

Increased understanding of buyer-seller negotiations (B2B): The Influence of monetary incentives on negotiation behaviour in the Agribusiness sector

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ABSTRACT,

This paper aims for a understanding of theory on negotiations between buyers and sellers in business-to-business settings of the Agribusiness sector, especially after the world wide food crisis of 2007-2008. The research puts a strong emphasis on the extent to which monetary incentives affect negotiation behaviour of agents involved in the negotiation process. While, to date, there are questions unanswered regarding the influence of these monetary incentives on buyer-seller relationships. One reason behind that is that most studies do not reflect the relationship between these incentives and negotiation behaviour. Data were collected through interviews with various buyers and sellers from two European countries, and then analyzed using a comparative method analysis. The findings show that the negotiation behaviour of agents is indeed affected by the monetary incentives, even after all respondents to the data stated that they think it does not affect their way of working. Not in preparation or work ethics, but in type of behavior There are research limitations in this study, as the sample size is very small, and the respondents were agents and principals from two countries only, all working in the same sector. But also practical implications, while in the attempt of getting better deals for the company negotiators and managers need to keep changing their own behavior in order to receive the same outcome. Future research should consider the process of negotiation with a bigger sample size, as more sectors and companies operating in different parts of the world should be analysed. This research has it's originality in its combination of the variables 'monetary incentives' and the effect they have on 'negotiation behaviour' in Business-to-business settings.

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1. INTRODUCTION

The importance of this paper brings us back to the period 2007-2008. A global food crisis occurred and set back the food markets and the agribusiness. Rising prices at the grocery stores and inflation on raw materials for companies in the agribusiness, margins getting very small and farmers in trouble to keep feeding their cattle at a reasonable price. These factors might have pushed the agribusiness companies to changes in their buying and selling strategies, and thus negotiating strategies. Even until today, scientists and researchers are not clear what caused the crisis. Increase use of bio-fuels, small food supplies across the globe, raising oil prices and an increase in demand for food on the Asian markets were named as the biggest possible causes of the crisis. But the fact was that margins dropped for agribusiness companies and other companies in the food production industry, possibly forcing organizations to change their negotiation strategies.

In order to formulate a research question and contribute to existing literature, a literature review and a case study will be conducted on the matter. The food crisis will be used a possible cause for a change in negotiation strategies or behaviour, but the main goal

Negotiation is a procedure used in dealing with opposing preferences between parties, involving discussions, with the ultimate goal of reaching a mutual agreement (Carnevale and Pruitt, 1992). These 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 et al., 2018).

As an option to receive long-term relationships and satisfaction from B2B negotiations many companies all over the world use monetary incentives to stimulate their employees (Bonner and Sprinkle, 2002). B2B negotiators act and negotiate on behalf of their companies and can be communicated as agents or representatives (Sigurdardottir et al., 2018). The problem is that companies offering such incentives to purchasers are not aware whether the compensation will make the purchaser change his negotiation behaviour. There are risks which needs to be managed in order to perceive the benefit outcome. Carpenter (2017), for example, discusses a downside to monetary incentives as he states that people can lose their intrinsic motivation and aim for personal fulfillment instead of the best deals for the company. Monetary incentives can also lead to a change in the negotiation behaviour and therefore, it could endanger the long-term relationship (Barry and Friedman, 1998).

To understand the relation between employer and employee, also in combination with monetary incentives, an understanding from the Principal-Agent Theory Eisenhardt (1989), needs to be present. The focus of the Principal-Agent theory is on determining the optimal contract, behaviour versus outcome, between the principal and the agent. Researchers have focused on identifying situations in which the principal and agent are likely to have conflicting goals and then describing the governance mechanisms that limit the agent's self-serving behaviour.

Although the benefits of negotiations are known and studied before (e.g. Carnevale, 1992; Ramsay, 2007; Thompson, 1990), it is not clear if the incentives, as monetary incentives, result in negotiating more aggressively for instance. For these uncertainties there is a gap in existing literature, while little research has been conducted on how variable payment influences

the negotiation behaviour. Current studies are only reviewing the influence of monetary incentives on customer satisfaction (Cloutier, Morin, and Renaud, 2013) or how manager's education influences the adoption of monetary incentives (Damiani and Ricci, 2014).

