

The Effect of Variable Pays on Negotiation Behavior in B2B Market In Saudi Arabia

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ABSTRACT,

The concept of negotiation has been a vital tool in all business affairs dating back centuries. The concept has evolved over time and incorporated many features such as variable pay. The focus of the research is to look at how variable pay impacts negotiation behavior in Saudi Arabia, which aims to better understand the effect of variable pay on reaching agreements between companies. The research was designed in a manner that incorporated the use of semi-structured interviews and cross cases analysis to better facilitate the explorative nature of the research. The analysis has revealed three crucial factors that have an impact on the use of variable pay. These factors are as follow, leverage held by one of the parties, negotiators with integrative behavior are more willing to accept the use of variable pay. The last finding shows, that in most cases B2B negotiators value long-term relationships rather than variable pay approach. The literature review aligns with most of the findings. However, the literature focused mostly on the principal agent problem without including external factors which were shown to have a major impact on the adoption of variable pay between companies in Saudi Arabia. Our research was limited by the number of participants which can be increased in future related studies, and the time constraint. In addition, these findings advance our understandings of how variable pay can be used to enhance B2B negotiation process in Saudi Arabia.

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Keywords

Negotiation, Variable pay, Negotiation, Buyer and Supplier, Relationship, Business to Business

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1. INTRODUCTION

In recent years, many organizations have come to identify the essential role that negotiation plays in determining overall corporate performance. The primary interest in many organizations is the development of an effective supplier partnership program and the only way to ensure effective and consistent supply chain strategy is through effective negotiation strategies (Geiger, 2017). The business world of today is continuously changing, and companies need to improve business rapidly; otherwise, competitors will take the lead instantly (Hindriks, Jonker & Tykhonov, 2007). The best way for people to deal with their differences is by negotiations. Therefore, negotiation is getting what you want from others without conflicts or issues (Chebet, Rotich & Kurgat, 2015). The definition of negotiation is to trade or do business, and it is a process that leads to an end. Nowadays, a successful negotiation is not always measured through the wins one of the parties achieved. Instead, it involves balancing matters between two parties so that the negotiator not only gets what he wants but also get what he wants in the best way for the other party as well (Chebet, Rotich & Kurgat, 2015). B2B negotiation may occur when two or more business decide to obtain better outcomes by collaboration on some agreement than by going their separate ways (Smith, Pruitt, Bacharach & Lawler, 1984). Moreover, the goal in B2B negotiation is to align interest and achieve best possible outcomes for both businesses (Pfoertsch & Scheel, 2012). However, both parties may have separate goals and intentions, so a degree of flexibility is needed in the way they negotiate and the benefits they offer in order to reach an agreement and ensure proper behaviour from the other party (Clopton, 1984). Negotiation strategies generally characterized as either distributive or integrative (Clopton, 1984). Distributive negotiations are those requiring agreements about how to allocate shares of scarce resources (Shell, 2001). On the other hand, Integrative negotiations involves a joint effort directed to finding a solution that will be ensure beneficial outcomes to both parties (Geiger, 2017). Nowadays, the common practice and tactics in negotiation between buyers and supplier have moved toward a new way of conducting business based on a win/win situation where buyers and supplier gain benefits. Trust, commitment, frequency of communication, long-term or short-term contract, and the reputation of both buyers and supplier helps in distinguish the type of relationship (Stoshikj, 2014). The study aims to check if the variable pay or other alternatives could affect the negotiation behaviour in B2B business. Moreover, there are numerous of payment methods a company could use to ensure effective agreement. Furthermore, fixed pay is what is defined and fixed; on the other hand, variable pay is part of the salary that can differ (Lezear, 2000). For instance, bonuses, incentives, pay per performance, and recognition programs. Furthermore, Variable pay compensation method consists of paying suppliers some fixed "base" salary as well as a variable component based on performance. Performance is typically highly quantified and laid out in a legal document called a compensation plan (Durai, 2010, P. 314). Supplier on variable compensation will receive their base salary in regular payroll payments, while their variable component will be paid at a separate pay period monthly, quarterly, annually as stipulated in the Compensation Plan. Last, Variable pay is all about linking pays to performance in order to encourage supplier and enhance commitment (Kurdelbusch, 2002). However, prior research for a long time has revealed the importance to understand negotiation behaviour and incentives concerning the present situation (Shell, 2001). In General, Researchers focused more on the incentives as a sort of motivation method to improve performance but less interest on the effect of variable pay on the negotiation process and reaching agreements. Therefore, it is

crucial to expand our experience and knowledge in the field of negotiation between buyers and suppliers in order to reach a comprehensive overview of all aspect in B2B negotiations and factors which could affect the agreement. This paper aims to discover the effect of variable pay on negotiation behaviour and how negotiators work together in order to reach agreements. Based on this research objective, two sub-questions have been defined

RQ1: *Does variable pay affect Aggressive behaviour in B2B negotiation.*

RQ2: *Does variable pay solve conflict situation between negotiators in B2B market in Saudi Arabia.*

Furthermore, interviews are conducted with Buyers and supplier in B2B business. The next section will provide a deep understanding of the theoretical approach by discussing B2B negotiation, negotiation behaviour and variable pay in details.

2. LITERATURE REVIEW

B2B negotiation

Business to business is a business model that aims at selling product or services to other business instead of the end user (Pfoertsch & Scheel, 2012). Companies in the B2B business are like a supportive company that through their products and services helps other businesses succeed (Pfoertsch & Scheel, 2012). In B2B business, negotiators make decisions on behalf of their business, so they referred to as agents, and as an agent, they need to follow the expectations of stakeholders (Pfoertsch & Scheel, 2012). Based on previous literature, business to business buyers are different from consumer buyers in their behaviour. According to Leek and Christodoulides (2011), Buyers in B2B business are more profit motivated and budget constrained. Buyers in the B2B market are passionate about different criteria than buyers in the B2C business. Moreover, buyers and suppliers in B2B business are passionate for long term relationship and supplier/Buyer partnership program (Leek & Christodoulides, 2011).

Negotiation behavior

Negotiation is among the most frequently utilized means resolving conflicts. Negotiation strategies generally characterized as either distributive or integrative (Clopton, 1984). Distributive negotiations are those requiring agreements about how to allocate shares of scarce resources (Clopton, 1984). In essence, distributive negotiations concern who gets how much of a fixed total payoff (Stoshikj, 2014). The nature of distributive negotiations each party focuses on maximizing its payoffs while conceding only enough to its opponent to obtain a basic agreement. Each party views the other as an adversary and the parties debate their differences almost exclusively in terms of who will get how much of what (Rosenschein & Zlotkin, 1994, as cited by in Maiwald, 2015). In a distributive negotiation, Negotiators tend to show less willingness to work with other parties. Also, negotiators with distributive behaviour use aggressive communication skills and less open to sharing information (Ness, 2009). According to Clopton (1984), distributive negotiators looking mostly for one-time agreement more than long relationships and show no sense of interest in starting a job with the other party. On the other hand, Integrative negotiations involve a joint effort directed at finding a solution that will be perceived as beneficial to both parties (Neale & Bazerman, 1992, as cited by in Maiwald, 2015). Typically, the collaborating parties search for ways to increase the total payoff, while expressing little concern for how much each party will receive. According to Ness (2009), Integrative negotiators always looking for beneficial agreement for both parties and

show high willingness to share in-depth information and excellent communication skills in order to find an agreement which leads to higher profit for both parties. Different situations need different negotiation behaviour and tactics. In details, negotiators face two dual concerns along the process; to defend and achieve their interest and sustain the friendly relationship (Shonk, 2019).

Variable pay

Variable pay is defined as pay that is tied to some measure of worker output (Lezear, 2000). Previous empirical studies identified the effect of incentives and performance pay on increasing productivity (Eriksson & Villeval, 2008). Eriksson & Villeval (2008) emphasize that variable pay links pay and performance but may also help firms to attract more productive employees. Additionally, Incentives are used to align the interests between two parties. Old studies focused on the effect of variable pay on employees' productivity, but less interest was shown on the effect of variable pay on supplier and sellers. Variable pays in previous years have been used broadly to motivate employees in order to accomplish goals and align interests between shareholders and CEO's (Lezear, 2000). However, no study focused on variable pay as an incentive method between buyers and sellers. There are multiple types of Variable pays, financial incentives and rewards which we can use in order to reach agreements between buyers and suppliers in B2B. Financial incentives motivate employees to achieve in advance defined target, improve or enhance their skills by focusing on job priorities (wickramasinghe & Wickramasinghe, 2016). In contrast, financial rewards provide monetary benefits to people for attaining their performance targets or gaining specific skills (wickramasinghe & Wickramasinghe, 2016). Also, non-monetary incentives can be used in order to change behaviour during negotiation, flexible payments, higher quality, shorter periods or willingness to accept an offer in order to work with an attractive project. Furthermore, if previous research identified the effect of variable pay on improving employee integration and performance so there is a massive chance that variable pay could affect the performance of suppliers in order to reach the goal of agreements or to encourage them in order to reach certain skills.

