

# Increased understanding of buyer-seller negotiations (B2B): The Influence of Variable Pay on Negotiation Behaviour

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## ABSTRACT,

*To date, there are many questions unanswered regarding the influence of variable pay on buyer-seller relationships. One reason behind that is that most studies do not reflect the relationship between variable pay (VP) and negotiation behaviour. This study examines VP and how it impacts the negotiation behaviour in B2B settings from the buyer and seller perspective. Based on a small sample case study, this research offers important contributions to both theory and practice that can be used to promote a better implementation of variable pay schemes. This is a case study involving interviews with four buyers and three sellers engaged in B2B negotiations in Germany and the Netherlands. Qualitative data were collected involving seven buyers/sellers and then analysed, using the comparative method of Ragin (2014). Findings indicate that VP influences the negotiation behaviour. Negotiators use both integrative and distributive behaviours in order to satisfy the negotiating parties. Findings indicate that VP can be used as a motivational tool to increase employee's productivity. Negotiators who receive VP act more aggressive and are even more focused at the project where they get the bonus. Limitations of this study include the small sample size, which can be increased in related future studies, to validate the findings. In addition to this, data was collected in Germany and the Netherlands only, thus, the paper cannot be generalised in an international context. Future research should investigate which amount of money affects the negotiation behaviour. Thus, where exactly the line is when the negotiators change their behaviour, in other words, when they use significantly more distributive behaviours. This paper offers an understanding about negotiation behaviours used in B2B negotiations. The findings have important implications for practitioners who need to be aware that VP may harm long-term relations. The originality of this paper lies in its consideration of behaviours used in B2B negotiations in the context of variable pay.*

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## Keywords

Variable pay, negotiation behaviour, business-to-business, buyer-seller relationship, principal-agent theory, case study

# 1. INTRODUCTION

Negotiations are an essential part in business-to-business (B2B) settings and therefore, play an important role in developing long-term relationships which define outstanding B2B firms (Sharland, 2001). In B2B settings, it is not only important to create a long-term relationship, but also that buyers as well as suppliers are satisfied in order to create a successful business relationship (Sigurdardottir, Ujwary-Gil, & Candi, 2018). In business markets, transactions result from a negotiation process between buyer and seller organisations (Eliashberg, Lilien, & Kim, 1995). The ability to negotiate is important for successful interactions in today's workplaces. Negotiation is "a process of potentially opportunistic interaction by which two or more parties, with some apparent conflict, seek to do better through jointly decided action than they could otherwise" (Lax & Sebenius, 1986, p. 11). Thus, negotiations determine whether buying firms find the most appropriate partner, in terms of costs and benefits, for a certain problem, or whether a selling organisation manages to beat the competitors, hence closes the deal (Geiger, 2017). In general, sharing information on preferences in negotiations leads to a higher quality of negotiated outcomes (Murnighan, Babcock, Thompson, & Pillutla, 1999).

Negotiation behaviour has been studied extensively by many researchers looking from different perspectives (Amore & Failla, 2018; Clopton, 1984; Robinson, Lewicki, & Donahue, 2000; Saorín-Iborra & Cubillo, 2019; Thompson, 1990; Weingart, Thompson, & Bazerman, 1990). It can be defined as the use of (verbal and non-verbal) tactical or communicative actions by negotiators during the negotiation process (Saorín-Iborra & Cubillo, 2019) in order to move the negotiations towards a preferred outcome. Literature proves that the skill/behaviour which a buyer uses to negotiate affects the buyer's performance and personal outcomes (Clopton, 1984). Thus, "as more than half of every sales dollar is spent in the purchase of goods and services", the buying company has the apparent reason to train "buyers who are skilled in negotiation" (Clopton, 1984, p. 39).

However, little research has been conducted on how variable payment influences the negotiation behaviour. Current studies are only reviewing the influence of variable pay on customer satisfaction (Cloutier, Morin, & Renaud, 2013) or how manager's education influences the adoption of variable pay (Damiani & Ricci, 2014). But still many questions of the relationship between buyer/seller negotiation and variable pay remain unanswered because many researchers pay little attention to the power of incentives (Lazear, 2000). Variable Pay is monetary compensation linked to the output of the agent or company (Lazear, 2000). It is often used as a motivational tool by employers with the goal to increase their employees' productivity (Cloutier et al., 2013) and the overall profit. In order to understand how negotiators behave in a buyer/seller business-to-business setting and get a clearer understanding how a variable payment influences this behaviour/productivity, the purpose of this study is to further elaborate on theories in existing literature and current studies. Moreover, the goal is to explore the negotiation behaviour from the buyer/seller perspective to understand how both are influenced by variable pay. Additionally, it will be analysed if the use of variable payment increases the use of distributive negotiation behaviours. Distributive or competitive negotiation behaviours focus on maximising individual gain (Olekalns, 1996). Based on this research objective, the following research question has been defined:

*How does the use of variable pay influence buyers and sellers negotiation behaviour in B2B settings?*

Furthermore, the following sub-question will be proposed:

*Does the use of variable pay increase the use of distributive negotiation behaviours?*

Based on a multiple-case study, this paper offers important implications for theory as well as practice. First, it will increase our understanding on the relationship between variable pay and negotiation behaviour and address the gap in the literature. Second, it will help employers to understand the behaviours they use. Thus, that distributive actions, which are a result of variable pay, may harm the long-term relationship between two negotiating parties.

This paper is structured as follows: First, the literature on negotiations and negotiation behaviours is reviewed. Following this, negotiation tactics in B2B settings are distinguished between integrative and distributive behaviours. Then, variable pay is defined and reviewed, with a focus on the principal-agent theory. Next, the research methodology is described, followed by an analysis of the interview results with 7 companies. The findings are discussed, which might aid companies to improve their future use of variable pay. Hence, theoretical and practical implications are mentioned. The paper closes with limitations and directions for future research.

## 2. LITERATURE REVIEW

In order to answer the research questions, it is important to understand the influence of negotiation behaviour within a buyer-seller relationship in B2B settings. The logic behind variable pay schemes can be explained by the principal-agent theory.

### 2.1 Business-to-business negotiations

In order to answer the research questions, it is important to understand business-to-business (B2B) negotiations. B2B negotiations occur in businesses that share an interest in trading utilities for resources (Walton & McKersie, 1965). Negotiation is a special communication task (Paik & Tung, 1999) in which buyer and seller strive to achieve the best possible outcome for their companies (Clopton, 1984). According to Harwood (2008, p. 107), negotiation can be defined as "a process that is entered into by parties who wish and are able to reach a mutually satisfactory solution on the division of issues of common interest but on which they currently conflict. The solution is reached through a process of bargaining. There is an exchange of detailed information on the issues at stake incorporating the parties beliefs and expectations. Through techniques of argument and persuasion, a mutually acceptable decision is sought".