The risk for the agricultural sector is shown in the theory of Cloutier et al. (2013). They stated that monetary incentives are often used as a motivational tool by employers with the goal to increase their employees' productivity and the overall profit. But the goal to go for the maximum profit in this sector, raised prices so far that the domino's starting falling. Agri-Production companies had to raise prices, farmers had to raise their prices and finally supermarkets had to raise the prices. Every link in that cable also wanted to maximize the profit, which made products way overpriced and hard for consumer to buy. This negotiation behaviour can be best described as distributive/competitive behaviour. This type of behaviour is an aggressive behaviour with focus on short-term profits and leads to buyers/sellers acting on their own behalf (Hageen et al., 2001).

The goal is to explore whether negotiation behaviour of buyers/sellers in this sector have changed to a more integrative negotiation style over time and how both are influenced by monetary incentives. Integrative behaviour tends to focus on the long-term and creates opportunities for win-win situations (Barry and Friedman, 1998). This paper aims to give insight for managers and buyers/sellers on how negotiation behaviour in combination with monetary incentives can be used and to elaborated which gains and risks the combination of these variables can give them.

This leads to the following research question for this paper:

"To what extend do monetary incentives influence the negotiation behaviour of buyers and sellers in B2B settings of the agribusiness sector?"

As the main purpose of this paper is to aim for a contribution to existing theory and fill the gap in this theories, namely the lack of knowledge of the relation of the two variables in the research question, it is possible that the research question can be hard to answer directly. A recommendation or directions for future research will be elaborated in order to keep the possibility to continue with this research open. It might lead to a sub-question for this research: "How do monetary incentives influence the negotiation behaviour of buyers and sellers in B2B settings of the agribusiness sector?"

In order to contribute to existing literature, through this research question, a literature review will be made about negotiation behaviour, business-to-business negotiations, monetary incentives and the principal-agent theory. Also 'the Classification of Negotiation behaviour'(Saorín-Iborra and Cubillo, 2019) will be elaborated, in order to help categorize and analyze data received from a qualitative research amongst different companies in the agribusiness sector. 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 monetary incentives and negotiation behaviour and address the gap in the literature. Second, it will help employers to understand the behaviours they use.

The findings are discussed, which might aid companies to improve their future use of monetary incentives. Thus, theoretical and practical implications are mentioned. The paper closes with limitations and directions for future research.

2. LITERATURE REVIEW

Before starting to answer the research questions, it is important to understand the theory of B2B negotiations, the influence of negotiation behaviour within a buyer-seller relationship in B2B-settings and the way in which monetary incentives occur or can occur. The logic behind these monetary incentives can be explained by the Principal-Agent theory (Eisenhart, 1986) and will be elaborated in the upcoming part of this paper.

The theory and previous literature of researchers of all these subjects will aid us in a better understanding of the relationship between the variables 'negotiation behaviour' and 'monetary incentives'.

2.1 Business-to-business negotiations (B2B)

Business-to-business negotiations occur in businesses that share an interest in trading utilities for resources (Walton and McKersie, 1965). Buyer and seller 'fight' for the best possible outcome for the company they work for (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."

Negotiators in a B2B aim to develop long-term relationships that please all negotiating parties, which will last for more than one deal. In addition to this point, long-term relationships result in greater competitiveness and enhances an organization's overall strategic position (Sharland, 2001). Sharland (2001) also states that it results in a reduce of the costs on the long-term, because parties do not have to go over all the stages in the negotiation process again. Behaviour among both parties is clearer and interests and back and forth communication have taken place in previous deals and negotiations. This back and forth communication are essential to reach the most beneficial outcome and a comparison of different options has to be made (Sigurdardottir et al., 2018). This type of communication is also of key importance because relationships created during the negotiation process will be built for the long-term (Sigurdardottir et al., 2018). This is also why negotiators who act in the B2B business tend to be more focused, more positive and more motivated (Wall, 1985) than negotiators negotiating for their own case. They focus on interest of the firm and get fulfilment of their job and the responsibilities that come with it.

To set up these kind of long-term relationships buyers and sellers need to reach an agreement in the negotiation process. Parties involved in a B2B negotiation process reach these agreements when the initial positions shift to a more realistic position in the centre position of a negotiation (Druckman, 2001). In order to reach such an agreement between two companies negotiating, some rounds of information exchange must take place. Offering and counteroffering are included in these rounds.