Supplier-Buyer relationship

Supplier and buyer relationship in B2B Market is a significant field of research in strategic management where various skills and knowledge provide effective competitiveness and improved performance to both parties (Lintukangas, 2011). B2B negotiations occur in businesses that share an interest in trading utilities for resources (Walton & McKersie, 1965). Firms are more interested in finding the right supplier not only to continue long term relationship with them but also to develop a strategically global competitive advantage (Lappacher, & Cagliano & Spina, 2011). Modi and Mabert (2007) studies in management firms show the significant role a supplier could play to gain a competitive advantage for the company. Supplier performance and commitment have become significant for manufacturing firms. Furthermore, efficient supplier network and successful outcomes could give the company an important position in the market (Lappacher, 2011). The goal of both buyers and sellers in negotiations is to obtain the best possible outcome for their firms. Buyer's and seller's goals often conflict, so a degree of flexibility is required in the way they negotiate and the incentives they offer (clopton, 1984). Most importantly, Companies in B2b seek long-term relationships with suppliers because it provides a significant opportunity for companies to develop a strategic future plans outcomes and enhance competitive advantages (Lappacher & Cagliano & Spina, 2011). For instance, buyers nowadays are eager to implement supplier

development strategies and approaches to sustain the proficient and high-performance supply base (Modi & Mabert, 2007). Those approaches include continuous development strategy to create a long-term relationship with reliable suppliers (Modi & Mabert 2007).

Power Dynamics

power has wide effect on negotiator's behavior and performance. Moreover, Power can determine the allocation of rewards in an agreement. The greater one's power relative to the power of others, the more resources one should be able to claim (Kim & Pinkley & Fragale, p.799, 2005). According to French and Raven (1959) there are five bases of power differ in the aspect of the relationships between two parties, Reward Power, Coercive Power, Expert power, Legitimate power and Referent power. Moreover, A's Power over B is determined by A's ability to provide benefits to B or A's power over B is determined by A's ability to negatively affect the outcomes of B. Therefore, Power held by one of the parties involved in the negotiation has a major effect on the desired outcomes and the tactics of each party (Kim & Pinkley & Fragale, 2005).

Principal agent theory

The principal-agent theory was first found on the 1970s by theorists from the field of economics. The theory defines the relationship when one person "principal" assigns another person "Agent" to perform some services on behalf of the principal (Gauld, 2016). There are enough reasons to believe that the agent will not always act in the best interest of the principal (Gauld, 2016). As illustrated by Figure 1, Adam Smith (1937) is the first researcher to notice the problem. Since the first presence of the agency problem it has been a major goal for economists and researcher to cultivate (cited by panda Chowdhury (2004)) has identified several causes for the occurrence of problems between principals and agent. First, separation of ownership and control in a large organization leads to loss of proper monitoring. Second, risk preference parties involved having different risk perception. Finally, duration of involvement or the type of relationship affect the problem between principals and agents. However, the principal can limit divergences from his interest by establishing appropriate evaluation program and good incentives for agents (Gauld, 2016). Grossman and Hart (1983) made a considerable effort to explain risk preference between principals and agents. They explained that the profit of the principal gets affected by the agent's effort and output. In organizations, the problem occurs when principals desire for a higher level of effort from agents. However, sometimes agents do not put the desired effort in work. Hence, the principal should trade off the agent's behavior with a payment structure. The principal agent theory encapsulates the idea that organization performance can be improved if incentive-based contracts with suppliers are implemented. Also, principals will be more likely to achieve their desired outcomes, while agents will have clarity around work programs and goals. The use of the theory will help to define the problems between Seller/Buyers in addition to the effect of having variable pay as an incentive's method.

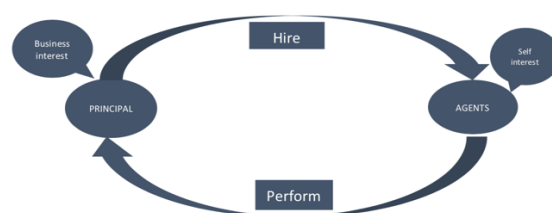


Figure 1: Principal Agent problem

Cross-Cultural Negotiation

The world evolution in transport and communication has made it a small village. Technology has set in, and now people from different locations, cultures, and languages can converge and do businesses together at ease than the way before. Businesses cannot escape the urge to integrate foreign employees in their operations while at the same time growing their subsidiaries internationally (Ayoko, 2007). According to Salacuse (1998), it is important to remember that the world has a staggering diversity of culture. However, culture profoundly influences how people think communicate and behave and it also affects the kinds of deals they make and the way they make them (salacuse, 1999). In earlier, work by Salacuse (1998) identifier ten factors in the negotiation process that seem to be influenced by a person's culture see figure 2. To be precise, American consider a signed contract as a definitive of a successful negotiation. On the other hand, Japanese and other cultural groups in Asia often consider the goal of negotiation is to build a relationship (Salacuse, 1998). Moreover, Global companies increasingly engage in global negotiations and rely on their negotiators to effectively find the right process to negotiate. Furthermore, Business in Saudi Arabia is managed according to the Islamic Values, and involvement in any task means equal treatment of employees, truthfulness and avoidance of non-discriminatory behaviour during the work (Attahiru & Alaidaros, Yousef, 2016)

Figure 1 The impact of culture on negotiation

Negotiation Factors	Range of Cultural Responses
Goal	Contract ↔ Relationship
Attitudes	Win/Lose ↔ Win/Win
Personal Styles	Informal ↔ Formal
Communications	Direct ↔ Indirect
Time Sensitivity	High ↔ Low
Emotionalism	High ↔ Low
Agreement Form	Specific ↔ General
Agreement Building	Bottom Up ↔ Top Down
Team Organization	One Leader ↔ Consensus
Risk Taking	High ↔ Low

Methodology

This study aims to obtain an insight into the variable pay effect on aggressive behavior during negotiation in Saudi Arabia in order to propose further recommendations for efficient use of variable pay in the negotiation process. The framework of this research is built on theoretical knowledge, which is collected through scientific literature review. The unit of analysis in this study are buyers and suppliers currently active in companies in KSA (Saudi Arabia). All of the Interviewees are responsible for tasks related to selling products to other companies or buying products and services from other companies.. Seven interviews were conducted with buyers and sellers from KSA. (Saudi Arabia) In order to empirically investigate our research questions, we conduct semi-structured interviews with buyers and suppliers Currently working in B2B Market. The interviews are well-suited for gathering information regarding the problem because, they offer high flexibility. According to creswell (2014) semi-structured interviews can move our understanding from general findings to more specific insights and it help to gain more in depth details in order identify relationships (see appendix 2).

These interviews were held separately and only with either buyers or suppliers from B2B organizations. As illustrated in table 1. All interviews took place in May and June 2019 via online video calls. The interviews were conducted with buyers and sellers currently working in Saudi Arabia and they have all the essential knowledge to answer our questions. The interviews lasted between 45 minutes and 60 minutes. All of the interviews were recorded and transcribed (see appendix 3). Data collected from the interviews have been organized and analyzed through the technique of thematic content analysis. Besides, comparative method analysis (Ragin, 2014) was used to understand and interpret the patterns found in the data during research. All of the findings will be discussed in light of the existing available literature. Finally, it is expected that the analytical findings will help draw some practical conclusions and answer the research questions of the study which can be significant for the implication and application of practical solutions in respect to variable pay and its effect on the negotiation behaviour in a comparative scenario.

Data Analysis

To analyze the data gathered from the interviews, a coding scheme was created especially for this research. The coding scheme is developed based on the different noticed aspects in the interviews. There are three significant codes developed based on a different aspect of the theories, and one new code was identified from the Interviewees, Integrative behaviour, distributive behaviour, Variable pay, and finally, leverage power held by one party over the other. See Appendix 1. Furthermore, Leverage held by one party over the other, was identified as an essential factor to be included in the analysis. Detailed information about the codes can be found in Appendix 1, and what criteria had to be met in order to code a specific part of the analyzed data. A more detailed and explanation of the codes can be found in Appendix 1. A coding scheme was used because it provides an easy way to analyze the data collecting for the interview (Iewins & silver, 2007). Besides, cross-case analysis method was used to compare findings from interviews as cross-case analysis seek an explanation or unique findings and enhance our understanding of relationships and patterns. According to Kolonder (1997), the researcher can develop expertise and new theories through learning from comparing cases or finding a common phenomenon. According to Collier (1993), comparison is a fundamental tool of analysis. It sharpens our power of description and plays a central role in concept formation by bringing into focus suggestive similarities and contrast among cases (Collier, 1993).

