To what extent do monetary incentives influence the negotiation behavior in business-to-business (B2B) settings?

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ABSTRACT,
This paper aims at a better understanding of the negotiation between buyers and sellers in business-to-business settings. More precisely, this research puts a strong emphasis on the extent to which the variable payment affects negotiation behavior of agents involved in the negotiation process. Furthermore, as the relationship between the two variables did not receive too much attention in the scientific literature, this research contributes to further understanding between the extent to which negotiation behavior of agents is affected by monetary incentives in business-to-business settings. Qualitative data were collected through interviews with various principals and agents from different European countries, and then analyzed. The results suggest that the negotiation behavior of agents is indeed affected by the variable payment to some extent. However, there are limitations that come up with this study, as the sample size is very small, and the respondents were agents and principals from European countries only. This research tries to fill the gap in the scientific literature by answering the research question. The practical implications consist in the attempt of getting better deals for the company by providing monetary incentives to influence negotiation behavior when necessary. Furthermore, future research should consider the process of negotiation on a much larger scale, as more cultures and companies operating in different parts of the world should be analyzed. The originality of this research lies in its consideration regarding the use of monetary incentives and the effect they have on negotiation behavior in B2B settings.

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Negotiation process, buyer-seller negotiations, negotiation behavior, monetary incentives, principal-agent relationship, organizational performance, business-to-business settings

1. INTRODUCTION

Negotiation is a procedure used in dealing with opposing preferences between parties, involving discussions, with the ultimate goal of reaching a mutual agreement (Carnevale & Pruitt, 1992, p. 532).

Nowadays, the negotiation process occurs in everybody's life and plays a key role in acquiring something on better terms, hence a better deal. For instance, a customer can negotiate with a market vendor when buying oranges. The customer can propose the purchasing of more oranges at a lower price per piece, thus both parties ending up in a win-win situation (in case of the vendor's agreement with the buyer's offer), the vendor selling more oranges (thus minimizing the risk of throwing them away because of the decay) and the buyer buying more at a lower price.

The above-mentioned example also applies for companies operating in the business-to-business (B2B) settings. To begin with, all of the organizational aspects such as joint ventures, mergers and acquisitions, licensing and distribution, and the sales of products and services, are important characteristics of interorganizational relationships, which are the result of face-to-face negotiations (Adler and Graham, 1989, p. 515). Moreover, many companies all over the world use financial incentives to stipulate their employees (Bonner & Sprinkle, 2002, p. 303). However, there is a gap in literature regarding the extent to which the use of monetary compensation by companies influence the negotiation behavior of agents (managers), as the relationship between the two variables has received little attention from scholars.

The problem related to the aforementioned relationship is that companies offering such incentives to purchasers are not aware whether the compensation will make the purchaser change his negotiation behavior, by negotiating more aggressively for instance, in order get better deals on behalf of the company. Furthermore, this problem occurs all over the world, where companies operate in business-to-business relationships, and affects all of a company's stakeholders, including shareholders, employees, suppliers, and customers. Although the benefits of negotiations are known for a while and studied by scholars (e.g. Carnevale, 1992; Ramsay, 2007; Thompson, 1990), the problem related to the relationship between monetary incentives and negotiation behavior is still unsolved. Last but not least, an observation of the problem would be the repetitive acquisition of raw materials from a supplier at higher prices than competitors, having the same outcome over time, hence the company not being able to improve its competitive advantage by cutting down costs, probably due to an improper negotiation behavior of the buying firm's agent.

The main objective of this research project is to understand the extent to which monetary compensation influence negotiation behavior of agents (or managers) in business-to-business setings. Moreover, it is important to know whether monetary incentives actually influence negotiation behavior. At a first glance, the most likely answer would be that the variable payment should influence the negotiation behavior of agents. However, in order to confidently answer that question, data was collected from managers through interviews, and analyzed. Subsequently, using the findings from data analysis, together with the literature, it will be possible to indicate whether monetary incentives influence negotiation behavior, and to what extent, thus being able to draw a conclusion and answer the research question, taking into account the existing limitations of this research project.

2. LITERATURE REVIEW

The theoretical framework of this research is based on the Principal-Agent Theory, as the logic behind the monetary compensation scheme which is linked to the output of an agent, can be explained by it.

