

# The influence of variable pay on negotiation behaviour in B2B settings

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## ABSTRACT

*Variable pay and negotiation behaviour both have already received much attention in the literature. However, when looking at the relationship between these concepts, specifically how variable pay influences negotiation behaviour, only limited research has been done. It is thus something of high theoretical value. As buyer-seller relationships also become more important in today's business environment it is furthermore necessary to be aware of possible effects negotiation behaviour has on the relationship. The purpose of this study is to examine the relationship between variable pay and the use of integrative and distributive negotiation behaviour and see whether negotiation behaviour ultimately affects the buyer-seller relationship. Qualitative data for this was collected in a small case study, involving five buyers and four sellers in five different companies. Due to the small sample size of only nine interviewees the findings cannot be generalized. The findings and previous literature indicate that there are multiple factors influencing negotiation behaviour. Variable Pay is only one of them. Although variable pay slightly increases the use of integrative tactics, no clear relationship can be observed. Distributive behaviour has no observable effect on the buyer-seller relationship but is linked towards a bad relationship. Since previous research to back these findings is limited, further research is required to generalize the findings for practical implications. The main practical implication of the findings of this study is that variable pay is not always an efficient concept in determining negotiation behaviour.*

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## Keywords

B2B negotiations, negotiation behaviour, negotiation tactics, integrative, distributive, variable pay, buyer-seller relationship

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# 1. INTRODUCTION

The current literature already widely examines business-to-business (B2B) negotiations and negotiation behaviour itself, especially in terms of various styles and tactics used (Perdue et al., 1986; At-Twaijri, 1992; Perdue, 1992; Cheung et al., 2009; Hageen et al., 2011; Sigurdardottir et al., 2018). Literature also shows that negotiation behaviour has an effect on the outcome of negotiations (Clopton, 1984; Weingart, 1990). Besides, the use of variable pay and financial incentives, meaning monetary compensation linked to employee performance, has already been thoroughly researched (Murnighan et al., 1999; Lazear, 2000; Cloutier et al., 2013; Damiani & Ricci, 2014).

However, what can be observed in practice a lot and has not received much attention in the literature yet, is how the use of variable pay or performance-based compensation affects the negotiation behaviour during B2B negotiations. Thus, this paper aims to fill this knowledge gap and furthermore provides buying and supplying companies with a deeper understanding of the effects variable pay can have when negotiating. The focus will be on the effects of variable pay on the buyer's and on the seller's negotiation behaviour. Furthermore, it is to assume that variable pay leads to more distributive negotiation behaviour, meaning more aggressive and competitive behaviour (Barry & Friedman, 1998, p.356-357). Therefore, it will be of importance to also shortly examine whether the behaviour in negotiations ultimately has an impact on the buyer-seller relationship.

The purpose of this study is thus to gain a better understanding of the impact variable pay can have on negotiation behaviour in buyer-seller negotiations, specifically on the use of distributive negotiation tactics.

Based on the research objective the following research question has been developed:

*RQ1: How does the use of variable pay affect the negotiation behaviour of buyers and sellers in a b2b negotiation setting?*

Based on the assumption that variable pay will increase distributive negotiation behaviour, the following sub question will be used:

*RQ2: Does the use of variable pay increase the use of distributive negotiation tactics?*

The hypothesis that variable pay will increase the use of distributive tactics is grounded in the belief that buyers and sellers who are financially dependent on the outcome of their negotiations will act with more pressure to achieve the desired outcome.

Additionally, assuming that a distributive behaviour during negotiations is not beneficial for a good long-term relationship between buyers and sellers, the paper will shortly focus on the following sub-questions:

*RQ3: Does the use of distributive negotiation tactics negatively impact the buyer-seller relationship?*

At first, existing literature will be reviewed, in order to get an overview of what has already been studied. The focus hereby lies mainly on key concepts used throughout this study, as there has only been limited research examining the influence of variable pay on negotiation behaviour. After the literature has been reviewed the methodology used for this thesis will be explained. The paper provides an overview of each interview, including general information about the interviewees and the findings for each case. In the findings section, the behaviour of all buyers and sellers will be presented. Comparative method analysis has been applied to show each case and the findings for each case in a table, including the integrative and distributive tactics used.

Based on this, the research questions will be answered. Furthermore, the results will be connected to the literature, in order to discuss whether they can be supported by existing literature. In the end, the thesis will be concluded and some limitations and future recommendations for this study will be made.

# 2. LITERATURE REVIEW

In order to understand the research questions, it is of importance to understand some key concepts. There have been only limited previous studies specifically examining the relationship between a variable pay and the negotiation behaviour of buyers and sellers. Therefore, the literature review focuses on the clarification and past research of the concepts used throughout this paper. The specific relationship between negotiation behaviour and variable pay will then be addressed more extensively in the qualitative described in the next chapters.

## 2.1. Variable pay used as a financial incentive

In general, three different types of incentives exist: financial incentives, interpersonal incentives and intrinsic incentives. This study only examines the effects of financial incentives, meaning variable pay. Interpersonal relationships would involve for instance relationships. Intrinsic incentives are aimed at one's personal interests but are not monetary (Murnighan et al., 1999, p.333).

Variable pay is used to link the employee's effort to the organizational goals and objectives and thus has the potential to improve the overall performance of organizations (Cloutier & Morin, 2013, p.465). The positive effect it can have on performance is being confirmed by Gerhart et al. (2009, p.298). When considering the use of variable pay it is important to distinguish between individual and collective incentives, meaning incentives either linked to individual or group performance (Damiani & Ricci, 2014, p.892-893).

Principal Agency Theory can be used in order to describe the logic behind a variable pay structure or the use of financial incentives linked to a specific outcome and is, therefore, a relevant theoretical framework for this study. Much of the literature on performance-based pay is grounded in the use of this theory. According to Eisenhardt (1988, p.489), the agency theory describes "(...) the relationship between one party (the principal) who delegates work to another (the agent)." Thus, principals can be identified as "the ones with the resources to construct incentive contracts" (Coletta, 2013, p.308), whereas the agents are the managers and employees carrying out a certain task for the principal. Doing so, it may appear that the company and the agent have different interest levels and ideas. Incentives are then used to narrow down the gap between the principal's and the agent's interests (Coletta, 2013, p.308). Furthermore, variable pay is used in situations that involve high risk. That way the risk of the principal is shifted towards the agents by making them financially dependent on their performances and their results (Stroh et al, 1996, p.762). When considering negotiations, such a risky situation could be for instance the risk of losing an important customer or supplier, or the risk of getting unfair prices and conditions.

## 2.2. B2B negotiations are conducted between a buyer and a seller

Everything that involves collaborative processes and value creation for both parties can be considered B2B (Vargo & Lusch, 2011, p.181). Thus, a B2B negotiation is a negotiation involving two parties. The focus in this research lies on transactional negotiations between a buyer and a seller. Brett (2000, p.98) describes this type of negotiations as "(...) determining whether,

despite this anticipated incompatibility of goals, they can negotiate the terms of a relationship that is more favourable than any they believe they can negotiate with alternative buyers or sellers”.

Negotiations occur when some objective must be accomplished, for what the interaction with other people is needed (Thompson, 1990, p. 515). B2B negotiations can be either dyadic, meaning that they only involve two people (e.g. Barry & Oliver, 1996; Pinkley et al., 1994), or they can also involve groups of people (e.g. Beersma, & De Dreu, 2002; Neale & Bazerman, 1991; Thompson et al, 1988). An example of a dyadic negotiation would be a negotiation between one seller and one buyer. A group negotiation then involves more people from each party. This research is considering both types of negotiations, as in some cases the buyers and the sellers negotiate alone and in some cases they do not.

When doing B2B negotiations there are always some risks involved. To diminish those possible risks and negotiate successfully it is important that the negotiators already have some experience. For instance, a risk for the buying company would be too high costs and poor service (Lee & Kwon, 2006, p.351). Through experience of past negotiations, negotiators can then better estimate appropriate cost and service levels. Murnighan et al. (1999, p.333) support the idea that negotiation experience will generally lead to better results.

