### University of Twente Faculty of Behavioural, Management & Social Sciences (BMS)

### Master Thesis M.Sc. Business Administration – Purchasing & Supply Management

- **Topic:**The impact of trust, tactics and process on the perceived<br/>relationship between buyers and suppliers in B2B negotiations
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#### Abstract

**Purpose:** This study aims to examine to what extent negotiation factors such as trust, tactics and process impact the perceived relationship between suppliers and buyers in B2B settings. The expected output of this research is to bridge theory and practice by providing a conceptual model that will guide both procurement and sales professionals into developing their negotiation skills in such a way that they can improve the relationship with their counterpart and potentially increase the value of their B2B interactions.

**Methodology:** For this study, a dyadic approach has been carried out with regards to data collection. Through surveying pairs of both sales and procurement professionals, quantitative data was collected on the actions, attitudes, and antecedents of B2B negotiations and linked to the score they gave each other on the relationship strength. The data cross-examines the perceived relationship scores of the professionals against the negotiation factors through multiple linear regression.

**Findings:** The results from the quantitative analysis show that higher levels of trust (in terms of reciprocity, transparency and fairness), more use of integrative tactics and a better process (in terms of a smoother negotiation process and bonding) all show statistically significant effects on the Perceived Relationship Score of buyers and suppliers. Thus, it can be concluded that both sales and procurement professionals should focus on improving these negotiation factors.

**Limitations:** The scope of this research has not allowed for a full exploration of the topic of negotiations and inter-organizational relationships. Therefore, further research is needed to identify other potential negotiation factors that may influence B2B relations between buyers and suppliers. Also, factors such as culture, an industry of organization and potential power differences have not been accounted for in this study.

**Keywords:** Negotiation, B2B relationships, dyadic approach, supplier-buyer relationships, sales, procurement, trust, tactics, process, perceived relationship strength

#### Acknowledgements

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I would like to express special thanks to my supervisors Aldis Sigurdardottir and Kjartan Sigurdsson. Dr Aldis Sigurdardottir has been more than just a teacher and a supervisor, she has also been my negotiation coach and a mentor. Thanks to her energy, enthusiasm and guidance, I have gained experience and knowledge on the field of negotiation. She has also been the primary source of inspiration for my research topic. Moreover, I would like to thank all the participants for providing valuable data input for the research. Without everyone's involvement, this research would not have been feasible.

For this research, other people were a necessary ingredient. We are dependent on each other to achieve great things. Only through understanding, mutual exchange and proper communication can we solve problems and make the right decisions. After all, life is one great negotiation.

Sercan Findik

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**1. Introduction:** inter-organizational negotiations are an important consideration for professionals since they influence supplier-buyer relationships and business performance, but current literature on the topic of negotiations does not provide a prescriptive overview.

Ever since the dawn of mankind, from an evolutionary standpoint, people were reliant and dependent on each other for survival as there was always some degree of interdependency, and; therefore negotiations were used as a form of decision making.<sup>1</sup> Negotiations are ubiquitous in our professional and daily lives. Whether we want to plan a dinner with a friend or discuss business with a partner, we will have to negotiate to solve problems and come to agreements with others in our daily interactions.<sup>2</sup> Negotiations are an essential part of human interactions and are a important contributor to the development of long-term relationships.<sup>3</sup> Furthermore, negotiation skills are essential for almost anyone, since many social or organizational setting require the act of negotiating to achieve personal goals.<sup>4</sup> Thus there is value in developing negotiation skills and increasing one's understanding of the topic.