Before diving into answering the research question, it is of highly importance to understand what negotiation is about. Furthermore, an emphasis will be put on the agency theory, as it will aid in a better understanding of the relationship between the two variables – 'monetary incentives', 'negotiation behavior'.

2.1 The negotiation process

Negotiation is a universal and important form of social interaction (Thompson, 1990). Furthermore, negotiation is "[…] one of the most demanding and sophisticated activities carried out by all purchasing functions in the management of competitive and co-operative buyer/supplier relationship alike. It is an essential element in the generation of all forms of sustainable competitive advantage flowing from the function" (Ramsay, 2007, p. 84). During a negotiation process, the interaction between the participants "[…] proceeds smoothly until the participants have achieved their goals or one partner decides not to honor the identity that he or she has negotiated […]" (Swann, 1987, p. 1048).

Furthermore, there is no limit regarding the number of participants partaking in a negotiation, but two-party negotiations received the most attention from scholars (Carnevale & Pruitt, 1992). Hence, the negotiation process is about the interaction of different parties (participants), with the purpose of achieving the desired goals, in order to achieve a sustainable competitive advantage.

Regarding business-to-business settings, the negotiations occur between organizations which share common interests when it comes to the trade of utilities for resources (Walton and McKersie, 1965). According to Schei (2013), companies operating in all sectors of a business-to-business setting, put a strong emphasis on negotiating with other companies in order to survive and grow. Moreover, in the B2B settings, "[…] the relationships created and nurtured during the negotiation process are of a key importance" (Sigurdardottir, Ujwary-Gil, and Candi, 2018, p. 437). Furthermore, in business-to-business (B2B) settings, the owners (principals) delegate work to negotiators (agents), which are also addressed as representatives, who negotiate on behalf of their principals (Rubin and Sander, 1988; Walton and McKersie, 1965). According to Wall (1985), business-to-business negotiators tend to have a stronger focus and motivation towards the negotiation process, than individuals who negotiate for themselves. Last but not least, the parties involved in a negotiation process reach an agreement when their positions shift from an initial point, to a more ideological point in the center (Druckman, 2001, p. 286).

2.2 Agency Theory

In order to explain the rationale behind the variable 'monetary incentives' and its effect on the variable 'negotiation behavior', it is necessary to understand the Agency Theory, which will be further discussed.

The origins of agency theory come from late 1960s and early 1970s, when the economists explored the share of risk among individuals (Eisenhardt, 1989, p. 58). Throughout the years, agency theory has developed from its economic roots, shaping into Positivist Agency Theory and Principal-Agent Theory (Eisenhardt, 1989, p. 59; Jensen, 1983).

In order to have an agency relationship, one party – an agent, has to act on behalf of another party – a principal (Shapiro, 2005,

p. 263). According to Ross (1973, p. 134), the principal-agent relationship is one of the most common forms of social interaction. However, there are several problems which might arise in an agency relationship, and the agency theory is about emphasizing two of such problems (Eisenhardt, 1989, p. 58). The first problem occurs when the principal delegates work to an agent in exchange for a compensation (Eisenhardt, 1989, p. 58). In the context of an organization, the owner(s) (principal) delegate(s) work to managers (agents). When the agent does not work in the interests and goals of the principal, conflicting interests appear at the expenses of principal, who can face difficulties in verifying what the agent is actually doing (Eisenhardt, 1989, p. 58). The second problem is about risk sharing, which can occur when the two parties – principal-agent, have different views toward risk, one party behaving differently due to risk preferences (Eisenhardt, 1989, p. 58).

According to Eisenhardt (1989, p. 59), in the positivist agency theory, "[…] researchers have focused on identifying situations in which the principal and agent are likely to have conflicting goals and then describing the governance mechanisms that limit the agent's self-serving behavior". Furthermore, positivist researchers put a strong emphasis on the agency relationship between principal and agents of large corporations (Eisenhardt, 1989, p. 59; Berle & Means, 1932). Hence, the positivist agency theory "[…] has been most concerned with describing the governance mechanisms […]" which may solve agency problems, by diminishing managerial opportunism. (Eisenhardt, 1989, p. 59). An example of a governance mechanism with the purpose of solving agency issues, and better align the interests between the two parties, is the increase of managerial firm ownership which leads to less managerial opportunism (Eisenhardt, 1989, p. 60; Jensen & Meckling, 1976).