Moreover, relationship value is highly relevant concept in the strive for long-term relationships. 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, partners may be able to customize a product or process, making it perform better or making it less expensive to manufacture" (Priscila, Luiz, Aline, Fábio and Guilherme, 2014, p.564). Trust between the two negotiating partners increases throughout the relationship and becomes a reliable supply for the buyer and increases the willingness to pay. This trust means an ongoing business for the buyer and seller, because in general every relationship creates value, but the most important question is how to create 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).

2.2 Negotiation behaviour

Besides the negotiable variables (like price or performance) the variable 'negotiation behaviour' represent a big challenge, because this behaviour is key part of the back-and-forth communication. Many researchers have studied negotiation behaviour, looking at it from different perspectives (Amore and Failla, 2018; Barry and Friedman, 1998; Fleming and Hawes, 2017; Hageen et al., 2001; Saorín-Iborra and Cubillo, 2019). It can be defined as the use of tactical or communicative actions by negotiators during the negotiation process in order to move the negotiations towards a preferred outcome. These tactical or communicative actions can be verbal and non-verbal (Saorín-Iborra and Cubillo, 2019). Behaviours can be used to change a buyer of seller's perception of the product or service. Therefore, it is important for involved parties to become aware of the behaviours used in practice. In order to receive the best possible outcome for their own side, negotiators should make the best possible case for their outcome and move the other party away from their preferred solution.

According to Barry and Friedman (1998), there are two types of negotiation behaviour, namely distributive and integrative. But also, other researchers have classified negotiation outcomes in these two dimensions (Hageen et al., 2001; Robinson et al., 2000; Sigurdardottir et al., 2018; Thompson, 1990).

Distributive behaviour elaborates the involvement of fixed sums of goods or resources which have to be allocated in the negotiation process amongst the parties. This behaviour is best described as a competitive behaviour which leads to self-gain at the cost of the other party. Distributive behaviours are more likely to cause conflicts and are therefore less conductive towards agreements (Hageen et al., 2001). The interest of these parties being negatively correlated (Barry and Friedman, 1998). According to Robinson et al. (2001) distributive negotiators act against their counterparts. They are manipulative, not trustworthy and can be demanding. They try to push for the extremes by using extremely high opening offers and try to maximize their own return. An example of this behaviour is the negotiation over the price of a single item (good), like a car. The seller starts at a high price in order to maximize their own profit, whereas the buyer tends to start very low in order to pay as little as possible (Barry and Friedman, 1998).

Whereas Hageen et al. (2001) discuss the fact that distributive behaviour causes conflicts and leads to difficulties in reaching agreements because both parties cannot find mutual satisfaction, Saorín-Iborra and Cubillo (2019) state that the use of this competitive behaviour does not always result in a negative outcome of the negotiations. It can also lead to customer satisfaction towards the content of the negotiation or built a satisfying relationship during the negotiation process between buyer and seller.

Opposite of this distributive behaviour, researchers distinguish integrative behaviour. Integrative negotiations are negotiations in which there is the possibility for joint gain from the situation (Barry and Friedman, 1998). It is directed towards achievement of the goals of both the buyer and the seller, resulting in fulfilling all parties interest (Hageen et al., 2001). Integrative negotiators try to maximize the joint returns by collaboration and the use of realistic, polite and transparent negotiation styles. Integrative negotiations tend to result in a win-win opportunity for both parties, which can be a baseline for a long-term relationship and a healthy connection between buyers and sellers of different companies.

When it comes to these business-to-business settings, employees (agents) involved in the negotiation process have been found to be more pleased with an integrative negotiation behaviour, mainly because of these win-win possibilities (Fleming and Hawes, 2017). They have a greater chance to result in long-term relationships and in satisfying outcomes for both parties based on trust and transparency, a climate in which business-to-business buyers and sellers can thrive. However, “the number of purely integrative negotiations is low, as most of negotiations comprise both the distributive and integrative behaviours” (Barry and Friedman, 1998, p. 348). Different styles and classes were drawn up by Saorín-Iborra and Cubillo, (2019), also combining the different styles to variables as integrative or distributive behavior, which are shown in Table 1 below.