Often the first interaction between organizations occurs when parties negotiate or discuss their business offerings with each other. Therefore, negotiations are an indispensable topic when engaging in business interactions, particularly in supplier-buyer settings, where parties representing different organizations need to obtain favourable outcomes for their respective businesses, while maintaining a good rapport with their exchange partners because of their (future) dependencies on each other. Hence, negotiations have the power to signal the foundation of inter-organizational relationships.<sup>5</sup>

Negotiation research is present in many academic fields such as Management, Economics, Psychology; Sociology and Organizational studies.<sup>6</sup> Although negotiation research has experienced a surge in publications and understanding, there is still room for improvement since the focus had been mostly on game theory, outcomes and experimental settings.<sup>7</sup> Previous

<sup>&</sup>lt;sup>1</sup> See Greenhalgh and Lewicki (2015, p. 465); Huck, Kirchsteiger, and Oechssler (2005, p. 692)

<sup>&</sup>lt;sup>2</sup> See L. Thompson (1990b, p. 515)

<sup>&</sup>lt;sup>3</sup> See Ghauri (1986, p. 81)

<sup>&</sup>lt;sup>4</sup> See Brooks and Schweitzer (2011, p. 43)

<sup>&</sup>lt;sup>5</sup> See Li, Yin, Chong, and Shi (2018, p. 1)

<sup>&</sup>lt;sup>6</sup> See Bazerman, Curhan, Moore, and Valley (2000, pp. 280-281); Urbanavičienė, Kaklauskas, and Zavadskas (2009, p. 67)

<sup>&</sup>lt;sup>7</sup> See Bensaid and Gary-Bobo (1991, p. 1067); Gelfand and Brett (2004, p. 8)

negotiation research has been predominantly focused on single specific topics rather than taking a general approach.<sup>8</sup> For example, some of the studies involve behavioural economics of negotiations through strategies, outcomes and utility derived from negotiations.<sup>9</sup> Others focus solely on sociological and psychological aspects on negotiations such as emotions, empathy, trust and attitudes.<sup>10</sup> By providing a holistic overview of the influence of negotiations in business to business (B2B) settings, professionals can potentially derive more from value from their relationships. These relationships are essential because global market trends indicate that there is increased competition, shorter product life cycles, more technological advancements and a greater need for collaboration.<sup>11</sup>

This study focusses on procurement and sales professionals in their B2B negotiations. Research shows considerable inefficiencies that result from imperfect relationships.<sup>12</sup> Furthermore, professionals are "paying" premiums for less-than-optimal engagements that result from shortcomings of their negotiations and contractual agreements which result from a lack of understanding and experience.<sup>13</sup> Unfortunately, most of the literature on the topic of negotiations are rather descriptive than prescriptive and, thus, lacking a clear link with practice.<sup>14</sup> Also, the subject of negotiations in academic literature is not researched as extensively and thoroughly, and for example, does not always connect insights in B2B relationship building, sustaining and development.<sup>15</sup>

Hence, to research negotiation in B2B settings, outcomes need to be transferable and executable. In this case, it is imperative that negotiation and relational research can be translated such that sales and procurement professionals will benefit. This research aims to provide a holistic theoretical framework on the influence of negotiations on the development of B2B relationships. Therefore, this research seeks to answer the following research question:

<sup>&</sup>lt;sup>8</sup> See Neale and Bazerman (1985b, p. 34)

<sup>&</sup>lt;sup>9</sup> See Fells (1998, p. 300); Jennings et al. (2001, p. 200); Neale and Bazerman (1985a, p. 35)

<sup>&</sup>lt;sup>10</sup> See Butler Jr (1999, p. 218); Schurr and Ozanne (1985, p. 939); Sheppard and Sherman (1998, p. 422)

<sup>&</sup>lt;sup>11</sup> See Hsu, Kannan, Tan, and Keong Leong (2008, p. 297)

<sup>&</sup>lt;sup>12</sup> See Bensaou and Anderson (1999, p. 468)

<sup>&</sup>lt;sup>13</sup> See Lax and Sebenius (1986, p. 80); Raiffa (1982, p. 357)

<sup>&</sup>lt;sup>14</sup> See Bazerman (2005, p. 29); R. J. Lewicki and Stevenson (1997, p. 99); Young (1991, p. 111)

<sup>&</sup>lt;sup>15</sup> See Greenhalgh and Lewicki (2015, pp. 475-476)

### *RQ*: To what extent do negotiation factors such as tactics, trust and process influence the perceived relationship between suppliers and buyers in B2B settings?