In the principal-agent theory, researchers focus more on the big picture of the relationship between principals and agents, hence the theory "[…] can be applied to employer-employee, lawyer-client, buyer-supplier […]" (Eisenhardt, 1989, p. 60; Harris & Raviv, 1978). According to Eisenhardt (1989, p.60), the focus of the principal-agent theory is on "[…] determining the optimal contract, behavior versus outcome, between the principal and the agent". However, in contrast to positivist agency theory, the principal-agent theory is more abstract and mathematical (Eisenhardt, 1989, p. 60).

To conclude, the agency theory depicts the principal-agent relationship, focusing on the issues that might arise due to the conflicts of interest between the two parties, and aiming at a better alignment of interests between principals and agents.

2.3 The use of monetary incentives (also known as variable payment)

The rationale behind the use monetary incentives is to boost people's motivation, especially the motivation of those who are sensitive to accounting information, thus resulting in an increased organizational performance (Bonner & Sprinkle, 2002, p. 303). According to Bonner & Sprinkle (2002, p. 304), the increased performance is affected by monetary incentives, which causes people to put more effort into their tasks (Figure 1). One reason for the effect of monetary incentives on effort and performance is the that a greater effect can be achieved with the aid of incentives, rather than their absence (Bonner & Sprinkle, 2002, p. 305). Moreover, monetary incentives depend to some extent on visibility, as people want to be seen by others as doing good, thus increasing their motivation even more (Ariely, Bracha, and Meier, 2009).

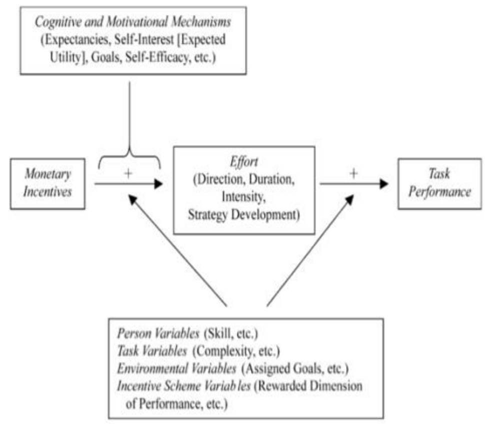

Figure 1: Conceptual framework for the effects of performance-contingent monetary incentives on effort and task performance (Bonner & Sprinkle, 2002, p. 304).

According to Figure 1, monetary incentives have a positive impact on the effort put by a person, which has a positive influence on the task performance. Furthermore, the relationship between the variable 'monetary incentives' and variable 'effort' is influenced by other external factors such as expectancies, self-interests, goals, and self-efficacy. Moreover, both positive relationships between the three variables, namely 'monetary incentives', 'effort', and 'task performance', are influenced by a person's skills, the complexity of the task, the assigned goals, and the reward for performance scheme.

2.4 The negotiation behavior

According to Barry & Friedman (1998, p. 345), there are two types of negotiation behavior, namely distributive and integrative. Distributive behavior is about the involvement of fixed sums of goods or resources which have to be allocated among the participants involved in the negotiation process, with their interest being negatively correlated (Barry & Friedman, 1998, p. 346). An example of such a negotiation behavior is the dispute over the price of a single item, such as a car, where the seller tries to get the highest price possible, and the buyer seeks to pay as little as possible (Barry & Friedman, 1998, p. 346). On the other hand, in the integrative negotiation, there are "[…] non-zero-sum encounters in which there is the possibility for joint gain from the negotiation" (Barry & Friedman, 1998, p. 348).

Furthermore, the conflict between the parties involved in the negotiation is nonexistent, if the parties are able to find proper solutions (Barry & Friedman, 1998, p. 348). However, the number of purely integrative negotiations is low, as most of negotiations comprise both the distributive and integrative behaviors (Barry & Friedman, 1998, p. 348; McKersie, 1965).