Findings

This paper aimed to get a deeper understanding of how variable pay effect negotiation behaviour and what role does it play in smoothing the process of B2B negotiation in Saudi Arabia. The aim was set in order to enhance the use of variable pay in negotiation. In the methodology section, it is described how this aim was strived. Below, the key finding of all interviews are presented in table 1. Every interview focused on three crucial aspects, negotiation behaviour, variable pay, and the effect of variable pay on negotiation behaviour. Table 2 presented findings that are crucial for setting up a guideline.

Negotiation behavior

As negotiation is all about resolving conflicts, Negotiators tend to use either distributive tactics or integrative tactics. Integrative Negotiators in B2B market aim to find agreement between two business in order to fulfill one task together or to provide service to each other. On the other hand, distributive negotiators have

Table 1: interviews general information

	Inter 1	Inter 2	Inter 3	Inter 4	Inter 5	Inter 6	Inter 7
Position	Junior	Project manager	Legal contracting	Production manager	Purchasing manager	Project manager	Purchasing manager
Sector	Marketing	Construction	Health care	Oil and Gas	High-tech Sensors	Construction	Production
Size	20-28 employees	80 employees	120 employees	100000 employees around the world	68 employees	120-140 employees	200 employees
Year of experience	4 years	9 years	6 years	11 years	15 years	8 years	10 years
Negotiation behaviour	Integrative behavior	Mix of integrative and distributive behaviour	Integrative behaviour	Integrative behaviour	Integrative behaviour	Integrative behavior	Mix of integrative and distributive behavior
Variable pay	Yes, the company provides discount to attract customers	No, they only use fixed payments and non-monetary incentives	No, but they use flexible payment terms to encourage customers	Yes, they accept it only when the requirement with in capabilities	Yes, they use bonuses when they are forced too.	No, they work with governmental institution most of the time, so they do not use variable pay	No, they only use fixed payments and non-monetary incentives

been described as Pure zero-sum conflict (Thompson, (1996), as cited in Brett & Okumura, (1998)). In our interviews, 5 out of 7 interviewees in Saudi Arabia show integrative characteristic, and only two of the interviewees use mix tactics between integrative and distributive behaviour. Furthermore, those findings are in line with the literature review, which states that buyers in B2B business are passionate for long term relationships and supplier/Buyer partnership program (Leek and christodoulides, 2011). In addition, Companies in B2B seek long-term relationships with suppliers, because it provides a significant opportunity for companies to develop a strategic future plans and enhance competitive advantage (Appracher, Cagliano, Spina, 2011). Interviewees are currently active in various sectors, Constructions, Marketing, Health care and production. 5 out of 7 tend to use integrative tactics in order to reach an agreement with the other party. First, Interviewee 1 in the marketing sector shows a high willingness to work with other business and share the interest. Furthermore, marketing agencies work with other business in order to help them promoting, so integrative behaviour is essential in marketing in order to work with other business. Moreover, excellent communication skills and openness to share essential information about the business. Negotiators in the marketing sector are very interested in communication skills and trust. Hence, in order for marketing agencies to promote other business, they need much in-depth information about the business itself. Therefore, business needs to be open, share all the essential information about the business and show trust in their activities, so integrative behaviour is essential from both parties in order to attract new customers and build strong relationships with existing customers. Second,

Interviewee 2 and 7 use mix behaviour during negotiations, Interviewee 2 is an executive project manager and responsible for the flow of materials and negotiate contracts with suppliers, the interviewee mainly uses integrative behaviour, openness, willingness to work, and share detailed information. Interviewee 7 works in production and shows integrative behaviour for reaching agreements. However, both of the interviewee 2 and 7 shows aggressive behaviour during negotiation with suppliers and inflexible behaviour to negotiate prices. To be more specific, in construction and production industry, the number of suppliers is high, so buyers have various options to choose from and can switch suppliers easily. The literature states that, power held by one of the parties involved in negotiation has a major effect on the desired outcomes and the tactics of each party (Kim, Pinkley, Fragale, 2005). Furthermore, power held by interviewees 2 and 7 can be explained here as the number of alternatives interviewee 2 and 7 have within the market and the ability to find new supplier easily. However, interviewee 6 works in a construction company as well but use only integrative behaviour to reach an agreement. As his company works most of the time with the government, so an integrative agreement is essential in order to reach the agreement and win the contract. To conclude, the company always looks to build a good relationship through communication, interest and explanations. Third, Interviewee 3 currently active in a health care company for medical devices and shows integrative behaviour in negotiation with other business. Moreover, the interviewee mentioned the importance of being integrative in order to reach an agreement in health care projects. Companies in health project tend to show a high level of interest and understanding of the requirements. The interviewee works in a high-end medical technology company, and it is essential to

show openness, willingness to work, and excellent communication skills. Fourth, Interviewee 4 works in the production sector, he works in a world-leading provider of products to the oil gas industry as a production manager and involved in multiple negotiations with big companies. In oil and gas sector projects are bigger than usual, lasts longer than regular and cost much money, so companies tend to show high interest to gain an in-depth understanding. Moreover, companies in the oil and gas sector use integrative behaviour because they have to gain a thorough understanding of details. Furthermore, business spends much time preparing and negotiation, so integrative behaviour is essential in order to reach an agreement and build relationships. According to Clopton (1984), the goal of both buyers and sellers in negotiation is to obtain the best possible outcomes for their firms and a high level of interest and openness is needed in order to reach the best possible outcome for both parties. Finally, interviewee 5 works in a high-tech sensor production industry. According to the interviewee he tends to use only integrative behaviour as it is essential for him to build a relationship with customers and give them the sense of interest and friendship as the customer always has the right to negotiate and understand everything regarding the production and costs. Sometimes, the interviewee asks for a higher price in order to give the buyer a proper discount without losing profits.

Variable pay

The aim of using variable pay is to encourage employees, suppliers and business in order to increase productivity, motivation and most importantly align interest. In our research, 4 out of 7 interviewees in Saudi Arabia accept and use variable pay as a method to align interest with suppliers and 2 interviewees use non-monetary incentives as a method to encourage suppliers (longer contracts and bigger future quantities). A Leverage held by one party over the other was identified as an essential factor which affects the behaviour of buyer or supplier toward the use and acceptance of variable pay. Interviewees 1,3,4 and 5 accept variable pay. However, interviewees 3,4 and 5 show high acceptance to use variable pay but only with exceptional circumstances. Table 2 presented all of the findings.

Interviewee 3 works as a legal contracting manager in a company active in the health care sector. Interviewee 3 shows high willingness to accept variable pay from buyers or to give discounts only if the project is attractive. Furthermore, if the project or the buyer is very attractive for the company, members of the board are willing to give Monetary Discounts and non-monetary incentives (flexible and more extended payment

duration) to buyers in order to smooth the process of negotiation. To conclude, interviewee 3 gives monetary and non-monetary incentives only when the project is very attractive, and member of the board wants to reach an agreement. In regard to RQ1, Interviewee 3 shows no willingness to change behaviour when receiving variable pay in two cases if he has no interest in reaching an agreement or if the project is out of his capabilities. So, conflict situations for interviewee 3 cannot be solved through variable pay or any monetary incentives. See table 2

(Interviewee 3: Variable pay, or any other monetary incentives won't change my behavior toward a project because if it's out of my capabilities or if I do not have any interest to reach an agreement but in other cases if the project is within my

capabilities why not to accept more money in order to change behaviour because most of the time buyers give me money to finish in less time duration and if I can why not ").

Interviewees 4 accept incentives under the same condition of interviewee 3. He accepts incentives to finish in less time duration. Interviewee 4 works in a provider of technology for production and processing oil and gas. So, the interviewee works only with big companies in projects lasts for a long duration. Moreover, according to the interviewee if he can finish in less time and with-in capabilities for more money, he would accept monetary incentives. See table 2

(Interviewee 4: I accept any monetary if I can finish in less time so I will accept it. Because less time means I have to ask my employees to work extra and then I need to pay them, so I cannot finish in less time without asking for extra money)

In regard to RQ1, the interviewee shows no distributive behaviour during a negotiation because he only uses integrative, and without integrative an agreement cannot be reached in big projects. See table 2

(In a big project, integrative behaviour characteristics are essential in order to reach an agreement you need to be open, show interest, communicate a lot and exchange information).

Besides, Interviewee 5 currently responsible for all negotiation tasks with buyers and supplier in sensors technology. In the high-tech industry, buyers and supplier tend to have a long-term relationship most of the time, so less negotiation needed for future agreements. See table 2

(Interviewee 5: Communication, interest and openness are a critical factor in order to reach an agreement in the high-tech industry as buyers and suppliers.)