Table 1: A new classification of negotiation behaviour (Saorín-Iborra and Cubillo, 2019)

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 in- appropriate 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 in- appropriate competitive actions.

Saorín-Iborra and Cubillo (2019) concluded, that ‘soft competition’ was the most common type of negotiation behaviour, followed by ‘compromise behaviour’. This shows that integrative negotiation styles are preferred, but that some distributive behaviour and actions are included within those styles.

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

2.3 Monetary incentives

Monetary incentives are also known as variable pay or variable pay schemes. Researchers interest in monetary incentives is increasing in different ways. First, reviews of research on different types of monetary incentives appear more often. But also because the general use of monetary incentives has increased considerably (Heneman, 2000). The reason behind the use monetary incentives is to amp people’s motivation, which results in an increased organizational performance (Bonner and Sprinkle, 2002).

Variable pay or monetary incentives have different definitions and has been elaborated by many researchers over time (Arrowsmith and Marginson, 2011; Amore and Failla, 2018; Carpenter, 2017; Kuhn and Yockey, 2003; Lazear, 2000). The common theme in most of the research papers is that monetary incentives are cash payment, in form of a bonus or reward, that is connected to an individual/team/organizational measures of performance. Thus, people’s motivation is driven by bonuses or rewards. Results are mostly relying on three variables in B2B-settings: ‘monetary incentive’, ‘effort’, and ‘task performance’(Bonner and Sprinkle, 2002). These are influenced by a person’s skill, the complexity of the task, the assigned goals, and the bonus for a certain performance.

In order to increase their employee’s productivity employers often use monetary incentives as a motivational tool. It rewards the employees contribution to the firm. So, workers are able to control their pay level by adopting appropriate behaviours and earn more money if they want to (Cloutier et al., 2013). Amore and Failla (2018) added that monetary incentives promotes managerial efforts, high-quality learning and desirable team dynamics, which can result in a higher innovation input for the employee.

Carpenter, (2017), however also discusses a downside to monetary incentives as he states that incentives repress the drive of an individual to change a behaviour for his/her own internal fulfilment. Thus, losing his intrinsic motivation. In addition to this point, monetary incentives can lead to a change in the negotiation behaviour and therefore, it could endanger the long-term relationship and the integrative negation behaviour which is needed and preferred for a good long-term relationships in a B2B setting (Barry and Friedman, 1998).

Monetary incentives are also about a connection/contract between principals and agents (employer – employee) within a company, leading us to the Principal-Agent Theory. Carpenter (2017) showed an insight of this relationship by stating that “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”.

In addition to this, monetary incentives can create an environment of short-term focus, which is a dangerous environment for companies who aim for long-term relationships with customers and/or suppliers.(Arrowsmith et al., 2011).

To conclude this point, researchers have both stated the pros and cons about monetary incentives but moreover told us how firms could benefit from more focus employees who put more effort into their work while receiving monetary incentives. But they always have to keep in mind the dangers which may occur. It is key to find the right balance and have a future goal in mind while working with variable payment.

2.4 Principal-Agent Theory

In order to explain the rationale behind the variable ‘monetary incentives’ and its effect on the variable ‘negotiation behaviour’, it is necessary to understand the Principal-Agent Theory.

The origins of agency theory come from economists who explored the share of risk among individuals (Eisenhardt, 1989; Jensen, 1983). The principal (a CEO or manager for example) hires an agent and then delegates work or decision making to the agent (a sales manager or employee). Thus, the agent performs the work and makes decisions on behalf of the manager/CEO and/or the company.

Eisenhardt (1989) elaborates two major risks/downsides to the principal-agent theory. First of all, there is a possibility of conflicting interest between the principal and the agent, which are hard and/or expensive for the principal to monitor. Second, is the problem of risk sharing. It can be that the principal and agent are not aligned on the view of risk taking. Different views towards risks can lead to one party behaving differently, which can influence the outcome of the goals and expectations which were agreed on in the contract upfront. According to Eisenhardt (1989, p. 59) “researchers have focused on identifying situations in which the principal and agent are likely to have conflicting goals and then describing the governance mechanisms that limit the agent’s self-serving behaviour”. One of these governance mechanisms can be monetary incentives. An example to explain: 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). In that case monetary incentives are used to align the interests of both parties. Monetary incentives are therefore used to motivate agents to accomplish their goals. It is expected that agents adjust their negotiation behaviour and work towards a goal set by the two parties and limit the self-serving behaviour.