This study is structured as follows: First, a literature review provides an overview of research that has been conducted on inter-organizational relationships and negotiations. Second, based on existing research, this research explores Tactics, Trust and Process and proposes a conceptual model based on how (B2B) negotiation factors are linked to perceived supplier-buyer relationships. Third, dyadic survey data is analysed through cross-validation and examines if the proposed model holds validity. Finally, by linking theory and practice, conclusions are given based on the collected data.

# **2. B2B relationships:** maintaining good relations is highly valuable for sales and procurement professionals.

One way to increase the satisfaction of business partners is for procurement and sales professionals to engage in more intimate relationships in which reciprocity and transparency are perceived to be at high levels by the counterpart.<sup>16</sup> This notion is consistent with interdependency, which is the single most relevant precondition for negotiations to take place.<sup>17</sup> Businesses rely upon each other to provide one another with resources and services they cannot effectively obtain independently.<sup>18</sup> At the end of the day, if you do not depend on others for any resources or services, then there is simply nothing to negotiate about. Hence, negotiations exist because individuals and organizations require something from one another and often have diverging goals and priorities.<sup>19</sup>

The focus of this research is on the aspect of existing B2B relations between suppliers and buyers to identify the significant antecedents and factors that influence B2B relationships. Risk management for negotiations is specific and has preconditions. There would not be any need to invest time and effort in relationships that simply do not offer any strategic value. Hence, professionals should consider that the outcomes of this research would best be applied to relevant suppliers and buyers in B2B relationships. Therefore, this chapter examines the relevance of negotiations and the effects of good relationships for suppliers and buyers by the following steps: (1) the mechanisms of inter-organizational negotiations, (2) the procurement perspective on good relations, (3) the sales perspective on good relations, and (4) market trends and risk management.

<sup>&</sup>lt;sup>16</sup> See Schiele, Ellis, Eßig, Henke, and Kull (2015, p. 133)

<sup>&</sup>lt;sup>17</sup> See Brett (2000, p. 98)

<sup>&</sup>lt;sup>18</sup> See L. Thompson (1990a, p. 528)

<sup>&</sup>lt;sup>19</sup> See Carnevale and Pruitt (1992, p. 531)

## **2.1 Inter-organizational negotiations** are key to relationship building, business development, competitiveness and professional growth.

Every organization or business requires the assistance, resources or services of other organizations to develop its projects, programs, routines, finances, access to new technologies and ideas, to protect itself legally and politically, develop products and make purchases.<sup>20</sup> Organizations are dependent on other organizations to survive, grow or sustain themselves. Negotiations are central to inter-organizational or B2B relations because technically no formal agreements, contracts or arrangements between organizations go without the involvement of some way, shape or form of negotiations.<sup>21</sup> Negotiations require time and effort to succeed. New projects, for example, can require negotiators to visit their counterparts. That can increase cost, especially when organizations are operating internationally. Therefore, negotiations are often a central topic to consider when dealing with relationships and business conduct in B2B settings.

Negotiations are often the first form of collaborative contact and often determine the trajectory of the relationship.<sup>22</sup> Moreover, negotiations are likely to influence the longevity of the relationship.<sup>23</sup> Negotiations are present in many forms and fields. Negotiations can be about mediation, conflict resolution or simply problem-solving.<sup>24</sup> They can also be about the smallest of things, and whenever there is decision making involved, or there is a dispute, parties will need to negotiate. Whether this happens in a formal setting or not, they are still considered negotiations. So, there is a distinction between formal and informal negotiation. Deals and outcomes that are derived from negotiations have the potential to determine the purchasing performance of buyers and sales outcomes of sellers in increasingly competitive markets.<sup>25</sup> Therefore, deciding on the proper negotiation strategy and identifying the best possible mix of suitable negotiation tactics is imperative to the maximization of a company's profitability.<sup>26</sup>

<sup>&</sup>lt;sup>20</sup> See Strauss (1982, p. 350)