B2B relationships are for example between manufacturers and wholesalers, between agribusiness firms and farmers or between pharmaceutical firms and hospitals. But B2B does not describe the relationship between firms and consumers (B2C) (Lilien, 2016). Negotiators who act in the B2B business tend to be more focused, more positive and more motivated (Wall, 1985) than negotiators negotiating for themselves. In addition to this, negotiators aim to develop long-term relationships that please all negotiating parties. Long-term relationships reduce the costs of doing business, which in turn results to greater competitiveness and enhances an organisation's overall strategic position (Sharland, 2001).

B2B negotiators, act and negotiate on behalf of their companies and can be communicated as agents or representatives (Sigurdardottir et al., 2018). According to Sigurdardottir et al. (2018), purchasing decisions in the B2B business differentiate from purchases of goods and services. Back and forth

communication is essential, as well as the comparison of different options. In order to reach an agreement between two negotiating B2B parties, some rounds of information exchange, offering and counter-offering must take place. Besides the negotiable variables, as price, delivery time or performance, negotiation behaviours represent an immense challenge. Thus, negotiation behaviours are essential in B2B negotiations (Sigurdardottir et al., 2018).

Moreover, relationship value is a highly relevant concept, especially because B2B businesses strive for a long-term relationship. According to Priscila, Luiz, Aline, Fábio, and Guilherme (2014) relationship value “is the result of synergies and joint efforts that accelerate the learning curve and conflict resolution in a relationship and simultaneously promote mutual commitment. Through an exchange of information, the partners may be able to customise a product or process, making it perform better or making it less expensive to manufacture” (Priscila et al., 2014, p. 564). Throughout the relationship, trust between the two negotiating partners increases and therefore indicates “a reliable supply for the buyer and thus increases its willingness-to pay” (Priscila et al., 2014, p. 564). The trust means an ongoing business for the seller. In addition to this, it may lead to a compensation for less profitable projects, hence, the seller is valuing the relationship more than any alternatives (Priscila et al., 2014).

In general, every buyer-seller relationship generates value, but the most important point is how to generate more value. “By increasing the total value created in a relationship, relational value can increase the portion captured by each party” (Priscila et al., 2014, p. 564).

To conclude, relationships in B2B settings are important to those companies who aim for a long-term relationship. Companies have difficulties maintaining the relationship if a high use of inappropriate competitive actions (distributive behaviours) from their agents is apparent.

## 2.2 A Classification of Negotiation Behaviour

Many researchers are interested in the study of negotiation behaviour (Amore & Failla, 2018; Clopton, 1984; Lewicki & Robinson, 1998; Robinson et al., 2000; Saorín-Iborra & Cubillo, 2019; Thompson, 1990; Weingart et al., 1990). Hence, this interest is evident in the history of negotiation for example in fields of economics, psychology or organisational behaviour. Whereas the theoretical objective is to anticipate the processes and outcomes of negotiation, the practical aim is to help people to negotiate more effectively (Thompson, 1990).

Negotiation behaviour can be defined in two different ways. First, as a strategy or plan that negotiators use to achieve their goals. Second, as a set of communicative/tactical actions employed by negotiators during a negotiation process (Saorín-Iborra & Cubillo, 2019). Whereas Thompson (1990) grouped the measures of behaviour in two categories, Saorín-Iborra and Cubillo (2019) classified negotiation behaviour in six categories. The two general categories of Thompson (1990) are economic and social-psychological measures. Economic measures focus on the outcomes or products of the negotiation. Socio-psychological measures aim at both, processes and outcomes of a negotiation. Thus, economic measures of performance influence social-psychological measures, and vice versa (Thompson, 1990). “The measures are distinguished here because many research programs have not included both in their analyses, and comparative analyses of behaviour are difficult when investigators use different measures of performance” (Thompson, 1990, p. 517). On the other hand, Saorín-Iborra and

Cubillo (2019, p. 54) define “negotiation behaviour within a continuum that ranges from the extremes of pure competitive to pure integrative behaviour with competition, soft competition, compromise and collaboration between these extremes. Each type of behaviour is characterised by verbal and non-verbal communication actions or tactics”.

**Table 1: A new classification of negotiation behaviour (Saorín-Iborra & Cubillo, 2019, p. 55).**

Classification of negotiation behaviour	Description/definition
Pure Integrative Behaviour	Very high use of integrative actions, with very low or no use of acceptable competitive actions and no inappropriate actions.
Collaboration	Prevalence of integrative actions, with few acceptable competitive actions and no inappropriate actions.
Compromise Behaviour	Frequent use of integrative actions with moderate use of acceptable competitive actions and absence of inappropriate competitive actions.
Soft Competition	Use of integrative actions with frequent use of acceptable competitive actions and few inappropriate competitive actions.
Competition	Use of integrative actions with frequent use of acceptable competitive actions and high use of inappropriate competitive actions.
Pure Competitive Behaviour	None or very low integrative actions with high use of acceptable competitive actions and high use of inappropriate competitive actions.

Saorín-Iborra and Cubillo (2019) concluded, that “soft competition” was the most common type of negotiation behaviour, followed by “compromise behaviour” and “pure integrative behaviour”. The findings suggest that: “negotiation behaviour involved the frequent use of both competitive and integrative actions, demonstrating that they are not excluding, but complementary, balancing overall behaviour and modulating it towards a less extreme classification “ (Saorín-Iborra & Cubillo, 2019, p. 8).

### 2.2.1 Integrative and Distributive Negotiation Behaviours

A negotiation process includes communication that takes place before an agreement is made and it includes several bargaining behaviours or negotiation tactics, which negotiators use to get to a certain outcome (Thompson, 1990). Thus, “tactics are behaviours – actions used by the negotiator to serve a purpose or to pursue an objective. Tactics can be verbal and/or non-verbal” (Narsimhan & Ungarala, 2016, p. 40). Behaviours can be used to change a person’s perception of where the power lies. Therefore, it is important for negotiators to become aware of the behaviours used in practice. In order to achieve a resolution to their conflict and to get the best possible outcome for their own side,

negotiators must make a best possible case for their preferred outcome and move the counterpart away from their solution. These requirements motivate negotiators to use influencing behaviours to gain the others' compliance (Lewicki & Robinson, 1998). Some researchers classified negotiation outcomes or interactions along two dimensions: distributive/competitive and integrative/cooperative outcomes or interactions (Caputo, 2019; Clopton, 1984; Hageen, Sushila, & Oubre, 2011; Murnighan et al., 1999; Narsimhan & Ungarala, 2016; Robinson et al., 2000; Sigurdardottir et al., 2018; Thompson, 1990).

Integrative interactions can be best described by a cooperative behaviour directed towards the achievement of objectives of both the buyer and the seller in a negotiation, thus, fulfilling all parties interests (Hageen et al., 2011). It includes negotiators that treat the negotiation as a pie as something that is able to grow. Integrative/cooperative negotiators try to maximise the joint returns obtained by the negotiating parties, are realistic, polite, transparent, trusting and seldom use threats (Narsimhan & Ungarala, 2016).