According to Eisenhardt (1989, p.59-60), the focus of the principal-agent theory is on “determining the optimal contract, behaviour versus outcome, between the principal and the agent”

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 and Ricci, 2014, p. 892). Therefore, agents can abuse or play with the compensation system, especially when explicit incentive contracts cannot completely specify all relevant aspects of worker behaviour. Thus, decisions regarding pay are at the discretion of superiors in the hierarchy.

To conclude this point, the principal-agent theory elaborates 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, monetary incentives are used to align the interests of both parties.

3. METHODOLOGY

3.1 Data collection

According to Stake (1995), qualitative data analysis is a frequent and reflexive process which occurs when data are being collected rather than when the data collection has been ceased. The justification behind using qualitative data analysis is because the paper aims to contribute to existing literature and to increase the understanding of the theory. In case of complex relationships between different variables which have to be understood, and the

seeking of different data patterns of unanticipated and expected relationships between those variables a quantitative research should be used. But 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).

Conducting interviews is the most common qualitative research method used. In this case, semi-structured interviews are the most fitting option and therefore applied to all of the interviews. The semi-structured interview guide can be used as a flexible device. Therefore, it was possible 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 and Hamilton, 2013).

The interviews were held separately, either a buyer or a seller being present. In order to compare the influence of monetary incentives on the behaviour of buyer/seller, interviews will also be conducted without knowledge upfront if firms offer monetary incentives. This is chosen to keep an open mind and to make a comparison between different strategies within different firms.

3.2 Units of analysis

Interviewees include four sellers and two buyers, because the study of multiple cases enables a possibility of insights based on comparison (Ragin, 2014). The firms involved were either Dutch or Slovakian, all working in the agri-cultural sector. The four sellers work for big international raw material suppliers and the two sellers work for two of the largest Agri-production companies of Europe. The participants were chosen with the goal of getting an understanding of monetary incentives within the same sector. In order to analyze the data, data was collected from the managerial perspective. Thus, how the use of monetary incentives influences their negotiation behaviour, in other words, how negotiators follow their companies’ policies, values, beliefs etc. Data were collected over four weeks. The interviews were held digitally and transcribed while taking them. Answers and the transcriptions were shared with the interviewee afterwards in order to clear any miscommunication.

All interviewees agreed that I am allowed to record the interview, but only for personal data collection. Overall, the interviews lasted up to 40 minutes, with an additional 10 minutes after the transcriptions were shared.

3.3 Data analysis

To define different types of negotiation behaviour six different ‘classes’ of negotiation behaviours will be used and classified to set the data apart. The classes were elaborated in “A new classification of negotiation behaviour” (Saorín-Iborra and Cubillo, 2019, p. 55). That model shows six different negotiation behaviour styles which can be classified by two variables: Integrative behaviour and distributive behaviour, which can be defined by acceptable actions and inappropriate actions. The aim is to define how the different responders react on monetary incentives and how negotiation behaviour changes when monetary incentives can be received, but also how it has changed over time.

The comparative method analysis (Ragin, 2014) will be used to understand, analyze and interpret the findings of the interviews. This analysis includes a content summary of the questions asked during the interviews.

4. FINDINGS

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

4.1 Monetary incentives and negotiation behaviour style

Four out of six buyers/sellers receive a monetary incentives, either a bonus or pay variable pay on top of the, as is also shown in Table 2. Negotiators who receive monetary incentives, tend to use slightly more distributive behaviours. Therefore, it can be said that the use of monetary incentives increases the use of distributive negotiation behaviours. The negotiators, who do not receive monetary incentives were asked to describe how they would change their negotiation behaviour, if they image that they would receive monetary incentives.

All negotiators are of the opinion that, in general, buyers and sellers are influenced through variable payment. *“Bonus systems have the advantage that the employee work harder to achieve the bonus. This of course, has the disadvantage that I might neglect things that would be useful for the company, but I think and really believe I act in the best interest for all parties. But also my own”* (Interviewee 1).