When it comes to business-to-business settings, people involved in the negotiation process have been found to be more pleased with an integrative negotiation behavior (Fleming and Hawes, 2017, p. 521). However, the scientific literature states that both integrative and distributive negotiation behaviors can be used by negotiators involved in the same negotiation process, depending on the stage of the process in which they are (Preuss and van der Wijst, 2017, p. 508).

3. METHODOLOGY

The aim of this research project is to understand the effect of the variable 'monetary incentives' on the variable 'negotiation behavior' in business-to-business (B2B) settings. The purpose behind understanding the effect of monetary incentives on negotiation behavior is that a company must be aware of what its managers can do, because by improving or changing their negotiation behavior (for instance, negotiating more aggressively), the company can benefit from better contracts with its buyers or suppliers.

The use of theoretical knowledge which is gathered from scientific literature, together with qualitative data analysis, namely interviews, which were conducted with managers from different companies, will aid in answering the research question. According to Stake (1995), qualitative data analysis is a frequent and reflexive process which occurs when data are being collected rather than when the data collection has been ceased. The justification behind using qualitative data analysis is because of the complex relationships between different variables which have to be understood, and the seeking of different data patterns of unanticipated and expected relationships between those variables. The data collection was both through face-to-face interviews and video chat, around 20 minutes long. Besides, the interviews were recorded and stored until the data was analyzed. The sample size used in this research is composed of 5 interviewees (n=5), having the position of purchasing managers, sales managers, or owners. Furthermore, the reason behind the very small sample size is due to time constraints throughout the project, thus affecting the validity of this research. Moreover, the questions for the interviews were developed by means of questionnaires, created by Dr. Aldís G. Sigurðardóttir.

After the collection of data from interviews, the data was analyzed using the comparative method analysis (Ragin, 2014, p. 34), in order to understand the data patterns, found in the research. Moreover, the findings were discussed in accordance with the existing literature. Regarding the research question, the extent to which the variable ‘negotiation behavior’ is influenced by the variable ‘monetary incentives’ was assessed using the Likert psychometric scale (Likert, 1932), including five different levels of the extent to which negotiation behavior is affected by monetary incentives: ‘very small’, ‘small’, ‘medium’, ‘high’, and ‘very high’. Last but not least, with the insight acquired from different owners and managers, a better understanding about the impact of monetary incentives on negotiation behavior in business-to-business settings emerged.

4. ANALYSIS

4.1 Analysis of the interview with the 1st respondent of a Romanian company (Interviewee A)

The first interview was conducted with the commercial director of a Romanian company, operating in the construction industry. Furthermore, the company has a strong focus on the commerce with building materials, and it is comprised of 400 employees. The interviewee is a male participant, working in that company for 7 years, and being involved in numerous processes of negotiation.

When it comes to negotiations, this particular agent sees the negotiation process as a collaboration for all parties involved in the process, with the main goal of achieving an advantageous outcome. Furthermore, the interviewee states that preparation is the most important factor before entering the negotiation process. However, in his situation, the preparation before a negotiation can vary from project to project.

Regarding the use of monetary incentives in order to influence negotiation behavior, this agent displayed a relatively small effect on the relationship between the two variables. The reason behind this effect being the fact that as a commercial director, when ending up a deal with either a buyer or a seller, bonuses come regardless his negotiation behavior. Moreover, the interviewee stated that his negotiation behavior would be more affected by extra training and materials about the negotiation process, rather than the use of variable payment.

4.2 Analysis of the interview with the 2nd respondent of a Romanian company (Interviewee B)

The second interview was conducted with the owner and administrator of a Romanian company which operates in the advertising industry. Moreover, the company puts an emphasis on design and advertising, and there are 12 employees working for it.

The interviewee is a male participant, working in that company for approximately 15 years, having the role of owner and administrator. Furthermore, the respondent was involved in various projects in which the negotiation process was of a high importance, in order to achieve better deals for the company, hence helping it to grow and develop throughout the years.

Regarding the negotiation process, this particular owner (principal) has to deal himself with both the buying of raw materials and selling of finished products, therefore he is the only one responsible for negotiations in that company.