### **2.3. Negotiation behaviour can be classified into integrative and distributive behaviour**

Negotiation behaviour has been classified into integrative and distributive tactics, also referred to as competitive tactics, since a few decades now (e.g. Brett, 2000; Clopton, 1984; Saorín-Iborra & Cubillo, 2018; Walton & McKersie, 1965). Distributive negotiation behaviour is “(...) governed in large part by gamesmanship, nerve, and aggressiveness (...)”, whereas a key characteristic of integrative behaviour is problem-solving (Barry and Friedman, 1998, p.356-357). Distributive negotiation tactics involve for instance: “Make an opening demand that is far greater than what one really hopes to settle for”, or “Convey a false impression that you are in absolutely no hurry to come to a negotiation agreement, thereby trying to put more time pressure on your opponent to concede quickly”. Integrative behaviour, on the other hand, involves tactics like “Ensure a positive and productive personal relationship” and “Trust the position and information of other negotiators” (Saorín-Iborra & Cubillo, 2018, p.14-15). Thus, distributive behaviour is only focused on achieving the best negotiation outcome for oneself. Integrative behaviour pays attention to achieving the best results for both parties and maintaining a good relationship. The full list of integrative and distributive tactics used in this research for the interviews can be found in the interview guide in Appendix A.

In the literature, a shift towards more distributive behaviour in B2B negotiations within the last years has been documented. Sigurðardóttir et al (2019, p.310) found that buyers and sellers tend to use mostly tactics focused on distributive behaviour, rather than having an integrative exchange to favour the buyer-seller relationship in the long term. However, despite the trend towards more distributive behaviour, negotiations are rarely pure distributive without any integrative elements (Brett, 2000, p. 98). During negotiations, the general behaviour of buyers and sellers differs slightly. Seller tends to use a greater arsenal of tactics, whereas buyers use fewer tactics and have a more distributive approach (Sigurðardóttir et al, 2019, p.312).

### **2.4. Negotiation behaviour has other determinants next to variable pay**

This study focuses on how variable pay influences negotiation behaviour. The effects of variable pay on integrative and distributive negotiation behaviour have not received much attention in the literature yet. The research that is considering the influence of incentives on negotiation behaviour, often involves other types of incentives, not financial incentives. However, it is to assume that financial incentives may decrease the perception of integrative benefits, thus, leading to a decrease in integrative behaviour. Higher overall incentives then lead to increased distributive behaviour (Murnighan et al., 1999, p.333).

Next to variable pay, there can be other variables that have an influence on negotiation behaviour. Research has mainly focused on three groups of determinants: Motivational, procedural and structural determinants. Variable pay would fall under motivational determinants, as it incentivizes the negotiators and thus increases their motivation. Procedural determinants include for instance rules and objectives. Structural determinants mean how a negotiation is set up (Beersma, & De Dreu, 2002, p. 228). Druckman (1994, p.528) introduced some more variables that are relevant influences for negotiation behaviour. They include for instance negotiation experience or the general orientation of the negotiators. These mentioned influences are also considered in this research. Another important determinant of behaviour adopted by buyers and sellers in negotiations can be the perception of the other party. This can mean for the buyer, how he perceives the seller, or how he assumes the seller will negotiate. Thus, if the buyer thinks that the seller is untrustworthy and will have a strong bargaining position, the interaction and the agreement reached tend to be not favourable. However, if the buyer thinks that he can trust the seller, the negotiation behaviour will be more integrative (Schurr, P. H., & Ozanne, J. L., 1985, p.950).

Another variable that can influence negotiation behaviour and which is also taken into account in this thesis is the culture of the negotiators. Every culture has different standards and norms when it comes to an appropriate and accepted negotiation behaviour. The impact different cultures have on negotiation behaviour has already received much attention in the literature (Adair et al., 2001; Brett 2000, Brett et al., 1998). Brett (2000, p.97) describes the problem when dealing with different cultures as follows: “(...) the mental models of negotiators from one culture may not map on to the mental models of negotiators from another culture, making the specification of a single mental model problematic”.

As negotiations are mainly social processes, the personality of the negotiators is also a determinant for the used negotiation behaviour (Spector, 1977). However, specifically analysing the personality of the buyers and sellers involved would go beyond the scope of this research.

Concluding, there are numerous variables that may have a potential influence on the buyer's and seller's negotiation behaviour. Variable pay is only one of them.

### **2.5 Negotiation behaviour can impact the buyer-seller- relationship**

The negotiation behaviour can have an impact on the buyer-seller relationship. Saorin-Iborra and Cubillo (2018, p.12) already researched the effects seller's negotiation behaviour can have on customer satisfaction. They concluded that the negotiation behaviour of the seller is the main determinant of customer satisfaction. Not much research has been done yet on the supplier satisfaction related to the behaviour and used tactics in negotiations.

A good buyer-seller relationship can be described as having “(...) trust, commitment to the exchange relationship, and

satisfactory performance (...). One important point is thus that satisfaction of both parties is achieved, customer satisfaction and supplier satisfaction (Han et al, 1993, p.334). Both should be satisfied with each other's performance. A buying firm can achieve supplier satisfaction if it is able to fulfil the expectations the supplying company holds (Vos et al., 2016, p. 4613). The supplying company should also fulfil the expectations the buying company holds, which can include for instance to pay in time. Close buyer-seller relationships are not only increasing but many times they are also necessary to perform successfully as an organisation. An example of this is Just- In- Time Management (JIT), where the supplying company is reliant on the punctuality of the customer (Hans et al., 1993, p.332).

### 3. METHODOLOGY

As there is limited theoretical knowledge on the research topic, qualitative data is collected through a small sample with sellers and buyers in Germany, except for one seller who is working in Belgium. Due to limited previous studies a qualitative method is chosen over a quantitative method. Five buyers and four sellers have been interviewed in total. The buyers and sellers interviewed are from five different companies. Company A employs four of the buyers. Two of them are responsible for the same product group, whereas the other two purchase different product groups. Company D is a supplier of company A, located in Belgium. There, one seller has been interviewed. Company B employs one of the interviewed buyers and one seller. One more seller is interviewed from company C. Another seller is the CEO of company E. The interviewees receive different payment structures. Thus, the negotiation behaviour of the buyers and sellers who receive variable pay can be compared to those who do not receive a variable remuneration. This will help to examine whether there actually is a difference in negotiation behaviour when variable pay is being used.

The questions for the interview guide have been drawn from questions used at previous studies (Geiger, 2017; Saorin-Iborra & Cubillo, 2018) and translated into German. This was done using back and forth translation. The questions have been modified in order to best possibly address the focus of this research. To receive as much information as possible from the buyers and sellers, many open questions were used, leaving room for explanations. The interview guide starts with general questions to the person and position, which will be important to take into account when making conclusions. The general questions also involve other possible determinants of their behaviour, for instance, the culture, or their negotiation experience. After that, negotiations, including behaviour and tactics, are addressed. Then, the salary of the persons is clarified, meaning if they receive a fixed or variable pay. In the end, the interviewees are asked about their satisfaction with their own performance, with the buyers/sellers, the perceived satisfaction of the buyers/sellers with them or the company they work for and the importance of the buyer-/seller satisfaction. The complete interview guide can be found in Appendix A.

The interviews took place in May 2018 via face-to-face meetings and telephone calls. All interviews were conducted in German. After each interview, the data, which is relevant for the analysis has been collected and transcribed. The transcriptions can be found in Appendix B. All interviews are compared and cross analysed, using comparative method analysis, as introduced by Ragin (2014, p.35).

## 4. FINDINGS

### 4.1. Interview with Buyer 1 of Company A

#### 4.1.1 Company A

Company A is engaging in the metalworking industry and has a focus on filler wires in all variations and welding flux. It has about 650 employees at the location of Buyer 1 and a purchasing volume of roughly 140 million Euros. More than 1000 suppliers are working with Company A. Thus, it can be classified as a rather big company.

#### 4.1.2 Interview with experienced Purchasing Team Leader at Company A

The first interview was conducted with an experienced German purchasing team leader at company A. He is working for the company in the field of purchasing more than 40 years now and thus has gained a lot of experience regarding negotiations. Out of the more than 1000 suppliers of Company A, he is directly working with 400- 500 suppliers. They are not only located in Europe but distributed globally. More than 65 per cent are outside of Europe. Therefore, cultural differences in negotiations have to be taken into account.