Distributive interactions are defined by a competitive behaviour which leads to self-gain at the expense of the other party (Walton & McKersie, 1965). Distributive behaviours are more likely to cause conflict and therefore less conducive to agreement (Hageen et al., 2011). "Distributive/competitive process ensues when negotiators treat the "negotiating pie" as fixed and primarily make concessions in an attempt to arrive at a negotiated settlement" (Narsimhan & Ungarala, 2016, p. 36). Competitive negotiators act psychologically against their counterparts. They are bluffing, manipulating, threatening, untrusting or demanding. Hence, they want to maximise their own returns, emphasise their own position, push for extremes or try extremely high opening offers (Narsimhan & Ungarala, 2016; Robinson et al., 2000).

Whereas Ghauri (2003), Rubin and Brown (1975) argue that a distributive/competitive negotiation behaviour leads to a difficulty of reaching agreements, or at least that both parties cannot be mutually satisfied, Saorín-Iborra and Cubillo (2019) argue that "that supplier use of competitive behaviour does not necessarily elicit a negative outcome in terms of customer satisfaction either with respect to the content of the negotiated agreement to supply or to the relationship built during the negotiation" (Saorín-Iborra & Cubillo, 2019, p. 12).

In conclusion, the majority of researchers in the field of negotiation advise the use of integrative/cooperative techniques, while few other experts and most of the practitioners recognise and use distributive/competitive tactics in their everyday business negotiations (Sigurdardottir et al., 2018) in order to achieve their desired outcome.

### 2.3 Variable Pay

Researchers interest in variable pay is increasing in different ways. First, reviews of research on different types of variable pay appear more often. Second, the general use of variable pay has increased considerably. Third, training programs and practitioner books are proliferating (Miceli & Heneman, 2000). Variable pay is pay that is related to the measure of worker output. In the early 20<sup>th</sup> century the most used form of variable pay was the piece rate (Lazear, 2000). The resurgence of variable pay, as described above, is also reflected through mechanisms like bonuses or stock options that depend on individual, team or firm performance (Lazear, 2000).

Variable pay has been defined in different ways. Three examples follow:

"Variable pay subsumes many different types of compensation systems, including bonuses, gainsharing, and profit-sharing, but the defining feature is that rewards must be re-earned each

period, avoiding the compounding effect of traditional merit raises and across-the-board pay increases; hence these pay systems are also termed contingent pay" (Kuhn & Yockey, 2003, p. 323).

"Variable pay as the set of pay items linking the compensation of executives to their work contributions and productivity (after accounting for firm-specific factors)" (Amore & Failla, 2018, p. 4).

"Variable pay schemes (VPS) are distinguished from traditional time-based or service-related pay schemes in that they incorporate criteria linked to employee performance. This can be at the level of the individual, work team, workplace or organisation as a whole. Localised schemes tend to be concerned with employee incentivisation, whereas organisation-wide arrangements have broader objectives to do with recruitment, retention and employee 'engagement' or 'reward'" (Arrowsmith & Marginson, 2011, p. 55).

In these three definitions the two common themes are that variable pay is cash payment, in form of a bonus or reward, that is tied to a measure of individuals, team or organisational measures of performance. For the purpose of this paper the second definition of Amore and Failla (2018) is used. But why should employers use variable pay? At its best, variable pay provides incentives to put forth effort by aligning the workers' interests with those of the employers (Carpenter, 2017; Heywood & Jirjahn, 2014; Lazear, 2000). B2B businesses aim for a long-term relationship and therefore the relationship value is highly relevant. Thus, it is important that the goals of the employer and employees are aligned and additionally that the negotiators please all negotiating parties (Priscila et al., 2014).

In order to increase their employee's productivity employers often use variable pay as a motivational tool. It rewards the worker's greater contribution to the firm. Thus, workers are able to control their pay level by adopting appropriate behaviours and earn more money if they want to (Cloutier et al., 2013). Studies show that employees who get variable pay earn more than employee's who get a fixed payment (e.g. Lazear, 2000). Lazear (2000) finds that the switch from low-powered incentives (hourly wages) to high-powered incentives (a piece rate) increased the output per worker considerably. In addition to this, Amore and Failla (2018) find that variable pay promotes managerial efforts, high-quality learning and desirable team dynamics, which results in a greater innovation output. Furthermore, variable pay performs a sorting role, managers take a job only when they think that the organisation will be profitable (Lazear, 2000).

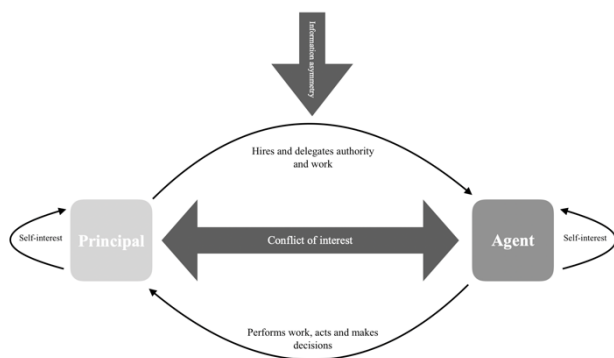
However, the problem is that financial incentives do not always work as intended and therefore can fail for a variety of reasons. According to Carpenter (2017), one of the most studied reason is that incentives repress intrinsic motivation, the drive of an individual to adopt or change a behaviour for his/her own internal fulfilment. In addition to this, financial incentives "might also provide information to the agent on the principal's assessment of their ability or the extent to which the principal trusts the agent to do a good job. If the principal is providing financial incentives because she does not think the worker is very talented or trustworthy, the agent might, again, react poorly" (Carpenter, 2017, p. 214). Next, it can be that principals indicate a selfish intention through their choice of incentives, that can decrease motivation. Furthermore, financial incentives can support an extremely narrow and short-term focus (Arrowsmith & Marginson, 2011).

To conclude, because of the importance of relationship value, integrative behaviours are prevalent if the two negotiating parties want to maintain the relationship. Hence, if they use distributive behaviours, they are dealing with the risk of harming the

relationship. Variable pay can lead to a change in the negotiation behaviour and therefore, it could endanger the long-term relationship.

## 2.4 The Principal-Agent Theory

The relationship of agency is one of the oldest and also one of the most common modes of interaction. An agency relationship is consisting of two or more parties, the agent acting on behalf of the other party, the principal, in the domain of decision problems (Ross, 1973). It is for example an employer-employee relationship or a buyer-seller relationship. The focus of principal-agent literature is on determining which contract is the most efficient under varying levels of outcome risk, uncertainty or information (Eisenhardt, 1989). In this study, the principal (employer such as the CEO) hires and then delegates authority/work to the agent (employee for example a manager). The agent performs the work and makes decisions (see Figure 1).