<sup>&</sup>lt;sup>21</sup> See O'Toole and O'Toole (1981, p. 29)

<sup>&</sup>lt;sup>22</sup> See Krause, Terpend, and Petersen (2006, p. 4)

<sup>&</sup>lt;sup>23</sup> See Ulaga, Zolkiewski, and Eggert (2006, p. 312)

<sup>&</sup>lt;sup>24</sup> See L. L. Thompson (1991, p. 161)

<sup>&</sup>lt;sup>25</sup> See Thomas, Thomas, Manrodt, and Rutner (2013, p. 98)

<sup>&</sup>lt;sup>26</sup> See Sigurðardóttir, Hotait, and Eichstädt (2019, p. 298)

Just like any other skills that professionals can add to their repertoire, negotiation skills can and have to be learned through active learning processes and experience.<sup>27</sup> Most negotiations occur in the onset of an existing relationship in which it is imperative to execute each negotiation in such a way that future interactions are not negatively impacted.<sup>28</sup> A negotiator that represent an organization is always negotiating with a person, not an organization and, therefore, it can be difficult to separate issues and problems from the people. Words have to be accompanied by actions to have a meaning during negotiations to bridge the gap between inter-organizational communication and action since negotiations are aimed to find common ground between parties. That means that professionals should be aware that their actions before, during and after negotiations have consequences for their business interactions.

# **2.2 Preferred customer status (Procurement perspective)**: buyers can benefit from developing good relations with their suppliers because of preferential resource allocation, innovation and lowered risk.

The relationship between buyers and suppliers has received increasing attention in the academic world due to a realization that B2B relationships play a key role in developing competitive advantages.<sup>29</sup> Over the past few decades, the number of suppliers has seen a decrease, while the proportional business activities performed by suppliers has increased. With this trend, it has become apparent for the purchasing function to set the focus on maintaining into maintaining and sustaining key supplier relationship to prevent sourcing risks. Moreover, "Preferred Customer Status" is a useful concept that explains how buyers can reach a certain relational level with their suppliers that allows them to receive preferential resource allocation, access to innovation and special treatment.<sup>30</sup>

the 'Preferred Customer Status' highlight the importance of attractiveness to an exchange partner in order to initiate or intensify the relationship.<sup>31</sup> Without fulfilment of economic value between exchange partners, there would not be an optimal outcome for both parties. One could be the best

<sup>&</sup>lt;sup>27</sup> See Sarfaty et al. (2007, p. 239)

<sup>&</sup>lt;sup>28</sup> See Fisher, Ury, and Patton (2011, p. 22)

<sup>&</sup>lt;sup>29</sup> See Artz (1999, p. 113)

<sup>&</sup>lt;sup>30</sup> See Schiele, Calvi, and Gibbert (2012, p. 1178)

<sup>&</sup>lt;sup>31</sup> See Hüttinger, Schiele, and Veldman (2012, p. 1195)

negotiator in the world and still have a relatively dysfunctional B2B relationship because of an unsatisfactory economic value to their business partners. This can be explained by the idea that business and organizations have certain goals to meet, for most businesses obtaining profits or cost reductions are one of the most relevant goals.

**2.3 Supplier satisfaction (Sales perspective)**: suppliers can benefit from developing good relations with their customers because of increased turnover, lower transaction costs and improved forecasting.

With more uncertainty in the marketplace, it is clear that organizations have to move away from a transactional relationship to a relationship-oriented market strategy for more optimal business performance.<sup>32</sup> For sales professional (or suppliers) information exchange between them and their customers is critical for lowering operational costs. If suppliers manage to set up good ties with their customers, they have the potential to increase sales turnover, get better demand forecasts and even find a possibility for new product development. However, this requires a high degree of cooperation and coordination through, for example, the use of digital tools in which information is shared on a continuous base between suppliers and customers.

# **2.4 Market trends and risk management**: increasing competition, shorter product-life cycles, increased international operations and technological developments require professionals to maintain good relations.