Buyer 1 receives variable pay. The variable pay structure consists of group goals and individual goals. Hence, the negotiation outcomes do have an influence on the pay of the buyer, but there are other variables influencing the achievement of goals that are beyond the buyer's control.

#### 4.1.3 Buyer 1 values integrative behaviour but uses a lot of distributive tactics

Buyer 1 uses some integrative behaviour, as he values the relationship towards his sellers. For him an important point in a negotiation is honesty. Thus, the negotiated prices should never be unrealistic and the other party should not make false statements to support its position. Behaviour is hence not necessarily the most important aspect in a negotiation, but buyer 1 would prefer to do business with someone who is talking about realistic prices. Therefore, a too high opening demand of the seller would lower the chances of coming to a successful agreement. Out of the six integrative tactics, buyer 1 is using five. Only Int 6 is not likely to be used.

A successful outcome for buyer 1 does not necessarily involve achieving the best for both parties, but rather low prices for oneself. Thus, not always the best possible solution for both parties is desired. An example of a successful outcome mentioned would be if prices for a certain material generally fell with an amount of three per cent and the buyer would achieve an even greater decrease in prices. On the other hand, buyer 1 feels successful, if the prices are overall increasing with three per cent and he is able to achieve an increase in prices of only two per cent. Key factors that influence the development and the outcome of negotiations are not grounded in the behaviour of the negotiators but in the availability of alternative sellers. The buyer wants to have at least two alternative sellers, even with sellers who are already longer in business with Company A. Negotiations are thus considered as a collection of information in order to select the seller with the best condition in the end. Further tactics used by the buyer are rather distributive than integrative. One tactic is "Good guy bad guy", where one person is only saying good things about the seller and another person is only mentioning bad things about him. This tactic is distributive, as it only benefits the buying company and pressures the seller into a decrease of prices, so that not a beneficial outcome for both parties is achieved in the end. Furthermore, a tactic used frequently is to order a bigger quantity in order to get lower prices. This can also be seen as integrative as both parties' profit from that, although the actual intention is to receive low prices. Another distributive tactic that is used is to start with an extremely low opening demand and is even considered as normal during a negotiation. However, it is important to negotiate in a

realistic range and not demanding prices, with the knowledge that the seller cannot achieve them anyway. It is also always dependent on the culture of the seller. Out of the seven distributive tactics asked, buyer 1 is using four tactics, D1, D2, D5 and D6.

#### **4.1.4 Long term relationships are important**

Although buyer 1 is using many distributive tactics, long term relationships are an important point for him. However, he is always looking for new alternative suppliers that have sufficient quality and cheaper prices. Nevertheless, the buyer prefers a seller who is happy to do business with him. Generally, both parties are satisfied with each other. One possible reason for this could be that buyer 1 describes the relationship towards his suppliers as a give and take. This means that if one party does the other party favour, the other party will return the favour at some point.

### **4.2. Interview with Buyer 2 at Company A**

#### **4.2.1 Interview with a second buyer at Company A**

The second interview was conducted with another German buyer of Company A. He is part of Buyer 1s purchasing team and thus responsible for the same product groups. However, he is actively managing fewer suppliers than buyer 1, about 10 – 30 suppliers. Furthermore, the buyer has already some experience in the field of purchasing and specifically in the purchasing department of Company A, as he already works in this position for the company for 11 years.

Buyer 2 does not receive variable pay. He does not perceive it as a bad thing, because that way he has a higher basic salary. However, he receives a small benefit for achieving an overall organisational result, meaning the overall turnover. The buyer does not think that his behaviour would change if he would receive personal bonuses for certain outcomes.

#### **4.2.3 Buyer 2 perceives integrative behaviour as an important point in a negotiation**

Buyer 2 uses a lot of integrative behaviour and expects the same from the other party. Same as buyer 1, honesty and openness during negotiations are an important point for him. This includes that only a realistic price range should be negotiated and agreements made during negotiations should be kept and not be broken later. Thus, he also assumes that someone who has good knowledge of the overall market situation and is able to make realistic offers will receive a better negotiation outcome than someone who does not know the market very well and is only using distributive behaviour to get the lowest possible price. For buyer 2 key factors that influence the negotiation are hence grounded in the personal relationship between buyer and seller. Out of the six asked integrative tactics, the buyer is using five. Only INT5 is not always likely to be used. Although he expects a certain level of trust in a negotiation, he does not always fully rely on the information the seller gives him, without checking for validity.

Integrative behaviour is an important point for buyer 2, but he still engages in some distributive behaviour in order to achieve results. He uses the first negotiations for a certain product or material rather as a collection of market information and thus starts with the for him less interesting suppliers. The buyer mentioned that the sellers in the first negotiations have the least influence on Company A. Therefore, it hurts less if he does not come to an agreement with these sellers. Thus, it is to assume that buyer 2 does not use integrative behaviour with all of its suppliers, only with those who are perceived as most valuable for Company A. Although he finds it important that both parties are

satisfied with the negotiation results, he wants to have slightly better results for his company in the end. Out of the seven asked distributive tactics buyer 2 is only using two: DIST1 and DIST2. Further distributive tactics used are Spot buying, meaning that he lets sellers compete for the price, and try to describe himself as better than the competition.

#### **4.2.4 Long term relationships with the suppliers are desired**

Buyer 2 prefers long term relationships over just doing spot businesses all the time. However, an intense long-term relationship does only exist towards about ten main suppliers. During the interview, the buyer always connects distributive behaviour with a bad relationship with the supplier afterwards and integrative behaviour with sustaining a good relationship. Due to that, he perceives the relationship with the suppliers as good, whereas both parties are satisfied with each other.

### **4.3. Interview with Buyer 3 at Company A**

#### **4.3.1. Interview with the Global Lead Buyer of Company A**

The third interview was conducted with the Global Lead Buyer of Company A. He is responsible for the purchasing of different material groups than buyer 1 and 2. He purchases materials that company A could produce itself, but which are cheaper to buy externally. Buyer 3 is working with 67 suppliers but actively manages only about 15- 20. This is due to the reason that the top ten suppliers are accounting for 83-84 per cent of the overall turnover of this material group. The suppliers are mainly in Germany, Italy, South Korea and China.

Buyer 3 receives a fixed salary, thus no variable pay. He assumes that his behaviour would not change if he would receive variable pay, as he already tries to achieve the maximum results for Company A. Although his salary remains unaffected of certain negotiation outcomes, he still is interested in achieving overall company goals.

#### **4.3.2 Buyer 3 uses a wide range of distributive tactics**

For buyer 3 a successful outcome in a negotiation can be described as a satisfying outcome for both parties, meaning that the price should be set so that the buying company is able to pay and the supplying company is able to produce for him important points in a negotiation are honesty, trust and communication. He negotiates according to the Harvard principle, which can be defined as going into the negotiation on a par with the seller and achieve a win-win for both sides. Out of the six integrative tactics of the interview guide, it is only likely for the buyer to use three, INT1, INT2 and INT3.

Despite arguing integrative in some points, buyer 3 uses a wide range of distributive behaviour and negotiation tactics. A successful outcome in a negotiation does not only mean a win-win situation for him, but he also wants to beat certain indexes, meaning that he wants to buy cheaper than for instance other buyers at Company A. Additionally the buyer describes negotiations as a sporty competition. This attitude may lead to more distributive behaviour. Out of the seven distributive tactics he is using five tactics, which is a lot compared to the other interviewed buyers and sellers. Only DIST3 and DIST 5 are not likely to be used. Beyond the specifically asked distributive tactics, the buyer is using even more. When it comes to the use of tactics, he said that he would make use of the whole range. One tactic is to refer to the competition: “I would buy at your company, but only under these conditions, otherwise we know that there are others on the market”. This pressures the seller into lowering his demands and is not aiming towards a win-win

situation. Other examples of distributive tactics used are good guy bad guy or backing off. Backing off means that the buyer says that he cannot come to a decision right now, as there is a higher instance to talk with before. However, buyer 3 does not like this tactic when it is used by the seller.