Table 2: Summary of negotiation behavior and variable pay observed in the interview

Group of Activities	Number	Interview	Interview	Interview	Interview	Interview	Interview	Interview
Integrative Behavior		X		X	X	X	X	X
Show willingness to work		X	X	X	X	X	X	X
Show interest to reach an agreement		X	X	X	X	X	X	X
openness		X	X	X	X	X	X	X
Good communication skills		X	X	X	X	X	X	X
Looking for integrative agreement		X	X	X	X	X	X	X
Distributive behavior						X		X
Show no willingness								
Aggressive behavior			X					X
Self-interest agreement								
Bad communication skills								X
de insufficient information to reach agreement						X		
No flexible payment terms			X					
Looking for Self interest								
average power held over the interviewee		X				X		
Variable pay		X			X	X		
Bonuses								
Incentives					X			
Discounts		X		X				
Pay per performance								
Commission								
Share profit						X		
non monetary incentives				X				X

(Interviewee 5: finding the right supplier is always tricky and needs a lot of time and evaluation. So, I tend to have a long-term relationship with the same suppliers and buyers).

Interviewee 5 accept to give variable pay only in exceptional circumstances. Furthermore, the interviewee explained a situation when the project was very attractive, but the interviewee cannot ensure fulfillment for all requirements and another supplier is needed to reach an agreement with the buyers, so the interviewee pays bonuses to the other supplier in order to encourage them to work with him in the project. According to Clopton (1984), buyers and sellers goals often conflict so a degree of flexibility is required in the way they negotiate and the incentives they offer.

(interviewee 5: we do not accept or use variable pay but in some cases, we give bonuses or commissions to another supplier when we need to attract them in order to full fill all the requirements from the buyers so if the project is very attractive and we want to reach an agreement, but we need another supplier to reach an agreement).

In regard to RQ2, The interviewee did not show any willingness to change behaviour if he decides not to reach an agreement even if they pay him more money. Moreover, if the interviewee has no interest to reach an agreement variable pay will not change his behavior to sign an agreement.

(Interviewee 5: In conflict situation, I do not accept any task out of my capabilities even if I receive more money because I cannot risk losing my company reputation)

On the other hand, Interviewee 1 accept to use variable pay without conditions. The interviewee works in a marketing agency and shows high willingness to use variable pay. However, the interviewee uses two payment methods, a fixed percentage from the profits so any increase in profits for buyers lead to higher income for the interviewee so they align interest through the contracts. Also, the interviewee in special situations gives special discounts for buyers in order to attract new and existing customers. In regard to RQ2, The interviewee identified situation where the discounts encourage customers to work with them and change behavior in order to reach agreement. However, the interviewee shows no interest to work with unreliable customers even if he received variable pay.

(Interviewee 1: I do not have any interest to work with the customer who shows no respect in communication or do not handle all the essential documents even if he pays me more money)

(Interviewee 1: there are numerous agencies in Saudi Arabia, so I have to give competitive prices in order to attract new customer)

Interviewees 2, 6 and 7 show no willingness to accept or use of monetary incentives in any situation no matter what the consequences. Interviewees 2 and 7 held power over the supplier. Furthermore, both of the interviewees work in an industry with numerous suppliers, so finding a supplier is not difficult task, and switching suppliers is very easy. So, interviewee 2 and 7 do not use any variable pay in a conflict situation. According to the literature this type of power called Reward Power and in our research it states the power interviewees 2, 7 have over suppliers and the benefit any supplier could generates through aligning interest with the interviewees Moreover, the interviewees seek long-term contracts with suppliers, and they have been working with same suppliers for years so rarely they face conflict situation. Besides, the

interviewees use future contracts and orders as an incentive to encourage suppliers to work with them.

(Interviewee 2: in a conflict situation or when there are any issues, I switch the supplier easily without wasting time. Also, no, I will not pay any incentive to encourage a supplier because of that against my values).

(Interviewee 7: I do not receive or use any incentives, and in a conflict situation, I easily can find a new supplier to fulfil my requirements. On the other hand, I value contract with more significant quantity more than any monetary incentives).

Interviewee 6 works in a construction company for a governmental project. The interviewee shows integrative behaviour only during negotiation. Moreover, he shows openness, interest in tasks, understanding for the project, flexible terms and excellent communication skills. The interviewee uses only a fixed payment at the end of the project. According to the interviewee, sometimes he faced a conflict situation in negotiation, but further explanations and meetings could solve the issue without the need for any incentives. In regard to RQ1, the interviewee does not change behaviour if he received incentives because the interviewee always uses solely integrative behaviour, but if they did not reach an agreement, even the incentives could not change his mind. See [table 2](#).

Discussion

Variable pay is not generalized in all industries and managers in business to business value long-term contracts and relationships more than variable pay or higher monetary incentives. Furthermore, Managers in business to business seek to have long-term contracts with suppliers and buyers, so the use of variable pay is not common and generalized. However, the number of suppliers or the nature of the tasks could affect the use of variable pay between negotiators. A more in-depth explanation is given regarding the criteria that have an impact on variable pay.

Leverage held by one party over the other

In some instances, the number of suppliers available within the market related to a company's specific project can have a major impact on whether or not a company uses variable pay. In this regard, the company does not see the benefit of using variable pay as it has substantial leverage over the suppliers, taking into consideration that there are numerous suppliers in the market which can be used to fulfill the needs of the company. On the other hand, when suppliers are a scarce resource on the market or they provide a unique service, or product buyers are put in a situation where they have to consider the usage of variable pay as a method of enticing suppliers to work with them on their specific projects. Variable pay, in this case, is considered a complementary tool to further negotiations and increase the chances of reaching an agreement between both parties. According to Kim et al (2005) power held by one of the parties involved in negotiation has a major effect on the tactics and the willingness to negotiate.

Negotiation Behavior

The company's negotiating behavior plays an essential role in whether or not a company is willing to use variable pay as a complementary tool. However, this does not in any way ensure that companies with integrative behavior use variable pay, but they are more willing and open to the idea of variable pay as it allows them to further their objective of a win-win situation between both parties involved in negotiations. Also, this does not ensure that negotiators with distributive behavior do not use variable pay at all. Moreover, head with distributive behavior is

less willing to share incentives with the other party. To conclude, the goal of most B2B negotiation is to obtain the best possible outcomes for their firms so a specific level of flexibility is needed in order to reach agreement (Clopton 1984)

Long Term Relationship

The Saudi Arabia environment according to our research does provide an environment that promotes of long-term relationships and contract between two parties rather than short term contract and variable monetary pay unless it is necessary for the completion of the negotiation. Therefore, the focus is on the relationship between both parties rather than the short-term benefits that could arise from variable pay in some cases. Salacuse (1998) states the essential role a culture could play in determining our values and tactics. Moreover, Japanese and other cultural groups in Asia often consider the goal of negotiation is to build a relationships and long-term contracts.

Theoretical implications

Previous researchers focused on variable pay and its effect on increasing productivity (Eriksson & villeval, 2008). Moreover, old studies focused on variable pay as a method to motivate employees (Lezear, 2000) and a way to align interest between shareholders and principals (Lezear, 2000). Furthermore, negotiation behavior for a long time was a major interest for researchers (Clopton, 1984). The nature of negotiation behavior distributive of integrative could have huge impact on the outcomes of the negotiation (Shonk, 2019). However, there is a gap in the literature between variable pay and negotiation behavior. Therefore, by collecting data through multiple interviews with buyers and supplier from Saudi Arabia, the paper aim to fill the gap in the literature by answering the research question “*Does variable pay effect aggressive behavior in B2B negotiation in Saudi Arabia*” and “*Does variable pay solve conflict situation between negotiators in B2B market in Saudi Arabia.*” Also, understanding the major effect of variable pay on negotiation behaviour, this study’s main goal was to find an answer to our research questions and provide practical recommendation regarding the use of variable pay in B2B negotiation. It was expected to find an effect for variable pay on negotiation behavior between buyers and suppliers. To be precise, a problem between buyers and supplier starts when one company decide to outsource its tasks from another company. Moreover, there is a strong belief that one of the parties will not act on the best interest of the other, and that was the primary interest for researchers in the past to solve. The Principal-Agent theory was used in this research to define the problem and solutions in a theoretical way. Previous researches suggested multiple solution to exclude problems between principals and agents, asymmetric information about the other parties, structure incentive agreement and monitoring (Jensen & Meckling, 1976). However, the theory focused in general on agents and principals only, but multiple external factors and a third party could have a major effect on the problem. Moreover, The analysis identified new factors, managers need to take into account before using variable pay. Furthermore, multiple factors were found in the research and considered as critical to take into consideration by buyers or supplier in order to enhance the use of variable pay. First, the type of relationship between business affects the adoption of variable pay. Moreover, in our research, companies in Saudi Arabia market seek win-win situation especially as they know their interest can only be satisfied if the other firm exists, so companies show more willingness to work with other companies to reach long-term integrative agreements. Second, according to Jensen and Meckling (1976), researches in the past, focused on incentive structure to align interest and reduce principal-agent problem cost. The research identifies two

situations where incentive could not affect the behavior of the negotiators or smooth the negotiation process. First, when one of the involved parties has no interest in reaching an agreement, so Variable pay will not affect the aggressive behavior of the negotiations. Besides, if one of the parties cannot afford the required capabilities for the project, variable pay could not affect the aggressive behavior or the willingness to reach an agreement. Moreover, the research identifies capabilities and interest as two crucial factors to affect the acceptance of the project and variable pay might not affect the negotiation behavior if one of the parties miss the required capabilities or has not interest in reaching agreement. The theory focused on the parties involved in negotiations, but it did not include any external factors or a third party. Also, the research shows one critical factor which has a significant effect on the willingness of the buyer or supplier to use variable pay. Moreover, the number of alternatives within the market plays a major role to identify if suppliers could ask for variable pay or if the buyer is willing to give variable pay. Moreover, if the number of suppliers within the market are huge buyers show less openness to share variable pay with suppliers. On the other hand, if the number of suppliers is scarce, the supplier could ask for variable pay, and buyers show more openness to give variable pay.