The latest market trends show an increase in competition through shorter product-life cycles, rapid technological advancements and a higher degree of globalization.<sup>33</sup> These trends have pushed organizations beyond their traditional boundaries and capabilities. Businesses can outsource certain business functions to overseas facilities. Furthermore, the emergence of the internet and the use of smart technology has allowed businesses to utilize tools to analyse, control and react faster to changes that happen in the marketplace. For buyers and suppliers, the trends indicate that there is a higher degree of dependency on other organization for certain business functions, resources and operations. Therefore, nowadays, increasingly more professionals must be skilled in the development and maintenance of robust business relations. Thus, it is likely that the key to

<sup>&</sup>lt;sup>32</sup> See Sheth and Sharma (1997, p. 91)

<sup>&</sup>lt;sup>33</sup> See Ferreira, Faria, Azevedo, and Marques (2017, p. 1474)

strong relations lies in negotiations because inter-organizational agreements, contracts and disputes often flow through the negotiation table.

## 3. **Theoretical Framework:** how Tactics, Trust and Process influence the Perceived Relationship Score between buyers and suppliers

This section provides an overview of the proposed conceptual components of the theoretical framework to address the research question. First, negotiation Tactics are discussed through the distinction between integrative and distributive negotiation tactics. Second, the concept of Trust is examined through the components of Fairness, Reciprocity and Transparency. Thirds, the concept of Process is explored through investigating the negotiation process and bonding behaviours that buyers and suppliers exhibit. Finally, a conceptual model of Tactics, Trust and Process (TTP) is proposed.

# **3.1 Negotiation Tactics:** integrative and distributive tactics are actions which negotiators can take in order to meet their desired goals during B2B negotiations.

The negotiation process can be described by the communication that occurs before agreements are reached, which can consist of strategies, actions and bargaining behaviours that negotiators employ to reach satisfactory outcomes.<sup>34</sup> In general, there are two main styles of negotiating: (1) integrative negotiation tactics, and (2) distributive negotiation tactics.<sup>35</sup> In distributive negotiations, it is believed there is a finite outcome (or a metaphorical 'fixed pie'), and a negotiators goal would simply be to 'claim' as much of that outcome as possible. Integrative negotiation tactics on the other hand, include opportunities for negotiators to gain value from enlarging 'the pie' or the total outcome potential, create trade-offs that recognize differences in priorities and offer creative approaches.<sup>36</sup> During the preparations for negotiations it is important for negotiators to consider how to obtain the outcomes they prefer. Hence, in order to have a good grip on the situation, negotiators must carefully consider the strategies they will use during their negotiations. Table 1 shows an overview of the differences between Integrative and Distributive Negotiation Tactics across different areas of comparison.

<sup>&</sup>lt;sup>34</sup> See Sigurdardottir, Ujwary-Gil, and Candi (2018, p. 430)

<sup>&</sup>lt;sup>35</sup> See McKersie, Perry, and Walton (1965, p. 464)

<sup>&</sup>lt;sup>36</sup> See Fulmer and Barry (2004, p. 248)

**3.1.1 Integrative Negotiation Tactics:** value creation as a tactic during inter-organizational negotiations can lead to higher outcome satisfaction of parties which in turn could potentially lead to greater relationship strength.

Integrative negotiation tactics are about enlarging the metaphorical 'pie', which represents the total sum of value gained for all parties through negotiations. Essentially, integrative tactics revolve around the collaborative and creative ability to reach optimal outcomes for all sides.<sup>37</sup> The whole idea of the integrative approach is to explore options in order to maximize value gained from the negotiation interaction through means of for example problem solving.<sup>38</sup> During integrative negotiations, negotiators try to balance creating mutually beneficial outcomes and to optimize their own value share of the resources, which requires a strong degree of information gathering and information exchange that goes beyond simple distributive negotiation.<sup>39</sup>

An important element of integrative negotiations is to explore interests, perspectives and options before proceeding to make an offer, because a hasty offer might be perceived by a counterpart as suspicious and result in 'reactive devaluation' ("it must be bad since you are the one offering it").<sup>40</sup> Therefore, the main principle of integrative tactics is to lay the groundworks by constructively assessing interests and standards carefully.