#### ***4.3.3 Good relationship with the suppliers still important***

Despite the intensive use of distributive tactics buyer 3 still values a good relationship with the suppliers. He says that it is not necessary to have a good long-lasting relationship with the suppliers in this product category, as the supply exceeds the demand on this market. However, the buyer sees advantages in a good cooperative relationship. That is why generally both parties are satisfied with each other. Buyer 3 also links integrative behaviour, as for instance the implementation of the Harvard principle, to a good buyer-supplier relationship. Therefore, the use of distributive tactics is only appropriate under the premise of achieving a good outcome for both parties.

### **4.4. Interview with Buyer 4 of Company A**

#### ***4.4.1 Interview with Global Logistics Manager at Company A***

The fourth interview was conducted with the Logistics Manager of Company A. He is working at the company for almost ten years now. The buyer is not purchasing physical products or materials, as he is responsible for the logistics at the location in Germany and globally. He is thus not directly in contact with suppliers, but with forwarding agents. However, in the following, it will be referred to as suppliers as they still supply something, not a physical product, but a service. The purchased service consists of bringing the products to the Company As clients. At the location in Germany, the buyer is working with 10 suppliers and globally with about 40. The total purchasing volume with the forwarding agents amounts to 20 million euros globally.

Buyer 4 receives variable pay, in total 30 per cent of his pay is variable. Out of the 30 per cent, one half is connected to group goals like for instance the overall financial performance of the company and the other half is connected to personal goals. Hence, the negotiation outcomes do have a certain influence on the buyer's salary. He assumes that his behaviour would be the same without variable pay, as he tries to achieve the best outcomes for the company anyways.

#### ***4.4.2 Buyer 4 uses integrative behaviour but still some distributive tactics***

Buyer 4 highly values integrative behaviour in negotiations, specifically because he is buying a service and not a physical product. He assumes that if he would engage in too distributive behaviour like for instance pressuring the supplier into lower prices, the performance level of the service would go down. Therefore, buyer 4 does not only want to achieve low prices, but he wants to make compromises with the suppliers so that a satisfying outcome for both parties can be achieved. An example of a compromise he mentioned is: if he finds arguments to get a decrease of prices of only one or two per cent instead of three per cent, he has to for instance give the supplier more countries to do business in. The buyer values openness and thus is willing to sometimes accept a price decrease if the supplier acts open about it and explains why exactly he needs an increase in prices. Overall the buyer wants to achieve a win-win for both parties. Out of the six asked integrative tactics, he uses all of them.

Although the buyer engages that much in integrative behaviour, he still uses some distributive behaviour. However, distributive behaviour is most of the times only used when he sees that his

company is not treated equally than other companies the supplier is doing business with. If that is the case buyer 4 would let alternative sellers bet on that position, if they are not willing to make a certain price decrease. Out of the seven asked distributive tactics the buyer uses DIST3, DIST4, DIST6 and DIST7, which is a lot given that he also values integrative behaviour.

#### ***4.4.3 Suppliers treated as partners***

Building and maintaining a good and long-term relationship with the suppliers is an important point for buyer 4, which is why most of them are treated as partners. He mentions that this is also necessary for the kind of business he is in, where good service is crucial. Too much distributive behaviour would hurt the buyer-seller relationship, whereas integrative behaviour, like a win-win for both parties, benefits the relationship. Both parties are generally satisfied with each other.

### **4.5. Interview with Buyer of company B**

#### ***4.5.1 Company B***

Company B is producing plastic window frames and plastic door frames. It has production locations in Germany, Poland and the USA. At the location in Germany, 340 people are working. The annual turnover amounts to about 30 million euros. In total Company B is working with about 60 suppliers, whereas ten suppliers account for 80 per cent of the total turnover.

#### ***4.5.2 Interview with the leader of the purchasing department at company B***

Interview 5 was conducted with the leader of the purchasing department of company B. He is working for the company for four years now. Together with his team of five employees, he is responsible for all the 60 suppliers. Not all of them are actively managed all the time, as the number of suppliers also involves machine suppliers who are only contacted every two to three years. The main suppliers are predetermined and cannot be chosen by the buyer. Almost all of the suppliers are located in Germany.

The buyer does not receive variable pay. Besides, he does not think that his behaviour would drastically change if he would receive variable pay. He explains that he has a chosen way of negotiating. Thereby it does not matter whether he is responsible for the company's money or his own.

#### ***4.5.3 The buyer engages a lot in distributive behaviour***

The buyer of company B uses a lot of distributive behaviour and distributive tactics. Next, to the predetermined suppliers, his general approach is the three-supplier strategy. This means that the buyer always aims to have three suppliers for a certain material group in order to have alternatives, in case one supplier is not willing to supply to the desired conditions. His behaviour in the negotiations differs according to the supplier he is talking to. When he is negotiating with a supplier and has, for instance, five other alternatives who would be able to supply the same material group, the buyer tends to be a bit more distanced and uses "harder negotiation tactics". Harder, more distributive negotiation tactics are also used if the supplier himself acts distributive. Those tactics include for instance backing off, meaning not to accept the offers of the other party in the first step. Another distributive tactic used by the buyer is to make a demand, knowing that the supplier will not accept it anyway. It is thus for the sole purpose of demonstrating that the negotiation will not be that easy. It is also likely to not only have alternative suppliers but even threaten with the alternatives and the ability to replace the supplier at any point. In the case of a high total

purchasing volume for a certain material group, the buyer also lets the sellers compete with each other to achieve the lowest possible price in the end. However, this kind of distributive behaviour is only used knowing that there are other alternatives who can provide the same material. Out of the seven distributive tactics asked in the interview, the buyer uses five: DIST1, DIST2, DIST4, DIST6 and DIST7.

Despite the high engagement in distributive behaviour the buyer of Company B still prefers to perceive most sellers as a partner and wants that both parties are satisfied. However, he does not act according to this statement. Out of the asked integrative tactics the buyer still uses the first four.

#### **4.5.4 Relationship to the suppliers important for Company B**

Company B highly values a good relationship towards the suppliers and the buyer also sees advantages in a good relationship, mostly because the suppliers work with the same clients than the company. Even though a good relationship is important for them, the buyer is not always satisfied with all of the suppliers and would even try to replace some of the suppliers who are predetermined by the company. He assumes that the suppliers are satisfied with Company B.

### **4.6. Interview with Seller of Company B**

#### **4.6.1. Interview with a seller at Company B**

The sixth interview was conducted with a seller of Company B. He does not have that much experience as a seller yet, as he works in this position at the company only for five years now. The clients he works with are all located in Germany. Therefore, he does not encounter any possible cultural differences.

The seller does not receive a variable pay structure. If he would receive something like this, he assumes that his behaviour would become more distributive. Additionally, he thinks that he would then act with more pressure.

#### **4.6.2 The seller does not use any distributive behaviour at all**

The interviewed seller of Company B does not engage in distributive behaviour at all and does not use any distributive tactics. Out of the seven distributive tactics asked to him, he uses none.

The key factor to have a successful negotiation and also a good outcome for him is the personal relationship between the buyer and the seller. The seller expects from the other party that it shows the same behaviour as him: nice, friendly and respectful. Furthermore, he does not intentionally use any tactics, as for him a successful negotiation comes down to having good personal contact and chemistry. Fairness is thus a key point when negotiating. Even when he must make an increase in prices, the seller always tries to find compromises and aims for a win-win situation of both parties. An example he mentioned is to give the client a bonus when reaching a certain turnover. The behaviour he describes is congruent with the tactics he uses. Out of the six integrative tactics stated in the interview guide, it is likely for him to use all of them. Distributive tactics are avoided.

#### **4.6.3 Client is King**

The relationship between Company B and its clients is very good according to the seller. A good buyer-seller relationship is also a key point for the company, as it teaches their sellers that the client is king and that one always must fight for the client's satisfaction.

### **4.7. Interview with Seller of Company C**

#### **4.7.1 Company C**

Company C produces technical plastics for different applications. It employs about 2500 people around 25 locations globally.