**Figure 1: The Principal-Agent Theory (adopted from Eisenhardt, 1989)**

Eisenhardt (1989) discusses in her article two problems of the agency theory. The agency problem emerges when the desires and goals of the principal and agent conflict. It is problematic as well as expensive for the principal to check what the agent is actually doing. The second problem is the problem of risk sharing. It might be that the principal and the agent have different attitudes towards risk and therefore they take different actions because of the different risk assessment. The simple model assumes that the goal of principals and agents' conflict and that the agent is more risk averse than the principal. The approach of the simple model is described in cases by Eisenhardt (1989). The "case of complete information" assumes that "the principal knows what the agent has done" (Eisenhardt, 1989, p. 61). A contract based on behaviour is efficient only if the principal is convinced by the agent's behaviour. A contract based on the outcome leads to an unnecessary risk transfer to the agent who is more risk averse than the principal anyway. The second case, the case of incomplete information, assumes that "the principal does not know exactly what the agent has done" (Eisenhardt, 1989, p. 61). The agent acts in his/her own interest and therefore it might be that the agent does not behaved as agreed. Agency problems may occur, firstly, because of different goals of the principal and the agent. Secondly, the principal is not able to say whether the agent behaved as agreed (Eisenhardt, 1989). Two aspects of the agency problem are presented in the literature. Moral hazard is the lack of effort on the part of the agent. It occurs after the contracts have been made and stems from the fact that principals cannot observe the agents' activities (Gauld, 2007). Therefore, the principals need to trust the agents that they are performing as discussed in the contract. Otherwise, performance monitoring is necessary, which can result in costs for both contracting parties.

Adverse selection is the misinterpretation of the ability by the agent. It results from information asymmetries in any relationships for example the fact that one party always has more knowledge than the other party (Gauld, 2007). The last case is the case of unobservable behaviour. There are two options, either to discover the agent's behaviour by investing in information systems or to contract on the outcomes of the agent's behaviour (Eisenhardt, 1989).

Hence, variable pay schemes can be explained by the Principal-Agent theory. One party (principal) delegates work to another party (agent). In context of corporation, owners are the principal, managers the agent. The owner hires managers for an agreed compensation. Thus, the parties join but the risk that managers act in their own interest at the expense of owners is high (Ross, 1973). Often incentives are used to align the interests of both parties. Monetary incentives are therefore used to motivate agents to accomplish their goals. Hence, it is expected that agents adjust their behaviour to work more effective, to be rewarded for their performance.

The usage of variable contracts that link rewards to performance stimulate employees to exert greater effort, given that there is heterogeneity among workers (Lazear, 2000). However, controversial issues have emerged in the literature, such as the difficulties of objective performance measurement or that a firm cannot measure the output of all tasks, which results "in a misallocation of effort towards those activities that are highly compensated and away from those that earn less compensation" (Damiani & Ricci, 2014, p. 892).

Therefore, „agents can 'game' the compensation system, especially when explicit incentive contracts cannot completely specify all relevant aspects of worker behaviour. In these contexts, decisions regarding pay are at the discretion of superiors in the hierarchy, and to prevent subjective assessments giving rise to biases, more holistic perspectives on performance are needed. Thus, the quality of leaders comes to fore" (Damiani & Ricci, 2014, p. 892).

To sum up, the agency relationship is a common mode of interaction. It includes the determination of efficient contracts under varying levels of risks. As principals and agents act in their own enlightened self-interest, variable pay is used to align the interests of both parties.

## 3. METHODOLOGY

As the purpose of this research paper is to find out how variable pay influences the negotiation behaviour, it is important to find the best fitting research design as well as an appropriate data collection strategy. In order to enhance the reliability, in this paper the results are drawn from multiple cases, thus, data is collected from multiple participants. Studying multiple cases enables the development of insights based on comparison (Ragin, 2014).

### 3.1 Data collection

In order to get reliable and valid data, the most suitable data collection strategy needs to be identified. Conducting interviews is the most common qualitative research method used. Qualitative research methods are used when an emphasis on "words rather than quantification in the collection and analysis of data is needed" (Bryman, 2008, p. 36). In qualitative research, concepts and theoretical elaboration emerge from data collection and researchers seek for an understanding of behaviours and values, whereas in quantitative research the theoretical framework precedes the collection of data (Bryman, 2008). Additionally, it is an inductive approach in order to examine the

relationship between theory and research. It is a more open-ended research strategy compared to quantitative research strategies (Bryman, 2008). In this case, semi-structured interviews are the best fitting option and therefore applied to all of the interviews. The semi-structured interview guide can be used as a flexible device. Therefore, I was able to ask about specific topics but left enough open space for respondents to mention further aspects that I did not mention before. In addition to this, the respondents were able to describe and explain particular situations, experiences or give examples (Gioia, Corley, & Hamilton, 2013). The guide consisted of seven sections: (1) organisational points, (2) introduction, (3) initiation of the negotiation, (4) negotiation preparation, (5) initiation of the negotiation, (6) variable pay, (7) conclusion and further remarks.

The framework of this research is built on theoretical knowledge which is collected through scientific literature. The interview questions are developed by means of questionnaires from previous studies (Geiger, 2017; Saorín-Iborra & Cubillo, 2019) to maintain consistency in this topic. Some questions will be added and modified to fit this research topic.

The interviews were held separately, either a buyer or a seller being present. In order to compare the influence of variable pay on the behaviour of buyer/seller, interviews will also be conducted with firms who do not offer variable pay.

### 3.2 Unit of Analysis

Participants include four buyers and three sellers. The firms involved were German or Dutch, working in different sectors (manufacturing sector, production sector, engineering sector). The participants were chosen with the goal of getting an understanding of variable pay within different industry sectors. In order to analyse the data, data was collected from the managerial perspective. Thus, how the use of variable pay influences their negotiation behaviour, in other words, how negotiators follow their companies' policies, values, beliefs etc. Data were collected over three weeks. The managers were either German or Dutch. The interviews were audiotaped and then transcribed. The transcriptions can be seen in Appendix C to Appendix I.

Before each interview, I familiarised myself with the interviewee's company, industry and their professional background. All interviewee's agreed that I am allowed to record the interview. Overall, the interviews lasted up to 52 minutes.

### 3.3 Data analysis

The comparative method analysis (Ragin, 2014) will be used to understand, analyse and interpret the findings of the interviews. Within-case coding was conducted, then a cross-case analysis was used in order to compare the negotiation tactics used by the seven negotiators. This analysis includes a content summary of the questions asked during the interviews. The results are compared with the theories from Section 2, as well as tabulated to highlight common differences and similarities within the different companies (Appendix B). With the insights attained from the buyer and seller perspective, a deeper understanding of the relationship between negotiation behaviour and variable pay can be gained.