Due to the fact that there are no agents who can be involved in negotiations for this particular firm, the principal was offered a scenario in which he would share his opinion about the use of monetary incentives in order to change, or not, the negotiation behavior of his agents. When being asked whether the use of monetary incentives will affect or not the negotiation behavior of his potential agents, the respondent showed a strong, positive answer, explaining that the extent to which the variable payment would affect the negotiation behavior of his agent is relatively high. The justification behind his answer is that he would rather give monetary incentives to his agents in order to better align their interests and have trustworthy negotiators in his company, as this will aid both the company and the agents in the long run.

4.3 Analysis of the interview with the 3rd respondent of a Romanian company (Interviewee C)

The third interview was conducted with the owner (principal) of a Romanian company which operates in the hospitality industry. Furthermore, this particular firm goes beyond the simple process of offering hospitality services to its clients, by acquiring more and more companies related to the hospitality industry. Besides, the organization is composed of about 1150 employees. Moreover, the respondent is a male participant, owning that company for 11 years.

When it comes to the negotiation process, the respondent sees this process as an art of negotiating the most vulnerable spots through which one can benefit from.

Being a large organization, the principal delegates work to different agents responsible for negotiations, either buyers or sellers. When asked about the conflicts of interests which may arise between him and different agents, the respondent simply deals with these conflicts by dismissing the agents from employment, in case if they do not act in accordance with his interests. The reason behind this is the fact that if one does not have authority and control over the main agent responsible for negotiations, who may act in his own interests, a simple error caused by him in a large project could lead the entire organization towards bankruptcy.

Regarding the variable payment, the principal offers monetary incentives to his agents, as he believes that the success of his organization comes from the negotiators who are highly motivated by the stimulants received. Furthermore, the respondent noticed that his agents put more effort and display different behaviors in negotiations, if the incentives from a certain negotiation are higher and more attractive to them. Hence, the interviewee believes that the extent to which the variable payment affect negotiation behavior of an agent is relatively high. Last but not least, the interviewee supports the fact that the use of monetary incentives for his managers is indispensable for the organization, because a trustworthy agent, who has a key role in the negotiation process, has to be constantly compensated.

4.4 Analysis of the interview with the respondent of a German company (Interviewee D)

The fourth interview was conducted with the sales manager of a German company which operates in the food industry. Furthermore, the company has 90 employees, and the interviewed person is a male participant who works in this company for 4 years.

For this particular agent, the negotiation process is seen as a simple activity through which the customers are always informed about the products the company has to offer, and create various deals and offers regarding price, quality, and volume. Moreover, the 'price talk' occurs in the last part of the negotiation process, as the negotiation process is split in three parts. The first part involves the product presentation, the second part is about the advantages of the presented product, and the advantages of working with the company that the respondent represents, and the third part is about the price and volume of the product.

When it comes to bonuses, and the use of monetary incentives in order to influence negotiation behavior, the responded showed a very high effect on the relationship between the two variables. The explanation behind this effect is the fact that the negotiation process is never over, up to the moment in which one gets close to the desired outcome, even if it takes a more aggressive change in the negotiation behavior. Hence, with the right stimulants, the agent would be more prone to fight for his company, having the attitude: "if it did not work today, it might work tomorrow", putting more focus on his negotiation behavior, and reflecting on the experience from previous negotiations.

4.5 Analysis of the interview with the respondent of a Dutch company (Interviewee E)

The fifth interview was conducted with the owner of a Dutch company which operates in the food industry, as a producer of culinary materials. Furthermore, the respondent owns that particular company for 24 years, and there are 17 employees working for it.

The interviewee is a male participant, being involved in numerous negotiation processes throughout the years, all having the purpose of getting the most favorable deals which will help the company grow more easily. Similar to Interviewee B, this principal has to take over the negotiation processes related to both the acquisition of materials, and the selling of finished products, as his company does not benefit of agents responsible for those tasks.

When it comes to the negotiation process, the owner of this particular Dutch company sees negotiations like a game, in which every single player has to be fully prepared in order to end up with great results. The interesting fact about this particular principal is that he brings the 'price talk' quite soon after the negotiation process started.

Regarding the conflict of interests that may arise between principals and agents, the owner of the Dutch firm was provided with a scenario in which a negotiator would work on his behalf. In case of some conflicts of interests, the outcome would be similar to the one from Interviewee C, namely the dismiss from employment of that specific agent responsible for negotiations. Moreover, the owner would simply take over the negotiation process, and all tasks related to this process.