#### **4.7.2 Interview with the seller for the markets Germany, Austria and Switzerland**

The seller is already working for Company C for 11 years. However, for three years he is working in the current position as a seller for the markets Germany, Austria and Switzerland. Besides, he is leading a team of six sales representatives, who work in Germany. Together with his team, he is responsible for about 15 big clients. Smaller clients exist, but those are not actively managed. The seller himself directly manages 8-10 clients in Austria.

The seller receives variable pay, which consists of annual bonuses between 10 and 20 per cent. The amount of the bonus is dependent on the achievement of personal goals and group goals. In total it is a combination of about five financial targets and soft targets.

#### **4.7.4 The seller values integrative behaviour and only uses a few distributive tactics**

For the seller, a successful negotiation outcome can be achieved if both parties are satisfied when they are leaving the negotiation. Even though he would be in the position to negotiate with some more pressure he prefers an outcome that is satisfying for both, the buyer and the seller. Thereby he refers to a win-win situation. The seller shows sympathy for the buyer's position and the buyer should show sympathy for the seller's position. Important points are thus clarity and openness. Furthermore, the seller describes negotiation as a give and take. When making demands and expressing expectations he is always looking to where he can accommodate his client. Compromises are hence a key point when negotiating. Out of the six integrative tactics, it is likely for him to use the first four. INT5 and INT6 are tactics he would not blindly use.

During the interview, the seller mentioned no distributive behaviour and always stressed how important the satisfaction of both parties is. However, out of the seven distributive tactics from the interview guide he still uses two of them: DIST2 and DIST6.

#### **4.7.5 Relationship with the clients perceived as a partnership**

The seller describes the relationship with 95 per cent of the clients as a partnership and as long term, grown relationships. Five per cent of the clients would perceive Company C as a replaceable supplier. Both parties are generally satisfied with each other, although not always fully satisfied.

### **4.8. Interview with Seller of Company D**

#### **4.8.1 Company D**

Company D is an agency which provides supply chain solutions globally and is located in Belgium. It does not provide physical products, but services to about 200 clients worldwide. The client portfolio is pretty diversified and includes, for instance, tobacco companies and trading companies. The company employs 200 people.

#### **4.8.2 Interview with the Sales and Marketing Manager of Company D**

Interview 7 was conducted with the Sales and Marketing Manager of Company D. He is working for the company for eight

years now and leads a team of 78 people. The seller is working with about 200 clients worldwide but has regular contact only with about 40 clients. The annual turnover just for logistics amounts to 10 Million euros.

The seller receives variable pay. It is structured in checks he receives after achieving certain personal and group goals.

#### 4.8.3 Integrative behaviour is important

The seller argues that integrative behaviour is important since company D is a service agency. The aim is thus to always get new clients and new orders. A key factor is to always look at what is important for the client, for instance, some clients are interested in the price and some only care about the service. It may happen in the negotiations that the seller and his clients do not talk about price at all, only about how the service can best fit the clients. The seller describes it as a “people business” which is why good personal contact with the clients is key. Out of the six integrative tactics he uses all of them, except for INT5.

From the distributive tactics, only DIST6 and DIST7 are used. No further distributive behaviour or tactics are mentioned.

#### 4.8.4 Good buyer-seller relationship is necessary

According to the seller, a good relationship between the buying firm and the supplying firm is necessary, especially in the service industry. The satisfaction of the client is one of the most important points, as the seller aims to do long term business with his clients. Furthermore, Company D is not working with contracts, which means that the client could easily go to the competition if he is not satisfied. Thus, both parties are satisfied with each other.

### 4.9. Interview with Seller of Company E

#### 4.9.1 Company E

Company E is producing cement weights. It offers both, standardised weights and customised weights, meaning specifically designed according to the wishes of the client. The company has 70 employees and is only located in Germany. The turnover amounts to about seven million euros. Company D is working with about ten suppliers.

#### 4.9.2 Interview with the CEO and seller of Company E

The last interview was conducted with the CEO of Company E who is also selling and negotiating with the clients. He works at Company E now for five years and has gained sales experience during previous jobs. In total the seller is responsible for about ten clients.

As a CEO his pay is directly bound to the company’s achievements. It can thus be seen as variable pay.

#### 4.9.3 The seller tries to avoid distributive behaviour

The seller tries to have open communication with his clients during a negotiation, as he wants to sell repetitive products and not just doing spot businesses. An example of good communication he mentioned is to talk about cost reduction together. He refers to a win-win situation as the client gets a lower price and he still gets his margin in the end. The seller calls it “communicative and cooperative pricing”. Additionally, it is important that the prices offered are always in line with the market and thus realistic. He enters every negotiation with the aim of making long term contracts and building partnerships. Therefore, the seller thinks that distributive tactics would not work in this kind of business. He stresses that he knows a lot of distributive tactics and encountered a lot of them within previous jobs, but they would not be appropriate to use in the business he is in. The seller uses all six of the integrative tactics from the interview guide.

Distributive behaviour is only used when the seller knows that he has calculated a fair price and the client does not want to accept. He would be willing to negotiate in a range of about two to five per cent, but for everything beyond that, the seller would look for alternative clients. Out of the seven distributive tactics asked to him, he would use two: DIST2 and DIST6.

#### 4.9.4 Long lasting relationships and partnerships

The seller underlines many times that a good buyer-seller relationship treated as a partnership is a key point for him. The relationship to his clients is described as a close, trustful relationship and as a “give and take”.

## 5. ANALYSIS

### 5.1 A figurative representation of the integrative and distributive tactics used

**Table 1: Integrative and distributive tactics used by the nine buyers and sellers**

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9
<b>Integrative tactics</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>6</b>
Integration of ideas	x	x	x	x	x	x	x	x	x
Ask for preferences of the other party	x	x	x	x	x	x	x	x	x
Work for a proper understanding of a problem	x	x	x	x	x	x	x	x	x
Personal relationship	x	x		x	x	x	x	x	x
Trust	x			x		x			x
Free information exchange		x		x		x		x	x
<b>Distributive tactics</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>2</b>
Incorrect information		x	x		x				
Gain information about the other party beforehand	x		x		x		x		x
Make an agreement knowing it will likely be broken later	x			x					
Threaten to leave			x	x	x				
Factual but misleading information	x								
Hide bottom line	x		x	x	x		x	x	x
False impression to be in no hurry		x	x	x	x			x	
<b>Payment</b>									
Variable Pay	x			x			x	x	x



After looking at each interview and the dominant behaviour the buyers and sellers use, this section will focus on the analysis of the results of the study and thus answers the research questions. To do so, comparative method analysis is used, to, first, compare the negotiation tactics used and then whether or not the buyer/seller receives variable pay, as shown in Table 1. The cases with interviewees receiving variable pay are marked to distinguish them from the cases without variable pay. The paper will also shortly examine whether there is an observable negative effect of distributive tactics on the buyer-seller relationship. Existent literature will be included to see if there are connections and if some results may even be backed by previous studies or if there are contradictions.

## 5.2 No clear relationship between variable pay and the use of integrative or distributive behaviour

When looking at the integrative and distributive tactics and negotiation behaviour used by the nine buyers and sellers and then looking at the payment structure they receive, there is no clear and direct relationship observable (Table 1). Except for one case, the buyers and sellers never fully relied on the use of either integrative or distributive behaviour during negotiations. It is always a combination of both. This observation is supported by Brett (2000, p. 98), who found out that negotiations involve both, integrative and distributive elements. The question is thus not whether buyers and sellers use integrative or distributive tactics, but to what extent they use which behaviour.

The average use of the integrative and the distributive tactics for those receiving variable pay and those with a fixed salary has been calculated. The calculations can be found in Appendix D. The averages are shown in Table 2.