Practical implications

The analysis identified several factors managers need to take into consideration. Self-interest from one party could lead to a massive effect on the other party. Despite of that, the principal can limit divergences from his interest by establishing appropriate evaluation program and good incentives for agents and this is in line with Gauld (2016). Also, it is important to take into consideration external factors and the market. Furthermore, the research studies the effect of variable pay on negotiation behavior in B2B market in Saudi Arabia and multiple factors were identified which could affect the adaption of variable pay and the effect it has on the negotiation. Variable pay could smooth the process, but only when negotiators are interested in reaching an agreement and have all the required capabilities. Moreover, if the supplier cannot fulfill all the requirement, variable pay will not affect negotiation behavior. Finally, extended integrative agreements in B2B could be more valuable for negotiators than monetary incentives.

Conclusion and Limitation

In this final section, the conclusions of this paper will be discussed. Later, a number of limitations of this research as well as some recommendation for future research will be provided

Conclusion

This paper focuses on the effect of variable pay on negotiation behavior in B2B market in Saudi Arabia. A subject which has not been researched a lot often with regard to the scare use of variable pay between business. In order to do so, seven interviews with buyers and suppliers currently active in Saudi Arabia were conducted. These interviews have been conducted in May and June. The researcher used semi-structured interview question in order to give the interviewee a chance to elaborate in some points. The results of this paper show that there is a significant effect of variable pay on negotiation behavior in exceptional cases and no effect in normal cases. Moreover, the effect of variable pay could differ between sectors, some business does not use variable pay or do not accept variable pay because no one in the sector is familiar with the method and no one prefer to use it. Thus, integrative negotiators seem to be more willing to use variable pay as the aim of integrative behaviour is to reach integrative agreement and profits for both business in the end of the agreement. On the other hand, buyers or sellers with

distributive behaviours seem to have less willing to use variable pay as they are always looking for cutting expenses and gaining as much profit as they can. In addition, the market could have huge effect on the acceptance of variable pay. Moreover, the number of suppliers or buyers within the market could have major impact on the negotiation process. For instance, numerous suppliers give advantage and leverage to buyers within the market. On the other hand, few numbers of providers within the market or unique provider gives leverage to suppliers and increase the chance of buyers accepting to pay variable pay as no other alternatives are available. So, the number of buyers or supplier effects the use of variable pay. Finally, In B2B market in Saudi Arabia, principals and suppliers always seek for long-term contract and relationships more than monetary incentives and short-term contracts, so variable pay is not generalized in all industries and some business value longer contracts more than any monetary incentives.

Limitation and future research

Give its qualitative research nature, this study has several limitations. Only companies from Saudi Arabia were use in this research. Therefore, it should be said that the results of this study are not generalizable for other countries. There is a lack of comprehensiveness and generalize, because I did not include a lot of participants, so the size of the research was small. Therefore, results cannot be comprehensive and generalized on other countries. Furthermore, this study is limited by it time duration, 12 weeks were not enough to gain in depth details and to examine our findings. The respondents in the research are not randomly selected so the sample might not be representative. There are multiple suggestions for future research. First, suggestion for future researchers to do research on effect of variable pay on negotiation but including leverage as an important factor to affect the use of variable pay of the acceptance of variable pay. Second, comparative future research

on the effect of variable pay on buyer and supplier negotiation in a non-competitive market and competitive market.

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Appendixes

Appendix 1

Table 2:code scheme

Code	Detailed codes	Initial codes from literature and interviews
Distributive approach	Distributive negotiations concern who gets how much of a fixed total payoff. The nature of distributive negotiations each party focuses on maximizing its own payoffs while conceding only enough to its opponent to obtain a basic agreement Each party views the other as an adversary, and the parties debate their differences almost exclusively in terms of who will get how much of what (Clopton, 1984)	<ul style="list-style-type: none"> • Show no willingness • Aggressive behavior • Self-interest agreement • Bad communication skills • Provide insufficient information to reach agreement • No flexibility
Integrative approach	Integrative negotiation involves a joint effort directed at finding a solution that will be perceived as beneficial to both parties (Clopton, 1984). Typically, the collaborating parties search for ways to increase the total payoff, while expressing little concern for how much each party will receive. Different situations need different negotiation behaviour and tactics. In details, negotiators face two dual concerns along the process; to defend and achieve their interest and sustain the friendly relationship (Shonk, 2019).	<ul style="list-style-type: none"> • Show willingness to work • Show interest to reach agreement • Openness • Good communication skills • Flexible negotiation terms • Looking for integrative agreement
Leverage over the other party	Leverage refers to the pressure other party can exert on buyers or suppliers. Pressure in negotiation can be related to multiple factors, A unique service provider, high quality products, scarce number of providers. Furthermore, Leverage on one of the involved parties can be led to new behaviour regarding variable pay. For instance, one of the interviewees shows high willingness to pay higher commission only because the supplier provides a very unique product. Bargaining power of the supplier in an industry affects the power of the buyer and influences the buyer's behaviour to accept new conditions.	<ul style="list-style-type: none"> • There are numerous options in the market. • I can switch to new supplier easily • I provide unique service • There are no alternatives for my service in the market • I am the only supplier for this service.
Variable pay	Variable pay is usually defined as pay that is tied to some measure of worker output (Lezear, 2000). variable pay links pay and performance but may also help firms to attract more productive employees. Additionally, Incentives are used to align the interests between two parties. financial rewards provide monetary benefits to people for attaining their performance targets or gaining certain skills. In addition, non-monetary incentives were noticed in multiple interviews and interviewee tend to use it as incentives to change behavior during negotiation, payments periods, more order, shorter schedules.	<ul style="list-style-type: none"> • Bonuses • Incentives • Pay per performance • Commissions • Share profit • Flexible payment • More order

Appendix 2: Interview questioner

A lot of question will be followed with why and how

Intro and interview procedures

- Short introduction
- Purpose of the interview
- Request permission to tape the interview

Information respondent

- Name of the organization
- Type of industry
- Size, activities

- Function/role in the organization

Negotiation Preparation

In your opinion, how important negotiation process and formulation for the strategy of your organization.

- How do you prepare for negotiations and does the process differ between new and existing customers
- How do you find the best fit suppliers for your project?
- How does your ideal supplier look like? (criteria you ask in every supplier before reaching them)

- What are your preferred characteristics that you would like to have in a potential supplier? What about their behavior?
- What kind of information about the supplier do you gather before reaching out suppliers and how do you gather information?
- How is the evaluation process that suppliers must go through?
- Do you prefer to work with a recurring supplier (same company) or new suppliers (new company) always?

Negotiation process

going back to your latest negotiations:

- Where does the negotiation process usually take place?
- Who takes part in the negotiation usually?
- How do you start your negotiation?
- How many meetings do you need in order to reach an agreement? And which factor does affect the number of meetings?
- What are the topics discussed during the first meeting?
- How would you describe communication between the negotiating parties? (behavior during negotiation)
- When do you usually start talking about the money and payments? and who start always supplier or customer?

Principal agent problem (Short description)

- Usually Do you face any conflicts of interest with suppliers?
- Could you describe an experience where you handled a challenging situation (aggressive behavior)? (direct conflict of interest with peer and how was it resolved)
- Does conflict interest affect the behavior of the opposing party?

Appendix 3 (interview transcribe)

Interview 1

Introduction

The interviewee is a marketing specialist works in a marketing agency since 2015. The interviewee works with other business. Moreover, the interviewee is responsible for communicating with customers, understand the requirements, objectives and monthly reports to customers. Together with customers they create digital marketing campaign for products.

General information

Behavior: Integrative

Type of contracts: long-term contracts

Flexible communication skills

Seeking integrative agreements

Variable pay: discounts to attract customer and increase market share.

