and social) and it finds answers to the consumers’ questions that need to know what the consequences of their moods are. So, the consumers’ decisions are the results of their ego-states. In line with this transactional theory, **Ego-State** (Parent-Adult-Child or PAC model) represents an essential component of the human personality. Eric Berne mentioned that we shouldn’t invest our energy in a single state.

**The Parent ego-state** is a state of the ego in which individuals barrow their parents’ (or other parental figures) attitude and behavior. A businessman with this side of personality is based on some well structured information and at the same time he has the capacity to anticipate the possible risks that may affect his business. Parent ego-state can be: critical Parent ego-state and careful Parent ego-state. The Critical Parent ego-state reflects that side of the personality which is divided by rules, norms and principles. The Careful Parent ego-state provides protection, affection and caring, while the Critical Parent ego-state imposes rules and responsibilities. A businessman who is influenced by this state has the ability to see his partner in a friendly way. He tries to take into account all possible alternatives for their actions, using his skills and business flair.

**The Adult ego-state** is governed by the principle of rationality and clarity, and also by the safe behavior and emotional detached. The businessman is self-confident, is responsible for his actions which are based on concrete facts. He rigorously assesses his actions without taking into account the emotional implications and risks.

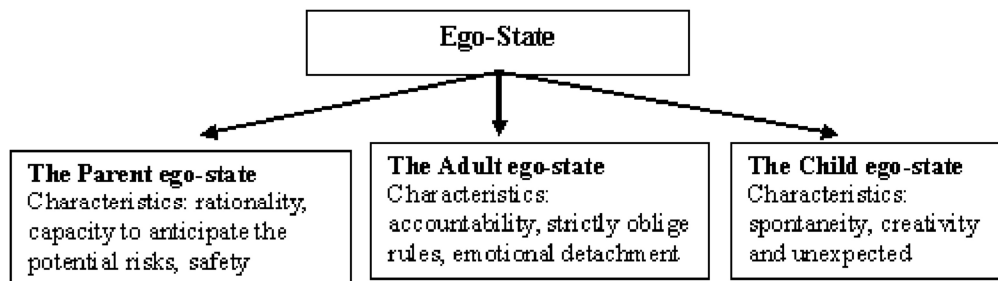
**The Child ego-state** reflects a spontaneously and creative behavior and attitude. This state of the ego is characterized by changing moods in a positive or negative ways. Three Child ego-states are presented in the literature review: Adapted Child ego-state, Creative Child ego-state, Spontaneous Child ego-state.

**Adapted Child ego-state** is the state of the ego in which the individual knows his own potential and tries to supplement his knowledge by accepting the influence of the others.

**Creative Child ego-state** expresses the individual’s ability to show in a creative way his desires and expectations. The businessman, who takes into account these characteristics, chooses the matters that have a degree of absolute novelty. In this case the innovation can be expressed permanently.

**Spontaneous Child ego-state** expresses the unexpected behavior of the individual because sometimes he has the tendency to question the rules.

**Figure 4: Perspective of the Ego-States**



**Source: Authors**

### 6. Behavior principles and rules in business

The main form of business communication is direct conversation with the customer. It is very important for the businessmen to be trained for the meeting. He must know the following information about the customer: age, sex, social status, vocational training, hobby and personality items, knowing the value and objectives of the organization, knowing the product market. He must identify the filters from the communication process. These filters should be established when the conversation starts. The filters of the conversation express some obstacles, shortcomings in the conversation between partners. There are physical filters (hearing deficiencies, sight deficiencies, speech expression deficiencies) and psychological filters (preconceived ideas, superstitions, lack of interest, dispositions).

Statistics show there are various percentages of information retention. Depending on how information is transmitted, these percentages are: 10% if the information is read, 20% if the information is written, 30% if the information is written and heard, 50% if the information is seen and heard, and 80% if the information is mixed.