**Table 2: Average usage of the six integrative and seven distributive tactics according to the received payment structure**

	VP (Case 1,4,7,8,9)	No VP (Case 2,3,5,6)
o Integrative tactics used	5.2	4.5
o Distributive tactics used	2.8	3

Table 2 confirms that there is not a big difference in the use of negotiation behaviour between those receiving variable pay and those who do not. For both cases, receiving variable pay and not receiving variable pay, integrative behaviour is preferred over distributive behaviour. All the interviewees used a key characteristic of integrative behaviour, which is problem-solving (Barry and Friedman, 1998, p.356-357). This means that even when distributive behaviour and tactics are used, it only happens under the premise of integrative behaviour and overall integrative goals. Literature that documented a trend towards more distributive behaviour contradicts this observation of an increased use of integrative behaviour (Sigurðardóttir et al 2019, p.310). However, in direct comparison, the negotiators with a variable pay use slightly more integrative and less distributive tactics on average when compared to those without variable pay. They use 5.2 out of six integrative tactics and only 2.8 out of seven distributive tactics, whereas the ones without variable pay use 4.5 out of six integrative tactics and three out of seven distributive tactics (Table 2). The behaviour of the negotiators, as described in the findings section, is mostly congruent to the usage of integrative and distributive tactics. Thus, the research question, if variable pay leads to an increase in distributive behaviour, can be negated, when looking at the results. The exact opposite holds: variable pay slightly decreases the use of distributive behaviour and increases the use of integrative behaviour. Therefore, assumptions in the literature made by for

instance Murnighan et al (1999, p.333) that integrative behaviour will be decreased by financial incentives are contradicting. However, we are dealing with only a slight difference here, which is not enough to make general conclusions and draw a clear relationship. Besides, the slight difference could have been achieved by other factors. The relationship between variable pay and the use of integrative and distributive negotiation behaviour is something that thus requires further study.

## 5.3 Variable pay only used in the form of bonuses

One reason why there is no clear relationship observable can be that all the buyers and sellers who do receive variable pay, only receive it as a form of annual bonuses, as shown in the Findings section. The negotiation outcomes have a slight influence on the amount of the bonuses, but there are other goals linked to the beneficitions. In all cases, there are both, group goals and personal goals that need to be achieved to determine the bonuses. The achievement of group goals, for instance, cannot be directly influenced by a single person's actions and behaviour, as it consists of goals like overall annual turnover of the company. Even though there is no clear relationship observable, the amount of the bonuses may simply be too small for creating a financial dependency on the negotiation outcomes. At the end of each interview, all the buyers and sellers who did not receive variable pay were asked if they think that their behaviour during negotiations would change in case of a variable payment structure. Only one of the interviewees could imagine adopting a more distributive behaviour. All the other interviewees did not think that their behaviour would change under other circumstances, like for instance personal financial motivations. The most common reasoning behind this is that a general interest in the company's goals and achievements exists either way. It would thus not be necessary to use financial motivations to change the behaviour of the negotiators. To explain this in terms of agency theory, there is no gap between the principal's and the agent's interest (Coletta, 2013, p.308). Financial incentives like variable pay would thus be less efficient to use. However, it requires further study if the behaviour of negotiators changes when the full salary is in the form of variable pay.

## 5.4 Other variables that may have impacted the behaviour and that can explain the observations

When observing a relationship between two variables it is important to be aware of other variables that may influence the relationship and that can explain the observations. There can be other variables that influence the negotiation behaviour of the buyers and sellers of this study. This is supported by the literature (Adair et al., 2001; Murnighan et al., 1999; Druckman, 1994; Schurr, P. H., & Ozanne, J. L., 1985). Other possible influences have been taken into account in the Background questions of the Interview Guide (Appendix A) Thus, in order to look at it from a greater perspective, the table in Appendix C can be used.

One variable that can have influenced the negotiation behaviour is the degree to which the buyers and sellers have experience. The experience level of the interviewees differed a lot. For instance, buyer 1 of Company A has already 43 years of negotiating experience, whereas the seller of Company B only has five years of experience. The assumption is that more experienced negotiators better know which tactics are appropriate to use to achieve a successful outcome. In the literature, it is already documented that more experience will generally lead to better results and a better estimation of appropriate cost and service levels (Lee & Kwon, 2006, p.351;

Murnighan et al., 1999, p.333). Hence, more experience may lead to different usage of negotiation tactics.

Furthermore, as introduced by Druckman (1994, p.528), general personal orientation and individual negotiation style plays a role in the use of negotiation behaviour. This is relevant in this study, as it has been mentioned in the interviews for instance by buyer 3 of Company A that negotiations are perceived as a sportive competition. He does not receive variable pay, but with this mindset, there comes generally a greater use of distributive tactics and a higher acceptance level of tactics used by the other party, which could be observed. Variable Pay may then be not as impactful, meaning that if a person has a dominant individual negotiation style it is not likely affected by external factors like for instance variable pay. One case where the observations differed extremely compared to the other cases is case 6. The seller does not receive variable pay and uses only integrative behaviour. This is grounded in the seller's individual negotiation style, as he highly values a good personal relationship and is convinced to achieve good results that way.

Another variable that can have led to differences in the negotiation behaviour and that is supported by the literature, is the culture of the negotiators (Adair et al., 2001; Brett 2000, Brett et al., 1998). Except for one case, all interviewees were German, but the nationality of the parties they typically negotiate with always differed. In most cases, it was even globally. It was mentioned a lot in the interviews that when dealing with another culture, another negotiation behaviour would be adapted. An example mentioned by Buyer 2 of Company A is that in Asia a personal relationship is required to negotiate in the first place. Solely relying on distributive behaviour would not work then. Hence, in such a case, negotiation behaviour is not influenced by the payment, but the culture of the other parties.

The last relevant factor that could have impacted the negotiation behaviour and has been observed in this research is the suppliers/clients the companies are dealing with. If a high number of alternative suppliers/clients exists the negotiators tend to be willing to use more distributive behaviour, whereas the dominant negotiation behaviour is integrative when only a few suppliers/clients exist. This can describe why the negotiators of this study who receive variable pay tend to use more integrative behaviour. There are two extremes where the ones receiving variable pay use much more integrative behaviour than distributive behaviour and tactics. One case (case 9) is the CEO and seller of company E, who uses mainly integrative behaviour and only has about ten suppliers. This may lead to the fear of losing a supplier and automatically more integrative behaviour as there are no alternatives. In the other case (case 8) the clients of the seller are purchasing a service and no physical products. Thereby, maintaining a good personal relationship and customer satisfaction are more important than achieving the lowest price possible with distributive tactics.

Thus, there are other variables that may influence negotiation behaviour. The main ones which could be observed in this study include negotiation experience, individual negotiation style, the culture of the negotiators and the number and type of the sellers/clients. Concluding, many differences in the characteristics of the cases exist.

### **5.5 Distributive behaviour is linked to a negative buyer-seller relationship but has no direct observable impact**

Overall, all interviewed buyers and sellers were generally satisfied with the buyer-seller relationships. All the negotiators assumed to some degree that distributive negotiation behaviour would hurt the buyer-seller relationship in the long run, whereas

integrative behaviour would benefit the relationship. Thus, when only looking at the thinking pattern of the interviewees, distributive behaviour does negatively affect the buyer-seller relationship. However, there is not enough evidence to say that there is a clear relationship since all the negotiators involved in this research used a combination of integrative and distributive tactics. Therefore, it is not clear how a negotiator using only distributive tactics would affect the buyer-seller relationship. It is thus something that requires further study to collect concrete evidence.

## **6. CONCLUSIONS**

In this thesis qualitative data has been collected by a literature review and a case study with five buyers and four sellers in five different companies. The aim was to identify whether and how variable pay impacts the negotiation behaviour of buyers and sellers, specifically how it impacts the use of integrative and distributive negotiation behaviour and tactics. Furthermore, the thesis shortly looked at the influence of variable pay on the buyer-seller relationship. In total three research questions have been developed.

Considering the first research question, whether variable pay impacts the negotiation behaviour of buyers and sellers, no clear answer can be given. Negotiators receiving variable pay tend to use slightly more integrative and less distributive tactics than those who do not. However, there are no big difference, meaning that there is no direct relationship between variable pay and the adopted negotiation behaviour.

The second research question, whether variable pay leads to an increase of distributive behaviour can be negated. If there is a relationship between variable pay and negotiation behaviour, the exact opposite would be true, after looking at the results of this research.