All interviewees which receive monetary incentives state that they will not change their behaviour when the incentives could become higher. But the data also shows that only the four interviewees that receive monetary incentives would talk to a negotiator's superior in order to get deals done. This shows a character of distributive behaviour, while this can be seen as aggressive negotiation behaviour. Hence, it can be said that monetary incentives leads to a more aggressive behaviour. Some negotiators experienced that their counterpart, who (also) received monetary incentives, uses demands or even threats although they state they do not use it themselves. Interviewee 2 stated the following on the matter: *“some counterparties act like they own the business, especially when you first meet each other and do not have previous deals with each other. In long-term deals the contacts are more easy-going. That is also why I always prefer existing suppliers above new suppliers, but sometimes the firm needs a change as well, so it is part of the job”*. Besides this distributive behaviour, all agree that long-term relationships are key and that existing suppliers and bonding are essential in the business.

Table 2: Summary of negotiation behaviour and styles

Monetary incentive/ Behaviour style	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	Interviewee 6
Monetary incentives						
Bonus	x				x	
Commission		x				x
None			x	x		
Distributive negotiation styles (Fleming and Hawes, 2017; Hageen et al.,2001; Saorin-Iborra and Cubillo, 2019)						
Greater opening demand than goal	x	x	x	x	x	x
Influence through bargaining power	x	x				
Talk to opponent superior to undermine position	*	x			x	x
Integrative negotiation styles						
Get info through asking rounds	x	x	x	x	x	x
Satisfied with the outcome	x	x	x	x	x	x
Opponent equally satisfied	x	*	x	x	*	x
Sort our issues together	*	x	x	x	x	x
Alternate offers in case of negotiation fail	*	x	*	*	*	
Note:						
x = interviewee answered yes						
* = interviewee answered yes and no						

4.2 Negotiation behaviour and long-term relationships

Sharland (2001) describes, B2B negotiators aim to develop long-term relationships. Relationship value, a good communication and trust are highly relevant. The interviewees describe the communication between the two negotiation parties as: open, friendly and goal-oriented. This is a result of long-term relationships. The interviewees seemed to be driven by the motivation to create long-term relationships instead of short-term relationships, because all preferred existing counterparties above new counterparties. Interviewee 3 stated the following: *“Dealing with an existing supplier is not only preferred at our company, but it also builds a relationship between myself and the buyer from my counterparty. I enjoy that the most, the satisfaction we both get after we can confirm a deal suitable for both parties”*.

Interviewee 5 also showed the same vision on preferred counterparties, but also has a good feeling for new negotiation parties, while he told that *“the joy and satisfaction it brings you when landing a new partnership is also something I would never forget. I still have them as my preferred supplier, so it is now a very good long-term relationship but you of course have to start at some point in time”*. The results from this research are also surprising, in such a way that all prefer their existing counterparties, although two out of six receive a higher incentive when closing a deal with a new company. One of them is Interviewee 2, he stated that *“the bonus is great, and it is something I work hard for and go the distance for. But as a person I also want to be me. I strive for the best deal in every negotiation, but the best deal for both parties. With an existing supplier, a person you know and who has helped you out before, closing together is always the best option to receive the most satisfaction”*.

4.3 Negotiation preparations

In order to negotiate successfully, preparation is needed, all interviewees agreed. 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?”*

The interviewees all show different length in preparation time, but also state that preparation can vary a lot between different deals and on the experience you have. All interviewees, with and without monetary incentives, put in the effort to make the negotiations a success and use (several) rounds of information in the preparation for the negotiations. So no clear difference has been noticed in preparation times caused by monetary incentives, but only differences between existing and potential new customers regarding negotiation preparation.

4.4 Impact food crisis on incentives and negotiation behaviour

Three of the interviewees were also working at their firms at the 2007-2008 food crisis. They all state that their behaviour has changed since that period, but do not refer to it as an outcome of that crisis. Interviewee 1 said that *“the crisis affected the whole world, and also our business of course, but we have kept producing and our customers kept buying. The business in principal did not change, but long-term agreements and*

relationships helped each other out.” Interviewee 3 added that *“margins were dropping, but it was a global trend and we knew that together we could manage it and sit it out”*.