Negotiation preparation

Customers reach the company by filling online forms and the interviewee contact the customers in order to set an appointment. Before the first meeting the interviewee does not gather any

- Do you share all of the required information with the other party?
- Do you look for long-term contract or one-time contract?
- What type of negotiation behavior do you usually use? (short explanation about integrative/ distributive behavior will be provided here)
- What type of negotiation behavior do you usually face?

Incentives

- In your opinion, as a buyer(supplier) do you prefer using fixed payment or variable payment (bonuses, incentives, pay per performance, pay linked to different criteria)? And why?
- How does payment method affect the behavior behind negotiators? Do you have an example in your mind?
- How is the payment method affected by potential conflict of interests (aggressive behavior)?
- In conflict situation do you think a variable pay could affect your behavior toward an agreement?
- Do you think variable pay could increase the likelihood of that you would change your behavior if you got higher monetary incentives?
- Are there any performance related rewards distributed in order to gain better results?
- What is your opinion on the effect of incentives on the behavior of the other parties involved in negotiations?
- How do incentives and bonuses affect the suppliers (in reaching agreement or motivating them to do better)?

Conclusion

Would you like to add something important? Do you have more remarks about the negotiation process/ incentives and how they affect the outcomes of negotiation?

information about the customers and there are no special characteristics to ask for. Moreover, the interviewee works with all companies as the main purpose of the company is to increase awareness to the products and manage the whole marketing campaign for customers.

The company use two option for payments. First, a fixed percentage rate they ask for in every contract (they receive their payments as a percentage from the increasing profits). Second, a normal monthly payment. However, as mentioned from the interviewee in order to ask for fixed percentage they need to ensure that the customer is very reliable and open (the company face a lot of unreliable customers, so they use fixed payment always with new customers because the interviewee needs to ensure that the numbers are correct in order to calculate the percentage, so he used it only with existing and reliable customers). Customer tend to use distributive behavior most of the time in the beginning in order to reach an agreement, they use incorrect information, less openness and sometimes bad communication skills.

In conflict situations, the interviewee leaves immediately as he and his colleagues prefer to work only with honest and reliable customers. On the other hand, all the other issue according to the interviewee could be solved when the customers see the impact of having the interviewee company as a marketing agency.

Moreover, when the profits increased most of the time customer tend accept the percentage option as a payment method

Variable pay:

In conflict situation, the effect of any bonuses or incentives is huge according to the interviewee. However, the interviewee does not accept variable pay in order to change behavior and money will not affect the willingness to work if the customers show no respect or did not hand in the right documents for the agency (as mentioned before by the interviewee do not involve in any work with respectful customers).

According to the interviewee, variable pay is valuable for him as he used to give discounts in order to encourage existing customers or to attract new customers (According to the interviewee there are numerous agencies in Saudi Arabia and customer will easily switch to new one so as a marketing agency they need to ensure the best service for less prices).

In conclusion, the interviewee strongly use variable pay as discounts to encourage customers attract new customer and shows huge willingness to change behavior toward specific customer if they receive any kind of incentives, but we should not forget that customers need to show respect always.

Interview 2

Introduction

the interviewee is an engineer in a construction company in Saudi Arabia since 2010. He works as an executive project manager. The interviewee is responsible to deal with suppliers in order to fulfill the customer requirements and to ensure flow of materials for the project. In construction projects, supplier is numerous and from many sectors, electricity, construction and decoration. The interviewee is responsible for all the negotiation with suppliers. To be precise, when the board lunch new construction project the interviewee has to find the right supplier for the project (after depth understanding for the project, requirements, materials needed, schedule and desired outcome). The interviewee used to work mostly with existing suppliers for multiple projects as he prefers to work with people who has experience to work with him.

General information:

Behavior: mix of integrative and distributive

Type of contracts: long-term contracts

Aggressive communication skills

Seeking integrative agreements

Openness: yes

Variable pay: No

finding best fit supplier

A short meeting take place with the supplier.

The interviewee gathers info about previous project for the supplier (gather data from other companies who has experience to work with the supplier).

The most important criteria for the interviewee in every supplier the willingness to work properly, time sensitivity, fulfilling requirements properly and last good reputation and communication skills.

If the supplier has all the essential criteria and the required capabilities he will be moved to the next stage (Financial negotiation).

Negotiation process

In construction sector there are a lot of suppliers for each component. Therefore, the buyers hold power over suppliers within the construction sector.

Negotiation always take place at the buyer's company. Usually, the interviewee is the only person to attend the meeting as he has all the essential info to negotiate and he is the executive project manager, so he has the authority to take decisions. As was mentioned before, because in construction sectors there a lot of suppliers to choose from so that's give the interviewee huge power over suppliers to set his own conditions. During negotiation, if the supplier show less interest or less understanding for the requirements, the interviewee will directly stop the negotiation and switch to another supplier.

In conflict situation, the interviewee was very resist that he does not involve in a situation where he has to deal with conflict situation because he used to work only with long term suppliers and when there are any issues he switches the supplier easily without wasting any time. For example, one time a supplier asks him for more time in order to finish the job and it was in the middle of the project, so he was forced to give him more time because looking for new supplier in the middle of the project was not the best option for him. However, the supplier does not accept variable pay in conflict situation and he is not willing to change behavior toward any agreement even if he received variable pay)

(In conflict situation I will look for new supplier without wasting time and anyway why do I need to pay him money if I can ask someone else to fulfill the required task.

Variable pay:

The preference payment methods for the interviewee is fixed payment in the end or at the beginning of the project (only if the supplier has to buy necessarily and expensive materials. Moreover, the interviewee does not use variable pay with suppliers at all because he is forced to act according to the budget (usually we do not have budget for variable pay). And he does not agree to pay more money for someone in order to fulfill their tasks. In the construction sectors fixed payment is always what people used to ask so even supplier do not ask for variable pay. When ask about the variable pay and his willingness to share any kind of variable pay in order to reach agreement, The interviewee was very clear in his answer " why do I have to pay them money if I can easily switch to know supplier who is willing to fulfill all of my requirements. However, in his opinion variable pay will not affect the behavior of the person if he does not want to work properly so he does not like to use it

Interview 3

Interview 3

Introduction

The interviewee is currently a legal contracting manager at the company involved in multiple negotiation. The interviewee is responsible on the total flow of materials and components, finished products and semi-finished products in a high-end technology supplier of products in the medical sector. The company supports clients with a wide range of competencies and innovative solutions. The goal of the interview is to gather information about the negotiation process in the company (preparation, negotiation behavior, agreements and payment

methods). Moreover, the effect of payment methods on negotiation behavior).

General information

Behavior: Integrative

Type of contracts: Long-term contracts

Flexible communication skills

Seeking integrative agreement

Variable pay: No, but other alternative like flexible payment terms or longer payment schedule.

Preparation

The negotiation starts in the second meeting. Moreover, the first meeting is only to see the availability of starting work together (According to the interviewee In high -tech sector the first meeting is always to check the requirements and the desired outcome and to check if the interviewee has the required capabilities In order to fulfill the requirements).

In the first meeting, a short introduction took a place about both of the company's previous experiences and project, familiar outcomes and how was the outcome. In the first meeting if the company has the required capabilities a new analysis procedure starts (in depth study start internally, to check all the required tasks and who need to be involved, plan, schedule and final costs).

The second meeting took place at the buyer's company. In the second meeting the interviewee and two engineers from the company present their ideas, analysis, results and what do they think about the request (how it should be implemented). According to Mr. Jamal the second meeting took place only if the company finds an ability to do the project properly. At the end of the second meeting, negotiation between both parties took a place when the buyer negotiates the price (According to Mr. Jamal the buyers always negotiate the price in order to reduce it.

Negotiation behavior: when asking if they face any distributive behavior from the buyers while negotiating the price the answer was clear that buyers normally are disparate for a solution or ideas to finish their products and in health care projects companies most of the time they use integrative behavior, openness, good communication skills willingness to work together. However, when the order is not sophisticated, and the company knows that other companies can fulfill the requirements, buyers tend to negotiate more in order to reduce price. But they only tend to negotiate more but no distributive behavior used before (so always the buyers are open, looking for good relationship, good communication skills, and trustful). In conclude, the interviewee mentioned distributive behavior in situation when the project is not sophisticated, and multiple suppliers can solve it. On the other hand, if the project is sophisticated and unique so buyers tend to be more integrative and flexible to reach an agreement.

Variable pay

The company asks for only fixed payment at the beginning and the end. The company do not accept variable pay bonuses of incentives because they did not receive any offer with variable pay before. However, incentives used by the interviewee's company when the project is very attractive and there are other suppliers to switch the interviewee tend to offer discounts or

flexibility in payments for the buyers (more time to pay or more installments). Most of the orders in high-tech are very expensive so flexible payment schedule is a very valuable thing for buyers in most of the time.