## **3.1.2 Distributive Negotiation Tactics:** contrary to popular belief, value claiming could potentially lead to favourable outcomes and stronger B2B relations.

Distributive negotiations tactics focus on value claiming and have the perspective of splitting the proverbial "pie", insinuating that there is a limited piece of pie that can only be divided in such a way that one's gain is the other's expense. In other words, distributive negotiation tactics have a zero-sum perspective. Distributive Negotiation Tactics can be best applied when two or more parties intend to have a one-off negotiation with each other and do not plan on building and growing the relationship for long term collaboration.<sup>41</sup>

<sup>&</sup>lt;sup>37</sup> See Oliver (1996, p. 84)

<sup>&</sup>lt;sup>38</sup> See Krause et al. (2006, p. 6 )

<sup>&</sup>lt;sup>39</sup> See Fulmer and Barry (2004, p. 248)

<sup>&</sup>lt;sup>40</sup> See Curhan, Neale, and Ross (2004, p. 143); Fisher et al. (2011, p. 173)

<sup>&</sup>lt;sup>41</sup> See R. Lewicki and Robinson (1998, p. 680)

It is often believed that distributive tactics are for people who only act selfishly and have a lack of empathy for the other party mentioned unethical behaviours.<sup>42</sup> Furthermore, it is thought that certain distributive tactics may lead to dissatisfaction and contempt in the perspective of negotiation partners, which can in tern harm the relationship between the negotiation parties. To a certain degree this is true, but distributive tactics are a necessary tool to employ during negotiations for a variety of reasons.

One aspect of distributive bargaining tactics is the prevention of the "winner's curse". This phenomenon occurs under information asymmetry, when negotiators deviate from normative behaviours, overvalue what they wish to acquire and, thus, they forego profit-making opportunities.<sup>43</sup> When negotiators do not bargain enough, they may leave money on the table. For example, when someone is selling a car, and then a buyer makes an offer. If the seller agrees with the first offer and the deal is immediately finished afterwards, both parties will likely feel unsatisfied. This is because the buyer's offer had been accepted immediately, so perhaps he could have gone lower. Also, the seller could have asked for more in hindsight since the buyer was happy with his offer. Negotiators sometimes display a drive to 'win', so negotiators who make a winning bid may feel the satisfaction of having 'won' a contest.<sup>44</sup> Therefore, by asking for more, a negotiator could increase the satisfaction of their counterpart. These tactics allow negotiators to gain higher returns for their respective organizations and meet for example monetary goals in a more optimal way. Thus, distributive tactics may prevent the 'winners curse' to occur. Finally, it enables parties to feel satisfied of their negotiated outcomes because they 'fought' for the outcome.

<sup>&</sup>lt;sup>42</sup> See Fulmer, Barry, and Long (2009, p. 692)

<sup>&</sup>lt;sup>43</sup> See Samuelson and Bazerman (1984, p. 3)

<sup>&</sup>lt;sup>44</sup> See Foreman and Murnighan (1996, p. 178)

Areas of Comparison	Distributive Negotiation Tactics	Integrative Negotiation Tactics
Strategy	Competitive/hard bargaining	Cooperative and collaborative
Resources	Fixed (fixed pie)	Maximised (expandable pie)
Outcome focus	Win-lose and claiming value	Win-Win and creating value
Motivation	Attain one-sided target	Attain a mutually acceptable target
Relationship	Not a priority	High priority
Communication	Highly selective, careful and controlled	Open and constructive
Complexity	One topic at a time is discussed	Multiple subjects are discussed

**Table 1.** Differences between integrative and distributive negotiation tactics, adapted from

Krause et al. (2006)<sup>45</sup>

<sup>&</sup>lt;sup>45</sup> See Krause et al. (2006, p. 9)

## **3.2 Trust:** a key ingredient in building strong long-term B2B relationships through reciprocity, fairness and transparency.