But like referred previously they also stated that behaviours have changed, but ‘blame’ that on the ongoing change every business has to deal with. Each period in time asks for a different approach. In addition to that, companies have changed strategic goals on different occasions and have been focusing more on the long-term relationships after the 2007-2008 food crisis, but like Interviewee 5 shared, *“long-term relationships were already of key importance for buyers, it only made it more clear that we needed that type of relationships to keep the business running”*. Companies became slightly more supportive towards integrative negotiation behaviours, but kept the buyers and sellers free of guidelines and let them work it out together with their counterparties. Also no changes in the type of monetary incentives was shown. Only in one case (Interviewee 4) the company changed the policy for monetary incentives, as it shifted from present to none existing. *“But the incentives we received in that period were already fixed and based on a company/team effort, so they translated it into new part in our fixed payment and scrapped the variable pay”*.

5. DISCUSSION AND IMPLICATIONS

This paper focuses on the under-researched context of the use of monetary incentives in B2B negotiations of the agricultural sector and the change which occurred after the food crisis of 2007-2008. It has two major contributions of value for theory and practice. At first, it elaborates the understanding of B2B negotiations and identifies behaviours used in B2B negotiations from buyers and sellers in this sector. Second monetary incentives can be used as a motivational tool in order to increase the effort these buyers and sellers put into their negotiations and negotiation techniques. These contributions suggest several implications for theory and managerial implications, as well as directions for future research. But also, the paper shows the possible negative impact monetary incentive can have on the distributive behaviour of negotiators and the long-term relationships between firms.

For example, The behaviour regarding long-term relationships in this study confirms with the findings of Saorín-Iborra and Cubillo (2019). They concluded, that ‘soft competition’ was the most common type of negotiation behaviour. This shows that integrative negotiation styles are preferred, but that some distributive behaviour and actions are included within those styles. As Interviewee 2 works hard for his bonus, but always has the best intentions for the counterparty as well.

But also, while all interviewee’s stated that back and forth communication is present and key in their negotiations it confirms the theory described in section 2.1 of this paper: This back and forth communication are essential to reach the most beneficial outcome, as was stated by Sigurdardottir et al. (2018)

5.1 Implications for theory

The variables ‘monetary incentives’ and ‘characteristics of B2B negotiations’ are used to align the interests of two of more parties. The unique characteristics of B2B negotiations can be described by one party (principal) delegates work to another party (agent), described in the Principal-Agent theory (Eisenhardt, 1989).

Contract which include monetary incentives link rewards to performance to enhance greater effort (Lazear, 2000). However, it is difficult to measure the objective performance of the agent, while the output of all tasks cannot be measured and therefore

efforts are misinterpreted. This means that tasks with higher rewards are seen as more important than tasks with the lower rewards. Employees who receive monetary incentives tend to negotiate more aggressively and will not give up easily because of the bonus which might be received. The findings are justified by Arrowsmith and Marginson (2011), as they stated that monetary incentives can create an environment which focuses on self-gain and short-term wins.

The goal of B2B firms is to create a long-term relationship, for which the base is created during negotiation processes. However, this is contradicting with the use of monetary incentives, which supports a short-term focus. Negotiators choose a negotiation behaviour on the basis of experience and expectations that the behaviour will result in a successful outcome. The findings provide evidence that all interviewees, besides one, primarily use integrative tactics. They have been found to be more pleased with an integrative negotiation behaviour, mainly because of these win-win possibilities, which confirms the statement by Fleming and Hawes (2017).

But a negotiator is never using only integrative actions or only distributive actions, which also corresponds to the interviewees which took part in this paper. This corresponds with the findings of Saorín-Iborra and Cubillo (2019), who classified the six negotiation behaviours. Buyers and sellers receiving monetary incentives can be allocated to the 'soft competition' or 'competition' type, meaning that they use integrative actions with a frequent use of distributive tactics that can be acceptable as well as inappropriate, depending on the other party. The inappropriate behaviour mainly comes from the part in the negotiations that they do not want to give up and have a possible bonus in mind. Buyers and sellers not receiving these incentives, can be best placed in the 'pure integrative' or 'collaboration' behaviour type. They have integrative actions with a very low use of distributive actions (Saorín-Iborra and Cubillo, 2019). They have the best interest of the firm in mind. 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 relationship exist over years and are stable, there is a shared understanding that both parties need to be satisfied with the outcome for future relations and to opportunities for distributive behaviour are low. As elaborated in the interviews, the buyers and sellers understand and accept these relationships and are not willing to harm them. Two of them also stating that it is the firms policy not to do so, which might be the result of the increasing prices and loss of faith during the food crisis. Aggressive or inappropriate negotiation behaviour occurs at the starting point of negotiations with possible new relations.