The last research question addressed the buyer-seller relationship, specifically whether distributive behaviour negatively impacts the relationship. Considering the results of this study all buyers and sellers were generally satisfied with the other party, those with more and those with less use of distributive behaviour. Thus, this study cannot make any clear implications of a negative effect of distributive behaviour on the buyer-seller relationship. However, the interviewed negotiators generally linked distributive behaviour to a bad buyer-seller relationship and integrative behaviour to a good relationship.

The main theoretical implication of this study is that the influence of variable pay on negotiation behaviour is something that requires more extensive research, to either support or contradict the implications made in this thesis. A practical implication, when looking at the results of this study, is that variable pay is not always an efficient method for determining the negotiation behaviour of buyers and sellers.

Concluding, negotiation behaviour can be affected by numerous variables, variable pay is only one of the possible influential variables. In this research, the use of variable pay slightly increased integrative and decreased distributive behaviour, but no clear relationship could be observed. The buyer-seller relationship remained unaffected by the negotiation behaviour, although the interviewed buyers and sellers assumed an effect of negotiation behaviour on the relationship.

## **7. LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH**

This study was performed with a small sample size of only nine interviewees. Therefore, it is not possible to generalize the

findings, as that would lead to biased conclusions. Furthermore, this topic has only received limited attention in the literature, which makes it difficult to back the findings of this qualitative research by already existent literature. Thus, it is to recommend to further study the relationship between variable pay and the dominant negotiation behaviour of buyers and sellers.

Future research should then involve larger sample sizes. Besides, it should try to exclude as many other variables that may influence the negotiation behaviour. This means for instance that only buyers and sellers who have the same experience level and are dealing with the same cultures when negotiating should be interviewed. This way it can be ensured that if a relationship can be observed, it is only influenced by variable pay and no other factors.

The impact of negotiation behaviour on the buyer-seller relationship also needs more extensive research. In this study, only one party has been asked for the satisfaction level with the other party and the perceived satisfaction level of the other party. This is a rather subjective assessment. The other party could directly be asked if the mentioned satisfaction level is actually the case. However, that would have been out of the scope of this research as it mainly focused on the impact of variable pay on negotiation behaviour. The impact of negotiation behaviour on the buyer-seller relationship has only been addressed roughly and hence requires additional research.

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## 9. APPENDIX

### 9.1 Appendix A

#### Interview Guide

*Date:*

*Company:*

*Position Interviewee:*

*Remuneration:*

#### 1. General and organizational points

- Okay for you if the interview will be audio recorded? Just for me since I will receive a lot of information in a short amount of time
- Offer to send the transcription of the interview afterwards to make sure that everything is exactly as you meant it
- Your name, your company name and all other names mentioned will only be used anonymously (e.g. Person A of company B)
- Offer to send a summary of the main findings of my research project when finished

*Procedure and type of questions:*

- The aim of this interview is to learn more about your sales/ purchasing practices

*Clarification:*

- The party you negotiate with will be referred to as opponent or other party during this interview
- When talking about negotiation behaviour, I mean the way a person acts and behaves in general during a negotiation, including e.g. certain tactics

#### 2. Introduction/ Background questions

- To start with, can you please briefly describe the company you work for (size, main suppliers/ buyers)?
- To your person: Please briefly describe your educational and professional background (years in the industry, in the current position/company)
- Please explain your department and your function in the company
- How many clients are you responsible for? / With how many suppliers do you work?
- What is the relational status of the clients/ suppliers you get in contact with? Typically long lasting relationships or also interaction with new buyers/ suppliers?
- Do you always interact with the same persons or do the persons per buyer/ supplier differ?
- The cultural background can have an influence on the negotiation behaviour. Where were you born and where did you grow up? What is the nationality of the buyers/ suppliers you negotiate with?

### 3. Negotiations

When you negotiate, can you please tell me a bit about the process?

When answering the following questions, please think about a typical or recent negotiation situation, which you remember well. Please also add experiences from other negotiations which deviate from that.

*Your opinion:*

- What would you consider as a successful outcome in business negotiations?
- What are the key factors that influence the development of negotiations and their outcomes?
- How would you describe the importance of the attitude or behaviour adopted by negotiators in order to achieve a desired outcome in these negotiations?

*Negotiation preparation:*

- Do you prepare for a negotiation? (If yes) How do you prepare? Does the preparation differ per negotiation? How so?
- (Are preferences and priorities of the opponent identified and scored?
- Are alternative offers or proposals prepared, in case the preferred bundle does not lead to an agreement?)

*Negotiation Initiation:*

- Which content does the first information exchange have?
- Have you made an opening demand that is far greater than what one really hopes to settle for/ asked for too little at the beginning? Why? In case you still remember, how did that turn out? (leave negotiation with more than hoped for?)

*Negotiation Behaviour:*

What kind of tactics do you consider appropriate to negotiate successfully? What tactics do you use?

What kind of negotiation behaviour or tactics do you like/ do not like of your opponent? (Have you experienced...? Can you elaborate on that?)

If you imagine that you were negotiating with another company (represented by a person referred to as opponent), how likely or unlikely is it that you would use the following tactics to negotiate a solution?

- INT 1: Try to integrate your ideas with those of your opponent to come up with a decision jointly
- INT 2: Ask which issues are more or less important to the other party
- INT 3: Try to work with the opponent for a proper understanding of a problem
- INT 4: Ensure a positive and productive personal relationship
- INT 5: Trust the position and information of the opponent
- INT 6: Free exchange of information

- DIST 1: Intentionally provide incorrect information to your opponent in order to support your position
- DIST 2: Gain information about your opponent's negotiating position and strategy by asking around in a network of friends, associates and contacts
- DIST 3: Guarantee that your constituency will uphold the settlement reached, although you know they will likely break the agreement later
- DIST 4: Threaten to leave the negotiation entirely unless your opponent offers some concessions, when in fact you are not at liberty to leave entirely
- DIST 5: Present your opponent with factual, but misleading information, which may lead your opponent to incorrect conclusions about your position
- DIST 6: Hide your real bottom line from your opponent
- DIST 7: Convey a false impression that you are in absolutely no hurry to come to a negotiation agreement

#### **4. Variable Pay**

Variable Pay means a bonus, commission or incentive you receive after achieving a certain goal.

- Does your company use something like this? (If yes) Do you receive VP?
- (If yes) Can you explain to me how it works? Related to a specific outcome in a negotiation or more to general goals?
- What form of VP? Fixed fee, or percentage, something else? How much?
- Can you imagine that your behavior would change if you would receive no VP? (If yes) How?
- (If no VP) If you would receive variable pay, would your behaviour change? How?
- (If no) Can you imagine, what would it take to affect your behaviour?

#### **5. Satisfaction**

- Are you typically satisfied with the negotiation process and the agreement? (Why? / Why not?)
- How would you describe the satisfaction with your buyers/ suppliers after a negotiation agreement has been reached? How is the satisfaction of the buyer/suppliers with you?
- How much does satisfaction mean to the firm? How much to you?

#### **6. Conclusion**

- From your personal experience, what recommendations would you make when carrying out this kind of negotiations?
- Would you like to add something important?

#### **7. Acquisition**

Do you know other potential interview partners (e.g. colleagues from purchasing/ sales? Past or current business partners?)

The transcriptions are excluded due to confidentiality.