On the other side, working with the same scenario, in which an agent would negotiate on the principal's behalf and having no conflict on interests, the respondent would offer monetary incentives only in the case in which the negotiator can achieve something extremely valuable for the company. Furthermore, when being asked about the effect of monetary incentives on negotiation behavior, the respondent argued that the culture of a company is likely to have more impact on the negotiation behavior of an agent, rather than the variable payment has. Hence, the interviewee displayed a relatively weak belief regarding the effect of monetary incentives on negotiation behavior.

5. FINDINGS

5.1 Organizational performance as a key factor in the agency relationship

In the scientific literature, it is discussed about the way in which the agency relationship between principal(s) and agent(s) works. Furthermore, the literature also introduced the agency theory, which emphasizes the above-mentioned problems (Section 2.2) that may arise during a principal-agent relationship.

To begin with, companies operating in business-to-business relationships deal with agency problems as well, as the owners (principals) of a company delegate work to managers (agents). However, when there are conflicting interests between owners and managers, agency issues arise (Eisenhardt, 1989, p. 58).

When it comes to negotiation behavior being or not influenced by monetary incentives, the principal has to offer monetary compensations to his agents, in the attempt of better aligning the two-party interests. The rationale behind this mechanism is that, if an agent acts in his own interests, without taking into account the principal's interests, the company might suffer. Therefore, the principal would rather lose money by compensating that agent in the hope of a better alignment of interests, than facing a poor organizational performance. An example of such a situation would be the purchasing manager of a company who exhibits the same negotiation behavior during his negotiation with sellers and does not try to get better deals for his company. Hence, the principal of the company is trying to stipulate the purchasing manager by giving him monetary incentives, with the purpose of getting better deals from his negotiations with sellers.

Boner & Sprinkle (2002) conducted a research about the effects of performance-contingent monetary incentives on effort and task performance, and concluded that agents want to be seen by other when performing a task well, conducting a negotiation in our context. Furthermore, as Bonner & Sprinkle (2002) stated, the greater effect can be achieved with the aid of incentives, rather than their absence, therefore it is likely that monetary incentives do influence negotiation behavior of agents in B2B settings.

5.2 A representation of the outcomes from interviews

In the previous sections (Section 4.1 – Section 4.5), the interviews with three owners, a commercial director, and a sales manager have been analyzed. Furthermore, the results will be discussed and evaluated, taking into consideration the scientific literature. For a better understanding of the patterns found in the previous sections (Section 4.1 – Section 4.5), the comparative method analysis is used in order to interpret those patterns (Ragin, 2014, p. 34). Last but not least, Table 1 exhibits the interpretation of outcomes from the five interviews.

	Very small	Small	Medium	High	Very high
Interviewee A		x			
Interviewee B				x	
Interviewee C				x	
Interviewee D					x
Interviewee E		x			

Table 1: Summary of the outcomes from interviews regarding the extent to which monetary incentives influences negotiation behavior in business-to-business (B2B) settings, using the Likert psychometric scale (Likert, 1932). The X indicates the observed outcome of each interviewee.

5.3 The variable 'monetary incentives' has an impact on the variable 'negotiation behavior'

As Bonner & Sprinkle (2002, p. 303) stated, the reason behind the use of monetary stimulants is to boost employee's motivation towards certain tasks. Moreover, according to Ariely, Bracha, and Meier (2009), people wish other people see them when doing good, hence the relationship between monetary incentives and motivation is affected by visibility too. Thus, with more visibility, agents' motivation increase even more, than the usage of monetary incentives alone (Ariely, Bracha, and Meier, 2019).

According to Interviewee B and Interviewee C, the negotiation behavior of agents is influenced to a high extent by monetary incentives. Furthermore, taking into account the two types of behaviors offered by Barry & Friedman (1998, p. 345), Interviewee B and Interviewee C stated that their negotiators display both the distributive and integrative behaviors, the former being more predominant. Both respondents are owners (principals) of a company, however the Interviewee E, being an owner as well, believes that negotiation behavior is affected by monetary incentives to a small extent, as other factors such as the culture of a company can have a more significant impact on negotiation behavior. However, the literature does not provide a support to the Interviewee E's belief of negotiation behavior being influenced by the culture of a company.