(According to the interviewee, buyers are more willing to work with use when we offer flexible payment terms or longer duration)

In situation where the interviewee uses incentives the buyers shows more willingness to work with them most of the time as the company has good reputation and that's very attractive for the buyers and in the same time flexible payments are one of the valuable things for companies specially in the last ten years because companies are more cost focused now than before.

Interview 4

Introduction:

The interviewee is a production manager in a company provider of technology for production and processing to the oil and gas industry. He is production manager and he is responsible to do some negotiation with customers on behalf of the company in order to reach an agreement. The company of the interviewee woks only with long-term contracts. Moreover, projects in the gas industry lasted for a long duration, and Sometimes the company needs multiple years to finish a project, even when they finish the project a continuous checking is essential for customers.

General information:

Behavior

Type of contracts

Flexible communication skills

Seeking integrative agreements

Variable pay: No because they do not receive it. However, the interviewee is willing to accept Variable pay and to change behavior but only if he is able to fulfill the request.

Negotiation preparation

In gas industries most of the companies are well known companies so collecting data or info around the customer is not necessary. According to the interviewee working in gas industries is very risky so companies tend to work together for a long time and even government plays a major role in the gas contracts in Saudi Arabia. The Interviewee's company produce pipeline so in depth- understanding for the requirements is important and companies in gas industry used to spend a lot of time discussing the requirements and explaining specification in order to exclude any chance for making mistakes. In conclude, integrative behavior (openness, understanding, interest, communication, integrative agreement and long-term contracts) is always used by both parties in order to reach an agreement and understand all the requirements

Variable pay

In negotiation process, multiple in-depth meeting take place at the beginning where companies discuss specifications and criteria to finish the job. Companies do not negotiate the price until they reach a full understanding of the tasks. In negotiation, they usually receive fix payment. How the interviewee is willing to accept variable pay only in special situation. Moreover, if he is able to finish the desired task why no to accept an incentive. According to the interviewee. Buyers will pay incentives in order to push the supplier to finish the job quickly so if the interviewee is able to fulfill the requirements he will accept variable pay

In conflict situation,

The interviewee works with customer from with previous experience, he did not face any conflict situation before. However, if he faced a conflict situation variable pay as mentioned before won't change his behavior if the request is out of his capabilities but if the task is within capabilities why not to accept the money. (Normally we receive more money only to finish in less time and usually they are able to do so. (less time mean ability to ask your employees to work more hour in order to finish in less time)

Interview 5

Introduction

Responsibilities:

The interviewee is a purchasing manager responsible for all negotiation tasks with buyers and suppliers. The interviewee has been working in the sector of sensors technology for construction project for the last 10 years and he has a lot of experience in the field, so he is responsible for all of the negotiation process within the company: Total flow materials and components, first meeting with customers, understanding the project, definition, planning, technical requirements and team he has to work with, evaluation for each project. decision of taking the project or not.

General information:

Behavior: integrative

Type of contracts: long-term contracts

Flexible communication skills

Integrative agreement

Variable pay: No but he used it in special situation when he is forced to use variable pay or to pay monetary incentives.

Negotiation preparation

In the first meeting the aim is always to build a relationship and to gather general overview about the project in general and the order in depth details in order to assess whether the company is able to provide the requested order to not (a lot of customer come with only an idea and the company is responsible to check if they idea is reliable or not)

First meeting is only about the project and requirements (money talk come later as mentioned from the interviewee because as the company has strong experience in the field of customize products, so every order is different from the others and needs different analysis)

Before negotiation:

Gather all the essential info about the order what have to be done, how, and when, who

Gather info about the company previous projects and reputation (to check if they can work with the company or not, as mentioned from Mr. Fouad he is not willing to work with a bad reputation companies)

In depth understanding for all requirements, tasks, who need to be involved and for how long in order to calculate the price of the order before reaching the customer again.

Check the availability of the suppliers they need in order to fulfill all the requirements properly (according to Mr. Fouad not all orders can be fulfilled without a help from other suppliers).

According to Mr. Fouad there are no essential characteristic for best ideal customer but for sure good reputation, trust, openness and good communication skills are important in order to fulfil the requirements.

When asking if they process differ when he has to work with new supplier Fouad mentioned that finding the right supplier is always difficult and needs a lot of time so he has been working with the same suppliers for the last 10 years and even when the supplier has any kind of problems the interviewee is willing to help him in order to save his work because finding new suppliers is always cost and time consuming for him but only if he knows that the supplier is willing to work properly with him and has a good previous experience.

Negotiation Process

The negotiation process for Mr. Fouad start after the approval of his technical team (if they can fulfill all the requirements or not because the company do not accept project that out of her capability)

When he is willing to work with the customer he starts negotiating but if he is not willing to work he do not negotiate at all (According to the interviewee he is not willing to accept any order out of his capability even if they offer him more money because he cannot risk his company reputation)

Negotiation start when the interviewee gives his price to the customer after analyzing cost, time, component, cost of suppliers and people involved

He always gives a range for negotiation (as mentioned by the interviewee he used to ask for higher price in order to gain the desired one)

Customer always negotiate the price without considering the cost.

Variable pay

The interviewee uses only fixed payment without any variables (according to the interviewee in Sensors technology you need a very detailed requirements and very detailed cost description so linking requirements to bonuses or incentives is very difficult for him and the cost calculation for the interviewee is always depending on the number of hours his technical team have to work in order to fulfill all the requirements and he has fixed hourly price so he prefer to use only fixed payments and usually he only refuse project they out of his capabilities.

Bonuses and incentives are not acceptable from the interviewee company but on the other hand they use it sometime in order to encourage other supplier to work with them (sometimes the company receive a very attractive orders but out of their capabilities so they has to work with other company In order to fulfill all the requirements and her the interviewee has to use some incentives or has to give higher percentage for the other company in order to reach an agreement and according to Mr. Fouad incentive or higher percentage usually encourage the other supplier to work with him.

The interviewee is always looking for the good reputation and long-term relationships so he use only integrative behavior during negation, shows willingness to work, shows interest, gives detailed information and good communication skills.

Negotiation with supplier using distributive behavior is one of the most awful things for the interviewee and he does not prefer to involve any supplier who's not interested in the work or how is looking only for the money.

Conflict situation

The interviewee does not like variable pay and he does not accept it from customer because in his opinion (with variable pay customer has a bigger chance of not paying everything, so he prefers fixed payment methods in two payments at the beginning of the project and at the end.

Also, he is not willing to accept any project out of his capabilities even if the customer offer higher price but on the other hand he is willing to offer more money for supplier in order to work with him.

Conflict situation happened sometimes when the supplier asks for higher percentage of the profits gained from the project or when they show less interest in collaboration.

The interviewee mentioned one case when he used bonuses higher than the cost of the project in order to encourage the supplier to work with him (why he did that: because the project was with a very big customer and the project was very attractive for the board but the interviewee company was not able to fulfill everything alone so they asked another supplier to work with them so the supplier on that asked for a very high price and after two or three meetings the interviewee was forced to pay the price in order to encourage them and yes that's work)

According to the interviewee variable pay incentive, commission, bonuses are effective only if the company are able to fulfill the task so whether you pay more or less if the task is out of the supplier capability even variable pay will not affect his desired to work.

Interview 6

Introduction

Mr Salem is currently performing special negotiations for his company. Moreover, the interviewee is responsible for only important negotiation (big and long projects for the company). The interviewee is responsible for negotiating with other companies, understand the requirements and see if they have the capabilities to fulfil the requirements. In addition, the interviewee is responsible for communication with customers.

The company works with government most of the time, so both of the customer and the company need to work side by side in order to ensure the success of the project.

the aims of the interview is to understand how the interviewee prepare for negotiations in Saudi Arabia, and how he conducts negotiations with other companies (behaviour, preferred payment methods) and finally the effect of payment methods on aggressive behaviour during negotiations. Furthermore, the interviewee works always in constructional governmental projects in Saudi Arabia, so he does not have to do any evaluation for the customer and he works always with existing customers. Besides, the government is always responsible on finding suppliers and negotiating with them, so the interviewee does not involve in any negotiation with suppliers (only with customers).

General information

Behaviour: integrative

Type of contracts: long-term contracts

Flexible communication skills

Seeking integrative agreements

Variable pay: No

Negotiation behavior

In The first meeting the interviewee prefers to discuss the mission of the project, goal, requirements, needs and outcomes to ensure full understanding of the requirements and the project. The interviewee mentioned the importance to ensure best outcomes in projects with public sector because it means projects with public, people, media and the whole country in general and if the project fails to meet the desired outcomes the interviewee and his company will be holding the blame in the end. Therefore, the interviewee does not involve in project with customers who do not have the essential criteria, understanding of the business, detailed requirements, clear time schedule and commitment. The negotiation always take place in the customer's company with representatives from the customer and representatives from his company. Outcomes of the first meeting is always the same for interviewee (general idea about the project using 5W, What, why, where, when and who). However, a good relationship and full understanding of the project are always the best outcomes for the interviewee because he thinks when the customer feels comfortable to work with you he will be willing to pay the price you ask.