Some main elements are important in business communication. These are: the volume, the articulation, the intonation, the sight, the accent, the rhythm, the mimicry, the breaks.

The following process is known in business. It is called "lobby" and refers to a small group that sometimes puts pressure on policy makers and executive groups to influence them and to promote their interests. In the field of business practice this process named "lobby" has demonstrate its influence being organized under the rule of "5 of 20%" in the following domains: 20% law, 20% politics, 20% economics, 20% diplomacy, 20% communication.<sup>5</sup>

For a successful business to develop an entrepreneur must apply a few rules. The businessman should take into account a few principles because in this way he can stimulate a potential customer to act on the market.

In a negotiation, the rules of communication are the following: in a negotiation you mustn't be the first to make an offer; you mustn't take the first offer; you must know when to stop; you must know both the strong and the weak point of the opponent; in order to have a successful negotiation you must be flexible.

The businessman should take into account the main principles of the collaboration with the customers. These are the following:

1. The businessman should ensure trust to his customers! In order to do so he should take into account their needs!
2. The businessman should request a feedback! In this way he can collaborate in the future with his customer or he can improve his business!
3. The businessman should promote and encourage the honest communication and business ethics!
4. The businessman should avoid conflicts and promote amiable solutions in negotiations!
5. The businessman should sell quality products that satisfy customers' sophisticated needs and ensure that the products reach the customers on time!

As a result of global competition, business integrity is an essential attribute in negotiations. Integrity and credibility are key elements that must be taking into account by the entrepreneurs when they try to start a negotiation.

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<sup>5</sup> Popescu, D., „Conducerea afacerilor”, Editura Scripta, București, 1998, p.115.

## 7. Conclusions

This paper explores the current literature on transactional analysis and its importance in the contemporary business context.

Transactional Analysis is an action instrument and has the role to respond to the questions which appear during the communication process. Starting a business is a difficult process that should take into account the opportunities of the business environment. The role of the marketing mix in this process is essential and the businessman should apply efficient strategies. The businessmen must have an ethical behavior when they interact with their clients. To succeed in business, they must satisfy the most sophisticated needs of the customers. Good progress of a business and positive results are relevant aspects for any entrepreneur. Achieving the goals of the business in an efficient way is the dream of any businessman.

“Business world” is a fascinate place and is also considered ”a battle field”. There is a fierce competition among entrepreneurs as they are trying to attract the most important customers. They can obtain the desired success only by applying knowledge acquired through their continuous effort in achieving the business competitiveness.

Success can only be obtained by applying earned knowledge and by means of businessmen continuous effort to obtain business competitiveness. Business ethics, the principles and rules that must be complied with are the elements of a long and difficult process. On the road to success, the businessman faces various obstacles that once overcome shall only complete the performance, and so the success is well-deserved.

Business success depends on the businessman’s creativity, intelligence and tenacity. Even if a businessman tries different strategies, the results are not positive. It is thus very important for a businessman to learn from his failures, to analyze the causes of the failure, to identify his mistakes in order to turn the failure into a success.

Laying down a business plan is essential in order to obtain success. The business plan is a leading instrument that the entrepreneur needs. Negotiating a business depends on the existence of a business plan. As an element that can attract potential investors, the business plan helps maintaining the business, offering efficient strategies that derive from an entrepreneur’s professionalism and tenacity. Developing a business plan depends on the businessman’s tenacity to take into account the profile of the business. The business negotiation depends on the existence of a business plan. The business plan must be properly realized and must provide confidence and reliability in order to start the business and ensure the success. The businessman has to identify the main economic, technical, social and ethical factors. The businessman must be an individual with social responsibility, who observes certain business communication rules and standards. The future of the business depends on this behavior. The ability to take risks and his flexibility to sudden changes in the business environment can be seen as two elements that influence performance. Businessmen’s activities should be dynamic, but should at the same time support the development of the business. They must take responsibility for their enterprises.

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