To conclude this point, the use of monetary incentives is increasing the use of distributive behaviours, but findings indicate that the negotiators are aware of the importance of long-term relations in B2B settings. Negotiators who receive monetary incentives 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 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. In addition to this, negotiators are motivated differently for example through a monetary incentive, hence lead to the fact that the negotiator makes use of more distributive actions than a negotiator receiving a fixed payment.

In order to avoid these problems, which are also described in the Principal-Agent Theory, it is important that both the principal and the agent decide on common desires and goals when using monetary incentives. If the goals and desires conflict, this may harm the long-term relationships, which can be an indication that monetary incentives do not bring the effect it is supposed to. Incentives need to make sure that on the one hand, the employee is motivated to achieve his goal, and on the other hand that the employee still works for organizational goals and not for self-gaining purposes.

Distributive/competitive actions does not always indicate a negative effect on the outcome (Saorín-Iborra and Cubillo, 2019). A successful outcome of a negotiation is one in which all negotiating parties are satisfied.

6. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The result of this research can be used to develop hypotheses for future research focused on monetary incentives and the influence on negotiation behaviours. This research was conducted with a very small sample size (six companies only) and therefore the validity of this research is lacking, the results cannot be generalized. In addition to this, data was collected in The Netherlands for five cases and one in Slovakia which restricts the international generalization of the paper.

Furthermore, the company size should be taken into account. This study included companies with a large number of employees, all above one thousand. Moreover, the research relied on the interview responses of one single representative of an organization, it might be that other interviewees would respond different on the policy within a company. 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, although not being present in this role during the food crisis. Thus, it is recommended to interview more than one representative of the company to strengthen and support the findings, but also to put answers into perspectives.

Future research should investigate which amount of money/number of bonuses affects the negotiation behaviour. Thus, where and when the change in behaviour is happening when the negotiators change their behaviour. To investigate if there is a threshold for monetary incentives and what this threshold should or could be.

Additionally, 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 monetary incentives and on negotiation behaviour. Moreover, future researcher could use observation as a method in order to reduce the interviewers influence on the interviewee. While observation does not make interviewees think about their answers, but the daily behaviour can be observed from a distance.

Another possibility for future research could include organizations from other sectors, it might be that the behaviours in this sector have changed because of the food crisis, even though we do not find the proof for that in this research. It can also be that behaviours have changed because B2B negotiations have changed in general. A bigger sample size could also help to support that research.

7. CONCLUSION

With a literature review and case study with six companies, qualitative data were collected to identify how monetary incentives influence the negotiation behaviour of principals and agents in a business-to-business setting. In addition to that, distributive and integrative interactions were classified in order to identify if monetary incentives affect the type of behaviour. Previous works in literature did not elaborate the influence of monetary incentives on buyer/seller negotiation behaviour, but only to customer satisfaction or how managers' education influences the adoption of monetary incentives. This study provides insights regarding the relationship between buyer/seller negotiations and monetary incentives.

Based on the aforementioned findings, it can be concluded that monetary incentives do affect the negotiation behaviour of agents in business-to-business settings. This conclusion can only be made for buyers and/or sellers in the Agricultural sector, while the interviewees were all chosen from this sector. This choice was made in order to find a possible second connection in the research, namely if the 2007-2008 food crisis also triggered a change in negotiation behaviour and a change in the use of monetary incentives.

The conclusion that monetary incentives do affect the negotiation behaviour to some extent was drawn because of the clear difference in negotiation behaviour, especially the distributive behaviour, of buyers/sellers that do receive monetary incentives. The variable of key importance is that all four out of six who did receive monetary incentives, would go to a counterpart superior in order to get a deal through if needed. Both buyers/sellers who do not receive these incentives stated that they would never take on this aggressive, distributive behaviour in order to get the deal done.

From this research it is also concluded that the food crisis of 2007-2008 did not affect the behaviour of negotiators in the B2B Agricultural sector. Hence, the crisis did not change the way monetary incentives are used in the sector and did not change the behaviour of principals and agents. Long-term relationships were key before the crisis already, and remained key after the crisis.

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. Monetary incentives 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.

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