Looking at the analysis of the interviews offered by Interviewee A and Interviewee D, opposing outcomes arise when it comes to the extent to which negotiation behavior is affected by monetary incentives. The former agent perceiving that the negotiation behavior is affected by monetary incentives to a small extent, while the latter perceiving that the dependent variable is affected by the independent variable to a very high extent. Even if the Interviewee A states that negotiation behavior is affected by variable payment to a small extent, the increased performance of a company is affected by more effort from its agents, and the stimulation of employees is greater with the aid of incentives rather than their absence (Bonner & Sprinkle, 2002, p. 305). Moreover, taking into consideration both the view of Interviewee A and the scientific literature (e.g. Boner & Sprinkle, 2002), the negotiation behavior is indeed affected by monetary incentives, even to a small extent. Hence, there is still a positive relationship between the two variables – 'monetary incentives', 'negotiation behavior'.

6. DISCUSSION

Looking at the literature review, together with the analysis of the five interviews and the findings from their outcome, a clearer picture of the influence of monetary incentives on negotiation behavior of agents in business-to-business settings emerged. As Ross (1973, p. 134) stated, the agency relationship is one of the most common forms of social interaction. In the business-to-business settings, negotiators tend to have a stronger focus and motivation towards the negotiation process, than individuals who negotiate for themselves (Wall, 1985). Furthermore, Bonner & Sprinkle (2002, p. 304) emphasizes the fact that monetary incentives affect the effort a person puts in order to fulfill a task, hence leading to a positive relationship between incentives, effort, and task performance. Moreover, Ariely, Bracha, and Meier, 2009 argue that monetary incentives depend to some extent on visibility, due to the fact that people want to be seen by others as doing good, hence increasing their motivation even more.

It is interesting to see the outcomes from interviews, as two principals (Interviewee B and Interviewee C) see monetary incentives as having a high impact on negotiation behavior of their agents, while Interviewee E, which is also a principal, express a small attitude towards the relationship between the two variables. Furthermore, it is even more interesting to see the fact that Interviewee D (agent) perceives the effect of monetary incentives on negotiation behavior of being very high, while Interviewee A sees the effect of the two variables of being small. A reason behind the small perception of Interviewee A towards the relationship between monetary incentives and negotiation behavior, even though he is an agent, might be the self-reported bias (Jupp, 2006). Taking the scientific literature in contrast with the outcomes from Interviewee A and Interviewee E, the use of monetary incentives seems to have a small effect on negotiation behavior, although Bonner & Sprinkle (2002, p. 304) argue that stimulants have a positive effect on a person's effort towards a task. However, Bonner & Sprinkle (2002) do not state to what extent the stimulants influence the effort of people, which in turn affect the performance of a task. Hence, the scientific literature and the findings from the five interviews are still on the same frequency when it comes to the use and effect of monetary incentives on negotiation behavior.

Regarding the principal-agent relationship, both interviewee B and Interviewee C would rather give monetary incentives to their agents in order to better align their interests and have trustworthy negotiators in their company, as the consequences of a misalignment might come at a higher cost, than the incentives themselves. Furthermore, the scientific literature provides an example of a governance mechanism with the purpose of solving agency issues, and a better alignment of the interests between the two parties. This governance mechanism consists of the increase of managerial firm ownership which leads to less managerial opportunism (Eisenhardt, 1989, p. 60; Jensen & Meckling, 1976). However, in the analysis from Section 4, none of the three principals had in mind to put in practice the governance mechanism offered by the scientific literature, but rather solve their agency issues with monetary incentives.