Company	Products Size Purchasing / Sales volume Number Suppliers / Buyers	Case 1 Metalworking, filler wires, welding flux 650 employees 140 mio Euro 1000 suppliers	Case 2 Metalworking, filler wires, welding flux 650 employees 140 mio Euro 1000 suppliers
Person	Position VP Years in the current company Years in the current field Education Further education Number Suppliers/Clients responsible	Buyer Yes 43 years Industrial management assistant Business Administration, "Fachkaufmann für Einkauf und Materialwirtschaft" 400-500 suppliers	Buyer No 11 years Industrial management assistant Bachelor, Master Supply Chain Management 10-30 suppliers
	Relational status to suppliers/clients Nationality person Nationality suppliers/clients Successful outcome Key factors of negotiations Importance of Behaviour Preparation Initiation High / low opening demand Tactics used Dislikes Likes	long lasting relationships, same contact persons German Global purchased cheaper than market average alternative suppliers Important look at material cost developments (e.g. raw materials) Small talk, new suppliers: company presentation Yes Good boy bad boy, extremely low prices, high quantities for greater power unrealistic prices, breaking promises Honesty	long lasting relationships, same contact persons German Global cost reduction with desired quality, new relationship total package, division of suppliers, personal relationship Important compare suppliers, time planning, scenario planning Small talk Yes Spotbuying, suggest win win situation, better than competition unrealistic prices, breaking promises Honesty, openness
Satisfaction	Satisfaction with negotiation processes and agreements Satisfaction with suppliers/buyers Satisfaction of suppliers/buyers Importance of satisfaction	satisfied satisfied satisfied important	satisfied satisfied satisfied more or less important

Company	Products Size Purchasing / Sales volume Number Suppliers / Buyers	Case 3 Metalworking, filier wires, welding flux 650 employees 140 mio Euro, responsible for 50 mio 1000 suppliers	Case 4 Metalworking, filier wires, welding flux 650 employees 140 mio Euro, responsible for 20 mio 40 forwarding agents (suppliers)
Person	Position VP Years in the current company Years in the current field Education Further education Number Suppliers/Clients responsible	Buyer No  Industrial management assistant Bachelor of Business Administration 67 suppliers, 15-20 actively managed	Buyer Yes 10 years  Diplomkaufmann Bachelor and Master 40 suppliers
	Relational status to suppliers/clients Nationality person Nationality suppliers/clients Successful outcome Key factors of negotiations Importance of Behaviour Preparation Initiation High / low opening demand Tactics used Dislikes Likes	long lasting relationships, same contact persons German Global (mainly Germany, Italy, South Korea and China) beat a certain index, cheaper than other buyers, low reclamation, satisfaction of both parties demand and supply, market information, negotiation skills, trust, communication, preparation important but not necessary look at price indexes of raw materials, collect market informations Small talk, presentation, potential with the supplier Yes whole range- backing off, good cop bad cop, talk about alternative suppliers, win win backing off	80% long lasting relationships, 20% new suppliers, mostly same persons Dutch Global achieve your goals, no price increase, still good relationship after negotiation external factors: general cost increases, street charges; demand and supply important, dependent on the size of the supplier numbers with the supplier until now, look at competition, prices, define a goal, ask for preferences Small talk, Presentation of the suppliers Yes refer to alternative suppliers (without mentioning names) threats Openness
Satisfaction	Satisfaction with negotiation processes and agreements Satisfaction with suppliers/buyers Satisfaction of suppliers/buyers Importance of satisfaction	satisfied mostly satisfied satisfied important	satisfied satisfied satisfied important



<b>Company</b>	<b>Products</b>	<b>Case 5</b>	<b>Case 6</b>
	Size	plastic window frames and plastic door frames 230 employees	plastic window frames and plastic door frames 230 employees
	Purchasing / Sales volume		
	Number Suppliers / Buyers	50 suppliers	no info
<b>Person</b>	<b>Position</b>	Buyer	Seller
	VP	No	No
	Years in the current company	4 years	5 years
	Years in the current field		5 years
	Education	Industrial management assistant	Metalbauschlosser
	Further education	Fachkaufmann für Einkauf und Logistik	
	Number Suppliers/Clients responsible	60 suppliers	no info
	Relational status to suppliers/clients	long lasting relationships, some only considered as alternatives, mostly same persons	long lasting relationships, mostly same persons
	Nationality person	German	German
	Nationality suppliers/clients	mainly German	German
	Successful outcome	conceive supplier of a better technical solution for materials, no price increase	achieve a price increase, get client to buy more products
	Key factors of negotiations	turnover with supplier, satisfaction of both parties	personal contact
	Importance of Behaviour	important	important
	Preparation	annual turnover with supplier, new supplier, get information about him, define goals, alternative offers	old conditions, annual turnover, transportation costs
	Initiation	Small talk, price and market developments, talk about same clients	Small talk
	High / low opening demand	Yes	No
<b>Satisfaction</b>	Tactics used	backing off (don't accept in the first step), refer to alternative suppliers, refer to good relationship, let suppliers compete	fairness, offer bonus when achieving a certain turnover
	Dislikes	not wanting to negotiate the price, unreal prices	not wanting to accept a price increase, incorrect statements afterwards
	Likes	Honesty, open price policy	nice and friendly
	Satisfaction with negotiation processes and agreements	sometimes satisfied sometimes not	not always
	Satisfaction with suppliers/buyers	mostly satisfied	satisfied
	Satisfaction of suppliers/buyers	satisfied	mostly satisfied
	Importance of satisfaction	important	important

<b>Company</b>	<b>Products</b>	<b>Case 7</b>	<b>Case 8</b>
	Size	technical plastics 2500 employees	service agency for supply chain solutions 200 employees
	Purchasing / Sales volume		10 mio
	Number Suppliers / Buyers	15 main suppliers	200 clients, in all areas
<b>Person</b>	<b>Position</b>	Seller	Seller
	VP	Yes	Yes
	Years in the current company	11 years	8 years
	Years in the current field	3 years	8 years
	Education	International Marketing Management	Bachelor in Marketing, Bachelor in Supply Chain Management
	Further education		
	Number Suppliers/Clients responsible	8-10 suppliers	200 clients, 10-20 main clients
	Relational status to suppliers/clients	95% long lasting relationships, mostly same persons	long lasting relationships, mostly same persons
	Nationality person	German	Belgium
	Nationality suppliers/clients	Germany, Austria, Switzerland, sometimes other cultures	Global
	Successful outcome	good outcome for both parties	new orders
	Key factors of negotiations	good atmosphere, preferences of the other party	preferences of the client
	Importance of Behaviour	Important	important
	Preparation	define goals, room to negotiate, preferences of the other party, define bottom line	not always, for new clients: inform yourself on their website
	Initiation	Small talk, background for negotiation, available time, expectations of oth parties	Small talk
	High / low opening demand	Yes	Sometimes
<b>Satisfaction</b>	Tactics used	give and take, compromises	not talk about price
	Dislikes	questioning an outcome after it has beend decided, lying	price negotiations
	Likes	Clarity, Openness, Honesty	
	Satisfaction with negotiation processes and agreements	80% satisfied	satisfied
	Satisfaction with suppliers/buyers	satisfied	satisfied
	Satisfaction of suppliers/buyers	sometimes satisfied sometimes not	satisfied
	Importance of satisfaction	important	important

<b>Company</b>	<b>Products</b>	<b>Case 9</b>
	Size	cement weights standardised and customised 70 employees
	Purchasing / Sales volume	7-5 mio
	Number Suppliers / Buyers	10 clients
<b>Person</b>	<b>Position</b>	CEO and seller
	VP	Yes
	Years in the current company	5 years
	Years in the current field	10 years
	Education	Kunststoffschlosser, mechanical engineering
	Further education	
	Number Suppliers/Clients responsible	10 clients, 4 main clients
	Relational status to suppliers/clients	long lasting relationships, mostly same persons
	Nationality person	German
	Nationality suppliers/clients	German
	Successful outcome	order, achieve price increase
	Key factors of negotiations	general economic situation, following orders
	Importance of Behaviour	important
	Preparation	company informations, sometimes presentation
	Initiation	Small talk
	High / low opening demand	Yes
<b>Satisfaction</b>	Tactics used	make an even number of the price, Take it or leave it, strategic prices
	Dislikes	no cooperation, pressuring into low prices, renegotiate
	Likes	communication and cooperation
	Satisfaction with negotiation processes and agreements	not always
	Satisfaction with suppliers/buyers	satisfied
	Satisfaction of suppliers/buyers	satisfied
	Importance of satisfaction	important

#### **9.4 Appendix D**

Calculation average integrative behaviour VP:  $(5+6+4+5+6) / 5 = 5.2$

Calculation average distributive behaviour VP:  $(4+4+2+2+2) / 5 = 2.8$

Calculation average integrative behaviour no VP:  $(5+3+4+6) / 4 = 4.5$

Calculation average distributive behaviour no VP:  $(2+5+5+0) / 4 = 3$