## 4. RESULTS

Evidence was found for the use of both behaviours, integrative and distributive behaviours, in B2B negotiations. Even though negotiators in different sectors use integrative and distributive behaviours, they also differ, as negotiators who receive variable pay are reported to use more distributive, thus questionable,

competitive and more aggressive behaviours. Hence, variable pay is influencing the negotiation behaviour.

All interviewees work for several years in their industries in their current position. Thus, they are experienced negotiators, with expert knowledge in their fields (Appendix B presents the main findings of the interviews). In addition to this, some interviewees participated in negotiation trainings (Case 2, 3, 4, 6, and 7).

### 4.1 Negotiation preparation

In order to negotiate successfully, preparation is needed. As one of the interviewees explained, "one considers what negotiations we have had with the company in recent years. Which offers have been created? Where were we successful and where not? If we were not successful, what were the reasons? Do we even know that? Then, you look at what we had to give in the negotiations for discounts? But first of all, you look who conducts the negotiation on the opposite side. And then you look what has been expected from the other party. In what way could you meet the expectations? And finally, did you succeed with the strategy you entered into the negotiation?" (Case 7). Furthermore, industry-specific data is available, for example through the Federal Statistical Office. However, it is important to mention that the preparation of a negotiation differs project-specifically, thus, is customised.

### 4.2 Long-term relationships and relationship value

Sharland (2001) describes, B2B negotiators aim to develop long-term relationships. Thus, relationship value, a good communication and trust is highly relevant. The interviewees describe the communication between the two negotiation parties as: open, friendly, trusting, comradely, and goal-oriented. The trusting cooperation is a result of long-standing relationships. The interviewees seemed to be driven by the motivation to create long-term relationships instead of short-term relationships, for example: "We try to establish a longer-term business relationship, but that does not help us, if we have to change our suppliers every week or every few months, especially in the high-priced segment. We have to rely on one horse so that we can then plan for the long-term" (Case 4).

Although the relationship is trusted and aimed at the long-term, conflictive issues occur. These issues can occur during the negotiation itself as well as after the negotiation seemed to be finalised. Hence, it can happen that unexpected or inappropriate reactions/actions lead to conflictive issues/problems. Particular issues that were reported several times, was the negotiation of additional costs not calculated in the original negotiations or a non-compliance with delivery dates. Negotiators described the conflictive issues and their solutions differently: "I think we are all humans and emotions are not always controllable (Case 6). "It can lead actually to personal attacks by individual negotiators, where it then becomes personal. That can go so far that a negotiation is cancelled" (Case 7). Moreover, "we demand something and that should then be implemented accordingly and adhered to. If this is not the case, there are times when negotiations are cancelled. Or we give a hint that there are other suppliers as well" (Case 4).

However, interviewees admitted that the conflictive issues can be resolved more or less easily. "The negotiations will be terminated or reorganised" (Case 4). Or they "sit together and look at statistics" (Case 5). A common procedure is to interrupt the negotiation, taking a break, calming down, either calling the supervisor to make a consultation or drinking a coffee. "And then the negotiation continues with a new coordinated situation. But it can happen that the parties say, at this point we do not get

further, we take the tasks with us and then contact the other party next week” (Case 7).

### 4.3 Negotiation behaviours

As the main objective of all negotiators is to be successful in their negotiations and to make profit, a negotiation behaviour appropriate to their goal in mind needs to be chosen. Table 2 presents the findings of integrative and distributive behaviours used by the seven negotiators. All of the seven negotiators stated that their negotiation behaviour evolves along the negotiation process. “It is important to be able to react to the negotiation situation” (Case 7). In addition to this, “since not every strategy goes according to plan, I always develop a backup plan. Depending on the situation, the behaviour is adjusted according to the opposite” (Case 6). “One often notices what is possible only in the negotiations. One has a starting point at the beginning of the negotiation, where one wants to go, and one notices by concessions or refusal what is still possible or not possible” (Case 4). Thus, the negotiation behaviour evolves along the process because it depends on the counterpart. The course of conversation is responsible for the use of different behaviours.

The question of what kind of negotiation behaviours the interviewees see as appropriate to negotiate successfully by the buyer/seller relationship, was answered differently. Two interviewees answered that their main motto is: “Hard to the point, friendly to the person” (Case 2,7). This means that it is important to have a professional interaction without personal

attacks. One interviewee also explained that after a negotiation both must be able to smile. “There must be a business success for both parties afterwards, otherwise this is not a long-term supplier relationship” (Case 1).

Negotiators also explicitly described that they “give some to get some” (Case 4). Additionally, transparency and honesty were mentioned. “Everybody knows that you make profit on a service, but everybody also expects to be transparent and honest to each other. If they get the feeling that you are not honest and transparent, it will affect your long-term relationship” (Case 5). Thus, it can be seen that all interviewees see integrative behaviours as appropriate in order to achieve a successful long-term relationship (Table 2). Hence, some interviewees ask their counterpart which issues are more or less important to the other party (Case 1,2,5,6,7). “Each supplier is responsible for the introduction of ideas, suggestions, etc. during the tendering phase. Insofar as this results in a win-win situation, these ideas are taken into account” (Case 6). Furthermore, all interviewed negotiators try to integrate their ideas with those of their opponents to come up with a decision jointly. Additionally, all interviewees try to work with the opponent for a proper understanding of a problem. “This point is incredibly important. There are often points where you think you have understood the problem, but then you realise that you do not come together properly” (Case 7). “As there is a problem, a solution is searched for together, taking into account the respective contact person”

**Table 2: Summary of integrative and distributive behaviours used by the negotiators**

Behaviour/ Variable Pay	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
<b>Integrative tactics (Olekals et al.,1996; Rahim, 2001; Walton and McKersie, 1993) and Sigurdardottir et al. (2017)</b>							
<i>Try to integrate my ideas with those of my opponents to come up with a decision jointly</i>	X	X	X	X	X	X	X
<i>Ask which issues are more or less important to the other party</i>	X	X			X	X	X
<i>Try to work with the opponent for a proper understanding of a problem</i>	X	X	X	X	X	X	X
<i>Give some to get some</i>	X	X	X	X	X	X	X
<i>Exchange information</i>	X	X	X	X	X	X	X
<b>Distributive tactics (Robinson et al.,2000) and Sigurdardottir et al. (2017)</b>							
<i>Intentionally provide incorrect information to your opponent in order to support your position</i>		*					
<i>Acquire negative personal information about your opponent and use that information to force them to give you what you want</i>							
<i>Threaten to leave the negotiations entirely unless your opponent offers some concessions, when in fact you are not at liberty to leave entirely</i>	X	X		X	X		*
<i>Present your opponent with factual, but misleading information, which may lead your opponent to erroneous conclusions about your position</i>							
<i>Uses demands, threats, or intimidation to increase your compliance</i>		X					
<i>Attempts to make a favorable impression and improve our mood before requesting compliance</i>	X	X	X			*	X
<b>Variable payment</b>							
<i>Bonus</i>						X	X
<i>On commission basis</i>		X					X
<b>Fixed payment</b>							
	X		X	X	X		
<b>Notes:</b> X indicates that the person uses the tactic/yes; * indicates that the person either said yes or no							

(Case 6). Moreover, all interviewees give some to get some and therefore, exchange information.