The interviewee mentioned that the first meeting could take place either in his company or in the customer company. However, the number of meetings to reach an agreement could differ between projects because the number of meeting until reaching an agreement depends on the requirements and analysis. In the first few meetings 3 or 4 and after full consideration of the project requirements, tasks, and duration of the projects the interviewee prepare an offer for the customer with all the expenses and cost of the project and then they start the negotiation process where they ask for a price and the other parties negotiate. Moreover, the customer always starts with less price in order to finish on a pre-defined price. However, conflicts could be found during negotiations because sometimes it could be difficult for the customer to measure the cost of the project and the cost of the tasks and the other way situation could be accrued as well. However, any conflicts could be affected through thorough explanations about the expenses and the cost of the project. The interviewee mentioned that nothing could affect conflicts with customers more than good communication skills and suitable behavior because in the end he wants to reach an agreement. The interviewee works most of the time with public agencies, so he prefers to use integrative behavior because projects with public agencies means project for the whole country. On the other hand, when he faces distributive behavior from the customer he uses the same tactics as always one detailed contract with clear requirements, reliable time schedule and one final payment in the end of the contract. Therefore, the interviewee does not change his process or behavior according to the other party because and he always use integrative tactics in order to reach an agreement when he has an interest in the project.

Conflict interest and variable pay

The interviewee faced multiple conflicts interests during his work with other suppliers assigned from the customer. As the interviewee mentioned above the customer brings suppliers and the interviewee's company have to work with them. Sometimes the interviewee has to deal with suppliers who does not share the same interest. As the interviewee's is responsible on the whole project some suppliers are assigned only for small tasks. Therefore, some suppliers tend to finish their tasks improperly and leave, here the interviewee has to deal with the mentioned suppliers and encourage them to do their best in order to finish the project properly. However, with some projects where the supplier has power over the customer the interviewee mentioned a case where the customer pays more money and bonuses in order

to encourage the supplier to fulfill all the requirements on time and properly. So, yes it could affect the behavior of the supplier to finish the work properly. According to the interviewee, when you are dealing with supplier who value money more than reputation and he has power over you, then you have to pay them monetary incentives. In one case the interviewee mentioned a company who withdraw a contract and after receiving huge incentives from the customer they changed their behaviors and start working really hard to finish the tasks on time.

The interviewee's company do not ask for any alternative payment methods because they use only fixed payment at the end of the contract when they fulfill all the requirements according to the contract. The interviewee mentioned that fixed payment is more accurate, and it is easier for the company to check the outcome of the project before they signed the contract. Payment method do not affect the behavior of the interviewee because his company do not involve in projects which is not in their interest and capabilities even if the customer pays more money or incentives. To be precise, the interviewee behavior depends on the project not the money. Performance related rewards could be used to change behavior but for the interviewee he does not values receive any rewards and incentives. On the other hand, he knows a lot of supplier who accept performance rewards when they finish multiple tasks in short time or when they fulfill difficult requirements and during negotiations monetary incentives and bonuses could encourage supplier to sign a contract even if it's not in their interest.

Interview 7

Introduction

the interviewee is a purchasing manager, after the interview, I came to discover a lot regarding the field of negotiation and purchasing. The interviewee is currently performing all tasks regarding negotiation in which he is passionate about. Moreover, the interviewee is responsible on the total flow of materials, components, finished products and semi-finished products. The organization is a Semiconductor Equipment BV manufactures, sells and supports its own NEO equipment range. A wide range of different NEO platforms are available, from single chamber semi-automatic tools, through to multi chamber high volume manufacturing platforms. offers a number of different NEO process chambers which are configurable across all NEO platforms. This enables the organisation to offer an extremely wide range of different etch, strip and surface modification process capability. The aim of the interview is to gather information about the negotiation process in B2B business and the effect of payment methods on negotiation process and behaviour. Moreover, I had several specific goals in mind when I approached this interview. First of all, I wanted to gain more in-depth details about the process that go into reaching an agreement between buyers and sellers in B2b business. Second, the effect of variable pays on negotiation behaviour between buyers and sellers.

The interview

For this interview, the questioners were asked via skype. The interview last for one hour and I gained all the essential information I was planning to gather. Going into the interview, three major topics were discussed with the interviewee. First, Negotiation preparation and process between buyers and sellers. Second, aggressive behaviour within negotiation and solutions. Finally, incentives factors which could affect aggressive behaviour. In the interview, the interviewee explained the evaluation process he uses in order to assess the level of each supplier. However, the interviewee prefers always to work with

existing suppliers who has previous experience doing business with. Besides, he mentioned how he use only fixed payments in his contract to ensure reliable payment linked to in depth contracts. According to the interviewee in production sector special in B2B companies tend to have long relationship with its suppliers.

General information

Behaviour: Mix between integrative and distributive the interviewee shows aggressive behaviour while negotiating with supplier and in conflict situation.

Type of contract: long-term contract

Flexible communication skills but not pure

Seeking integrative agreements

Variable pay: No, he holds leverage over the supplier because it is easy to switch suppliers

Preparation

The preparation for any negotiation for the interviewee start with gaining depth understanding for the requirements of the new business how it need to be done and what do they need in order to know which supplier fit best. In negotiation for new business the interviewee always prefers to work with existing suppliers with previous experiences. To be precise, the interviewee evaluates each supplier individually before starting a job with, he gathers information from other companies who has experience with the chosen supplier. In addition, to thorough research about the supplier previous contract and outcomes. Finally, in-depth research is always conducted on each supplier to gain in details idea about the supplier, capability, understanding of the business, capacity, productivity, skills and ability to fulfil the requested requirements. To conclude, the interviewee prefers to work always with existing supplier more than new supplier. Because, he needs to do an evaluation for the supplier before start working with. However, sometimes the purchaser is forced to work with new supplier sometimes assigned from third party. Therefore, he needs to evaluate the supplier according to important details and requirements in addition to specific criteria he prefer. Finally, according to the interviewee it is always good to visit the supplier yourself and have a face to face meeting with him to ensure a concrete evaluation.

Negotiation

After finding the best fit supplier for the organization through evaluation, the negotiation starts from purchaser side through a phone or an email followed up with quick meeting between representatives from the buyer and representatives from the supplier in order to see the opportunity of starting business together and if the supplier is able to fulfil all the requested requirements. The outcomes of the first meeting are not always the same and it depends on the time frame they have. However, the interviewee works always to build a long-term business relationship with suppliers. In order to ensure full understanding of the requirements, the purchaser always document every small detail in the requirements and explain it to the supplier before signing the contract. However, the interviewee does not use any monetary payments to encourage supplier to do business because it is difficult to link all the details in the contract to payments and outcomes. However, with fixed payment which is always used from the interviewee, the purchaser is able to write down every small detail in the contract in order to assess the outcomes and see if the outcomes are fulfilling all the requirements in order to transfer the money.

Effect of variable pay on aggressive behaviour

In specific situation where conflict interest founds. The interview had so much experience to deal with supplier with conflict

interest. Moreover, many times the interviewee participate in negotiation with suppliers who has conflict interest and who are looking for win- lose situation and maximizing their profits. First situation when the interviewee has to be the buyer, the interviewee mentioned two common options he follows when he deals with aggressive behavior from the supplier during negotiation, First, because he always looks for long business relationship he mentions the quantity he will request every year from the supplier in order to encourage him to align their interest and to change his behavior from win-lose situation to a win-win situation through mentioning the profit he will gain from the aligning interest. Second, he walks away when he sees the other party is not willing to align interest and gain a win- win situation because the market where the interviewee works is a very flexible market and the purchaser has powers over the supplier and can easily switch to new one. On the other hand, when the interviewee is the supplier for other company he does not value any incentive more than the relationships. So, he prefers long-period contracts with less profits and bonuses on short-period contracts with higher profit and incentives.

Finally, when asking about the effect of having incentives, bonuses, variable pay etc. the interviewee does not use any variable pay linked to monetary incentives. However, when I asked about preference incentives, he mentioned bonuses through longer contract and bigger quantity are more valuable for him from monetary direct bonuses and incentives and that's what he always use for changing supplier behavior but it won't change his behavior because he always use integrative behavior with his customers.

Conclusion

In conclusion, the interviewee mentioned the preparation process he follows before start any negotiation, how he evaluate suppliers, what important criteria he use to evaluate suppliers, how first contact established. Besides, he mentioned the incentives method he prefers to use (longer contract and bigger quantity) and the major impact it has on the aggressive behavior when he uses it with suppliers or when customer use it with him. Besides, the affect it has on aggressive behavior within the negotiation process.