7. CONCLUSION AND RECOMMENDATIONS

Although the effect of monetary incentives on the negotiation behavior is still unexplored by the scientific literature, based on the aforementioned findings, it can be concluded that monetary incentives do affect the negotiation behavior of agents in business-to-business settings. Furthermore, taking into consideration the outcome of the qualitative data collected through the five interviews with various principals and agents, it can be stated that monetary incentives affect negotiation behavior of agents to a medium to high extent. The rationale behind this conclusion is that Interviewee A (agent) and Interviewee E (principal) displayed a small extent of the two variables, Interviewee B and Interviewee C (both principals) showed a high extent, and Interviewee D (agent) exhibited a very high extent to which the dependent variable (negotiation behavior) is influenced by the independent variable (monetary incentives). Hence, the average between the two small extents and the two high extents becomes a medium extent, taking the 'very high' outcome as a decisive answer to the research. Thus, the medium extent of the four interviews plus the very high extent of the Interviewee D, results in a medium to high extent to which negotiation behavior is affected by the variable payment.

7.1 Contribution to theory

In the scientific literature, many scholars discussed about monetary incentives (e.g. Bonner & Sprinkle, 2002; Ariely, Bracha, and Meier, 2009) and negotiation behavior (e.g. Barry & Friedman, 1998), yet there is a gap between the influence of monetary compensation on negotiation behavior, as the relationship of these two variables has not received much attention. Therefore, the contribution of this research project to the scientific literature is based on the findings from data collected from various agents and principals. Furthermore, the aim is to fill the current gap in the literature, by answering the research question and understanding the relationship of the two variables (monetary incentives and negotiation behavior).

7.2 Contribution to practice

In practice, it would be beneficial for firms to know whether, and to what extent, the use of monetary compensation will influence the negotiation behavior of their agents, as managers may change their negotiation behavior in the attempt of getting better deals for their companies. Moreover, it would also be beneficial for companies to offer monetary incentives to managers, as the success of the organization may come from the negotiators who are highly motivated by the stimulants received (Bonner & Sprinkle, 2002, p. 305).

When taking the findings from this research project and putting them in a practical perspective, principals may achieve a clearer view of how monetary incentives work, when it comes to the negotiation behavior of agents being affected by them.

7.3 Recommendations

This research project provides important implications for companies, especially for principals and agents. It is important for principals to understand the influence of variable payment on negotiation behavior when it comes to stimulating their negotiators (agents) in the attempt of providing the company with better deals, more growth, and the ability to survive over time. As stated in Section 5, the organizational performance is a key factor in the relationship between principals and agents. Furthermore, based on the outcomes from the five interviews, the use of monetary incentives affect negotiation behavior to a medium to high extent. Moreover, it is recommended that principals should consider the use of monetary incentives in the attempt of stimulating the negotiation behavior of their negotiators, as a better effect can be achieved with the aid of incentives, rather than their absence (Bonner & Sprinkle, 2002, p. 305).

8. LIMITATIONS AND FUTURE RESEARCH

To begin with, there are several limitations associated with this research project, which do not have to be overlooked. A first limitation would be the rather small sample size (n=5) which affects the validity of this research. Another limitation would be the size of several companies in which interviews were conducted, hence affecting the reliability of this research. This is because in small companies, the purchaser/seller is the owner himself, who gets involved in negotiations, whereas in big companies there are specific departments, such as the purchasing management department, or sales department. Thus, in big companies the purchasing managers are specialized in the acquisition of materials and negotiation, while in small companies the owner has to deal with different managerial tasks, without being specialized solely in purchasing and negotiation. Moreover, the same principle applies for the sales managers working in big companies, being specialized in the selling of finished products or services, and negotiation, whereas in small companies the owner has to take over those tasks.

Lastly, a final limitation would be the focus on European companies only. Although it helped in gathering more specific data about firms operating in similar countries, and sharing cultures that are mostly alike, many significant players in the business-to-business market, such as organizations that operate in North America, Asia, or countries in the Middle East were excluded from this research project. However, it would have been interesting to see the different views on the effect of monetary incentives on negotiation behavior on a global scale, taking into consideration the cultural differences when it comes to the process of negotiation.

8.1 Future research

As it is not yet clear the effect of variable payment on negotiation behavior by the scientific literature, future research should consider the process of negotiation on a much larger scale. More cultures and companies operating in different parts of the world should be analyzed. Furthermore, as this research was based on interviews conducted with only one representative from each company, it is advisable to put a stronger focus on more representatives from a company when it comes to the analysis of the relationship between monetary incentives on negotiation behavior, in order to strengthen the aforementioned findings.

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