However, all interviewees make use of distributive negotiation behaviours as well. The behaviour which is used most often is that some interviewees attempt to make a favourable impression and improve the mood before requesting compliance (Case 1,2,3,6,7). Additionally, the negotiators were asked if the buyer/seller, from their point of view, uses distributive behaviours such as misinterpretation of information, bluffing or inappropriate information collection. This question was often answered with yes, thus, that the negotiators experienced that their counterpart uses competitive behaviours.

#### *4.3.1 Variable pay and the use of distributive negotiation behaviours*

Three out of seven buyers/sellers receive a variable payment, either a bonus or pay on commission basis. Negotiators who receive variable pay, tend to use slightly more distributive behaviours. Therefore, it can be said that the use of variable pay increases the use of distributive negotiation behaviours. The negotiators, who do not receive variable pay were asked to describe how they would change their negotiation behaviour, if they imagine that they would receive variable payment.

The negotiators of Case 3, 4, and 6 say that they would not change their negotiation behaviour if they would receive variable pay.

“I do not get any financial incentives and no other benefits. Actually, my negotiation behaviour did not really change, since I am working. Thus, I would change nothing. It is the best thing for a company, and I have not received variable pay at any company where I worked before” (Case 3).

The other interviewees explicitly stated that variable payment would have a significant impact on their behaviour. Negotiators described the influence of variable payment differently: “When I joined the management, we talked about a variable. We both rejected together. This naturally leads to a consequence. Then a personal component comes in. And that was the point why I said I do not want that. This allows me to work much freer. I know that I work for the company and not for myself. A more aggressive behaviour could be the result” (Case 1). Another interviewee said: “If I would receive bonuses or variable payments for a specific service, I would go to sell that even more” (Case 5).

But all negotiators are of the opinion that, in general, buyers and sellers are influenced through variable payment. “All bonus systems have the advantage that the employee or I, in the case of the bonus acquisition, work very hard to achieve the bonus. This of course, has the disadvantage that I might neglect things that would be useful for the company, because I get no bonus for it” (Case 7).

“Variable payment means that a supplier is more motivated. Thus, he does not give up quickly when a target value cannot be reached easily” (Case 6).

Hence, it can be said that variable pay leads to a more aggressive behaviour. Some negotiators experienced that their counterpart, who received variable pay, uses demands, threats or a very aggressive behaviour.

“I have seen it with another sales representative, when I was not a general manager, he became very aggressive when he realised that our negotiation was not going in the direction of an order for which he would have been paid. And then you actually get nervous, when you realise that goes completely wrong. I experienced that the employee, has become very aggressive. So

to speak, if things go wrong here, I have been working for nothing the past half year” (Case 7).

To conclude, the findings indicate that negotiators in B2B settings use integrative and distributive negotiation behaviours. The use of distributive behaviours is influenced by variable pay. Variable pay can be used as a motivational tool to increase employee’s productivity but to a certain extent. Thus, negotiators who receive variable pay act more aggressive and are even more focused at the project where they get the bonus. It is important that the negotiators still work for the company and not only for themselves in order to achieve the bonus. In addition to this, projects where the negotiators do not get a bonus, cannot be ignored.

## **5. DISCUSSION AND IMPLICATIONS**

This paper focuses on the under-researched context of the use of variable pay in B2B negotiations. It has three contributions of value for theory and practice. First, it advances the understanding of B2B negotiations and identifies behaviours used in B2B negotiations. Second, variable pay can be used as a motivational tool in order to put forth effort. Third, the use of variable pay increases the use of a distributive negotiation behaviours which negatively affect long-term relationships.

These contributions suggest several implications for theory and managerial implications, as well as directions for future research.

### **5.1 Implications for theory**

The unique characteristics of B2B negotiations can be described by Principal-Agent theory (Eisenhardt, 1989). Thus, one party (principal) delegates work to another party (agent). Variable pay contracts link rewards to performance to exert greater effort (Lazear, 2000). Therefore, variable pay is used to align the interests of both parties. Hence, agents adjust their behaviour to work more effectively to be rewarded for their performance. However, it is difficult to measure the objective performance of the agent. In addition to this, the output of all tasks cannot be measured and therefore efforts are misallocated. This means those activities that are highly compensated are more important than those that are less compensated. Managers who receive variable pay will not give up easily because they have the bonus in mind. The findings are in line with Arrowsmith and Marginson (2011) as the risk that variable pay supports a narrow and short-term focus is justified.

The first research question addressed by this paper is about how the use of variable pay influences buyers and sellers negotiation behaviour in B2B settings. The goal of B2B firms is to create a long-term relationship, which nurtures during negotiation processes. This is contradicting with the use of variable pay, which supports a short-term focus. Why should companies use variable pay in a B2B context that it will increase the use of distributive behaviours when it is affecting long-term relationships? Negotiators choose a negotiation behaviour on the basis of experience and expectations that the behaviour will result in a successful outcome/agreement. The findings provide evidence that all interviewees (three receive variable pay, four do not receive variable pay) primarily use integrative tactics, thus are friendly, transparent, and honest. Integrative tactics are prevalent if the two negotiating parties want to maintain the relationship. This is in line with Hageen et al. (2011) and Narsimhan and Ungarala (2016) who describe integrative interactions as the achievement of objectives of both parties with a transparent, polite and trusting atmosphere.

However, a negotiator is never using only integrative actions or only distributive actions. Thus, there is a frequent use of both,



integrative and distributive behaviours, showing that these actions are complementary. This corresponds with the findings of Saorín-Iborra and Cubillo (2019), who classified six negotiation behaviours. Negotiators, receiving variable pay, can be allocated to the “soft competition” type, meaning that they use integrative actions with a frequent use of distributive tactics that can be acceptable as well as inappropriate. Negotiators, not receiving variable pay, can be allocated to the “pure integrative” behaviour type, hence, using integrative actions with a very low use of distributive actions (Saorín-Iborra & Cubillo, 2019).

The findings indicate that the use of distributive behaviours is harming the relationship but only to the extent that negotiations are cancelled. Then, continued after a break or at another day. Using the Principal-Agent theory helps to explain how a relationship influences the negotiation process, the communication between the parties and the negotiation behaviour used. When the business relationships exist over years and are stable, there is a shared understanding that both parties need to be satisfied with the outcome for future relations.

The second research question is examining if the use of variable pay increases the use of distributive negotiation behaviours. The use of variable pay is increasing the use of distributive behaviours. But the findings indicate that the negotiators are aware of the importance of long-term relations in B2B settings. This is an important driver of the choice of the negotiation behaviour. Therefore, it leads to the fact that negotiators do not want to receive variable pay or recognise the high importance of relationship value. Concluding, negotiators who receive variable pay use distributive behaviours to a certain extent but not in a way that it harms the relationship.

## 5.2 Implications for practice

This paper contains important implications for practitioners. The use of different negotiation behaviours play a decisive role in B2B negotiations. It is very important to understand the effect of a certain behaviour on the counterpart. Thus, negotiators need to decide which behaviour leads to the achievement of their objectives.

As the negotiation behaviour evolves along the process of negotiation, it is important for managers to adapt or change the own strategy according to the counterpart, which still leads to the same outcome. Furthermore, negotiators need to be aware of the fact that the person on the other side of the table uses certain behaviours as well. Hence, they also have a strategy in mind which should lead to a successful result. Each party wants to get as many advantages as possible but because of different priorities and values, an agreement is often reached with primary concerns only. It needs to be clear that negotiators from different companies, different industries have different objectives and prospects at the negotiation table. In addition to this, negotiators are motivated differently for example through a variable payment. The different variable payment schemes influence the negotiation behaviour, hence lead to the fact that the negotiator makes use of more distributive actions than a negotiator receiving a fixed payment. Thus, distributive/competitive actions, such as lying, bluffing or misinterpretation are frequently used when a negotiator receives variable pay. In order to avoid these agency problems, it is important that when the employee decides to use variable pay, that both the principal and the agent decide on common desires and goals. If the goals and desires conflict, this may harm the long-term relationships, which makes the use of variable pay less appropriate in a B2B context. An employer needs to make sure that the bonus or incentive paid, motivates the employee to a certain degree. On the one hand, that the employee is motivated to achieve his goal, and on the other hand that the employee still works for the

organisation and not for themselves. It is important that projects, where no bonuses or incentives are paid, are not neglected.

Distributive/competitive actions does not always indicate a negative effect on the outcome (Saorín-Iborra & Cubillo, 2019). A successful outcome of a negotiation is one in which all negotiating parties are satisfied, either reaching an agreement or not reaching an agreement. Thus, on the one hand, satisfaction will favour a smooth operation and implementation of the agreement, and on the other hand it can avoid future problems or misunderstandings.

## 6. CONCLUSIONS

Through the literature review and case study with seven companies, qualitative data were collected to identify how variable pay influences the negotiation behaviour. Furthermore, distributive and integrative interactions were classified in order to identify if variable pay increases the use of distributive behaviours.

Previous works in literature only emphasise the influence of variable pay on customer satisfaction or how managers education influences the adoption of variable pay. This study carried out provides insights regarding the relationship between buyer/seller negotiations and variable pay. The principal-agent theory describes a common mode of interaction. Principals and agents act in self-interest, hence variable pay is used to align the interests of both parties. In B2B settings negotiators aim for long-term relationships, thus, the relationship value is highly relevant. Therefore, behaviours are used by the negotiators to pursue an objective and to change a person's perception.

Interactions were classified in two dimensions, distributive/competitive and integrative/cooperative behaviours. Referring to the first research question, all negotiators in B2B settings were identified to use both integrative and distributive behaviours. As the relationship value is highly relevant, integrative behaviours are prevalent. The use of distributive behaviours leads to the risk of harming the relationship. But evidence was found for the increased use of distributive behaviours, thus lying or bluffing, when receiving a variable payment. Thereupon, referring to the second research question, negotiators who receive variable pay act more aggressive or lie more often. Thus, negotiators use distributive behaviours more often than negotiators not receiving variable pay. Findings indicate that distributive tactics often lead to the cancellation of negotiations. The negotiations continue after a break or the next day.

Concluding, when business relationships exist over years, there is a shared understanding that both parties need to be satisfied with the outcome for future relations. Negotiators in B2B settings are aware of the fact that long-term relationships are very important. This is a key driver of the choice of the negotiation behaviour. Variable pay can be used as a motivational tool to put forth effort. But it is important that negotiators still work for the company and not for themselves in order to get the bonus. Thus, projects where negotiators do not get a bonus cannot be left out. Additionally, companies need to make sure that principals and agents agree on common desires and goals in order to prevent problems that occur by their use of variable pay.

## 7. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The result of this research can be used to develop hypotheses for future research focused on variable pay and the influence on

negotiation behaviours. This research was conducted with a very small sample size (seven companies only) and therefore the validity of this research is lacking, the results cannot be generalised. In addition to this, data was collected in Germany and the Netherlands only (six German companies and one Dutch company) which restricts the international generalisation of the paper. Furthermore, the company size should be taken into account. This study included companies with a number of employees ranging from one to more than 500.000. There is an indication that companies with a higher turnover offer a better treatment, which leads to a further limitation of this paper. Moreover, the research relied on the interview responses of one single representative of an organisation. Interviewees were experienced negotiators, thus were in the qualified position to answer the interview questions. However, it might be that another person of the company would have had more knowledge. Thus, it is recommended to interview more than one representative of the company to strengthen and support the findings.

Future research should investigate which amount of money/number of bonuses affects the negotiation behaviour. Hence, where exactly the line is when the negotiators change their behaviour. Additionally, findings could be validated by quantitative research methods in B2B contexts to deepen the understanding. Therefore, it is recommended to continue the study with a bigger sample size in the future in order to find a significant influence of the use of variable pay and on negotiation behaviour. Moreover, future researcher could use observation as a method in order to reduce the interviewers influence on the interviewee.

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## 10. APPENDICES

### Appendix A

#### Interview Guide

Questions based on (Saorín-Iborra & Cubillo, 2019) and (Geiger, 2017)

Name of the company:

Name interviewee:

Date:

Start time:

End time:

#### 1. Organizational points:

- Interview will be audiotaped if you agree, clarify that the audiotape is for my personal use only
- Your name and your company's name will only be used anonymously
- If you agree, I would like to use quotes from the interview
- You will receive an aggregated executive summary of the findings from this research project
- If you want to you can read through the interview after the transcription

Procedure and type of questions:

- We will ask you very open questions with the goal of creating a maximum of latitude in your answers. This is to avoid any influence on our part in formulating your answers. We are conducting an exploratory study and want to learn more about your experience and expertise in your negotiations.

#### 2. Introduction (Information on the company and the interviewees' professional experience)

To better understand the background of the negotiations you conduct, please briefly describe your department and your function in the company, as well as the customers (suppliers) of your company.

- Company's name
- Date the firm was established
- Interviewees name, cultural background
- Offerings/products
- Size (number of employees)
- Number of customers, turnover, number of sales, people/size of purchasing department
- Type of customers/suppliers in terms of size, industry, etc.
- Firm's objectives/business strategy

Please briefly describe your educational and professional background and your experience:

- Years in the industry, in the current position

What is your negotiation experience?

- Number of negotiations conducted (all in all, per month)
- Trainings?

When answering the following questions, please think about a typical negotiation situation with a customer (supplier) on a new project, which you remember well. Please also add experiences from other negotiations, which deviate from the typical example (no re-negotiation!).

#### 3. Initiation of the negotiation/the transaction

How is the first contact between you and your counterpart established?

- Who is the first contact person?
- Who initiates the first contact: selling or buying side?
- Which content does the first information exchange have?

After making first contact, how does the first offer come about, and what issues are contained in such a first offer?

- Shape of first offer: Request for proposal by client, offer document by supplier?
- Process over time: information exchange, conversations, emails, etc.?
- Are there formal guidelines/documents to be followed?

#### 4. Negotiation preparation

- How do you prepare for a negotiation?
- Standardized vs. customer- (supplier-)/industry-specific preparation
- Are very important issues/aspects explicitly identified?
- Are preferences and priorities compared and scored?

- Are alternative offers or proposals prepared (e.g., stripped down offering), in case the preferred bundle does not lead to agreement?

## 5. Negotiation

After each answer in this section, ask for effect on negotiation outcomes (e.g., pie enlargement/agreement/negotiation profit/business relationship/personal relationship/saving face/emotions/ idea generation).

Do you conduct formal negotiations? If so, how does it unfold? Why?

- In person, pre-planned meeting (not via telephone or email)

Why was this supplier chosen (for negotiation) rather than other?

- Which people take part in the negotiations (both sides)? Did these people actively participate in developing them?
- Did you know your counterpart? In case of previous business experience with them, for how long is it? Do you consider that you trust each other during the negotiation? Is it always the same person you are negotiating with?
- Which influence does this have on the negotiated issues and the course of action?
- With regard to that question, would you prefer more or less people sitting at the table?
- How would you describe the communication between the negotiating parties?

Which issues are negotiated?

- Pre-determined issues (agenda)? How determined? By whom?
- Pre-determined order?
- Number of issues?
- What was your goal in this negotiation? What was the goal of the supplier?

How do you conduct a negotiation with regard to the negotiation issues?

- Guideline by company?
- Influence through bargaining power?
- When are the different issues negotiated? Why?
- Is the importance of some issues exaggerated? Why?
- Are issues treated alone or in packages? Why?
- Are new issues brought in to create packages? Why?

Does it happen that new issues pop up though the negotiation seemed to be finalized? How do you handle such a situation?

- E.g., last minute throw ins (consciously/unconsciously forgotten)?

Are new issues included through (formal) contracts?

- Terms and conditions
- Contingency clauses?
- In case of unexpected events: Safeguards? Why?

What can be considered as a successful outcome in your business negotiations?

- The key factors that influence the development of negotiations and their outcomes
- The importance of the attitude or behaviour adopted by negotiators in order to achieve a desired outcome in these negotiations

Were there any conflictive issues? Any unexpected/inappropriate reactions or actions?

- How were they resolved?
- Does your negotiation behaviour evolve along the process? Why?
- Did the supplier's behaviour influence yours?
- What kind of tactics do you consider appropriate to negotiate successfully by the supplier/buyer relationship?
- During the negotiation, from your point of view, does the supplier use tactics such as misrepresentation of information, bluffing, misrepresentation to opponent's network, inappropriate information collection?
- Do you feel satisfied with the process/agreement? And your counterpart (opinion)?

Integrative negotiation tactics vs Distributive negotiation tactics

If you imagine that you were negotiating with another company (represented by a person or persons referred to below as the "opponent") about something that matters a lot for your company, how likely or unlikely is it that you would use the following tactics to negotiate a solution?

Integrative negotiation tactics (Olekalns et al.,1996; Rahim, 2001; Walton and McKersie, 1993) and Sigurdardottir et al. (2017)

- Try to integrate my ideas with those of my opponents to come up with a decision jointly
- Ask which issues are more or less important to other party
- Try to work with the opponent for a proper understanding of a problem
- Give some to get some

- Exchange information

Distributive negotiation tactics (Robinson et al.,2000) and Sigurdardottir et al. (2017)

- Intentionally provide incorrect information to your opponent in order to support your position
- Acquire negative personal information about your opponent and use that information to force them to give you what you want
- Threaten to leave the negotiations entirely unless your opponent offers some concessions, when in fact you are not at liberty to leave entirely
- Present your opponent with factual, but misleading information, which may lead your opponent to erroneous conclusions about your position
- Uses demands, threats, or intimidation to increase your compliance
- Attempts to make a favourable impression and improve our mood before requesting compliance

6. Do you receive Variable Pay? Thus, payment linked to performance?

- No – any other benefits that you receive? If you imagine that you were receiving Variable Pay, how would you change your negotiation behaviour?
- Yes – explain how it works.
- Do you think it affects your negotiation behaviour a lot?
- How much do you get (bonus/vacation/ %)?
- Have you ever made an extremely high offer? In which case? For what purpose?
- Are there any performance related rewards distributed in order to gain better results?

7. Conclusion (Miscellaneous remarks and conclusion)

- Short summary/ main findings
- Would you like to add something important? Do you have more remarks about the negotiation issues, how they are brought to the table, which effect they have?

## Appendix B

General information of the interviewees and the companies

General information	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
<b>Number of employees</b>	50	1	150	650	115	642292	9
<b>Offerings/products/services</b>	Organic/fair trade coffee	Engineering services	Metal construction company	Cogeneration units	Internet agency	Automobile manufacturer	Engineering services
<b>Years in the industry</b>	23	24	17	14	22		23
<b>Years in the current position</b>	8	1	3	10		4	7
<b>Conducted negotiations per month</b>	5	daily business	4 to 5	3 to 4	10 to 20	80	4
<b>Trainings</b>	No	Yes	Yes	Yes	No	Yes	Yes
<b>Negotiation preparation</b>	Customized	Customized	Customized	Customized	Standardized/customized	Standardized/customized	Customized
<b>Preparation of alternative offers</b>	No	Yes	Yes	Yes	Yes	Yes	Yes
<b>Successful outcome</b>	When we reach a goal with 75%, in terms of price and quantity.	When I generated the order.	When I generated the order.	When the framework contract is signed according to our ideas.	If my profit is okay, I have a happy customer and good relations.	Once the delivery of the purchased product is done as planned.	If the written order is there and corresponds to what we have negotiated.
<b>Appropriate negotiation tactics</b>	After such a conversation both have to smile.	Hard to the point, friendly to the person.	Honest relationship.	Give some to get some.	Transparency is always important for me because we go for a long-term relationship.	In my view, a partnership and a respectful relationship is crucial for the success of the deal.	What I think is appropriate is a professional approach without personal attacks

## Appendix C

Left out due to confidential reasons

## Appendix D

Left out due to confidential reasons

## Appendix E

Left out due to confidential reasons

## Appendix F

Left out due to confidential reasons

## Appendix G

Left out due to confidential reasons

## Appendix H

Left out due to confidential reasons

## Appendix I

Left out due to confidential reasons