B2B interactions heavily rely on the degree of trust between the parties to function optimally as trust is perhaps the single most important ingredient (and attitude) for successful interorganizational negotiations and (business) relationships.<sup>46</sup> When there is an absence of trust, many negotiation aspects such as pricing, delivery times and payment terms become increasingly difficult to settle on because an increased risk of opportunism and non-compliance.<sup>47</sup> In general, trust is a function of past experiences and is likely to increase or decrease based upon interactions between individuals.<sup>48</sup> Nevertheless, trust is a difficult factor to quantify as it is subjective to perspectives of involved parties. Typically, it is believed that the absence of trust (or distrust) is indicative of the end of a relationship. Nevertheless, the best negotiators know when and how to amend the relationship, even if there was a breach of trust in the past between organizations and individuals.

Negotiators are often under the impression that trust is rather one-dimensional and relates to the level of "trustworthiness" of the counterpart. Nonetheless, there are various kinds of trust to be identified such as competence based and character based (integrity).<sup>49</sup> Therefore, a supplier might be very competent and you might trust them for their skills, but simultaneously you might think that person has a 'nasty' personality to deal with. This means there is trust present in one aspect, but not the other. Either form of trust may contribute to higher levels of cooperation, positive attitudes, and better performance.<sup>50</sup>

Furthermore, relationships can be mended even if it was previously damaged since there are several actions and attitudes that negotiators could take in B2B settings, that would repair the level of trust and strength of the relationship.<sup>51</sup> First, reciprocity and trust act in economic exchange settings through the concept of social exchange in both positive and retributive ways .<sup>52</sup> Second,

<sup>&</sup>lt;sup>46</sup> See Malhotra and Bazerman (2007, p. 267)

<sup>&</sup>lt;sup>47</sup> See Malhotra and Bazerman (2007, pp. 266-267)

<sup>&</sup>lt;sup>48</sup> See Kramer (1996, p. 218)

<sup>&</sup>lt;sup>49</sup> See Mayer, Davis, and Schoorman (1995, p. 716)

<sup>&</sup>lt;sup>50</sup> See Dirks and Ferrin (2001, p. 451)

<sup>&</sup>lt;sup>51</sup> See Dirks, Lewicki, and Zaheer (2009, p. 69)

<sup>&</sup>lt;sup>52</sup> See Dirks and Ferrin (2001, p. 463); Dirks et al. (2009, p. 89)

information exchange and transparency in business conduct might lead to more efficient organizational interactions, better mutual outcomes and firm performance and directly contributes to the strengthening of supplier-buyer relations.<sup>53</sup>

Third, it has been found that (procedural) fairness and trust are related in exchange relationships, which has a potential to influence outcome distributions and relational developments.<sup>54</sup> Hence, the first step in order to examine the effect of trust on supplier-buyer relationships is to settle on components that contribute to the level of trust. Therefore, the concept of Trust in this study is focused on Reciprocity, Fairness and Transparency.

# **3.2.1 Reciprocity**: by utilizing reciprocal behaviour negotiators can influence their counterparts into showcasing the same behaviour.

The concept of reciprocity an important ingredient for trust since it showcases how parties treat and view each other with regards to equality, equity and mutuality in the relationship.<sup>55</sup> Reciprocity can have different meanings from a negotiation perspective. On one hand it can refer to negative attitudes and actions, while on the other it can describe goodwill in any shape or form that is reflected by one party on the other.<sup>56</sup> Generally speaking, the definition of reciprocity in negotiations can be described as mirroring behaviour in good faith.<sup>57</sup> This means that when your counterpart provides you with value, you do the same. This does not imply that you have to give concessions per se, it can be any value of any size even without harming your own interests.<sup>58</sup> Reciprocity in exchange relations and negotiations improves the level of trust, and the absence of it can deteriorate the bond between parties.<sup>59</sup>

Human civilization is based on reciprocal behaviour, which can be explained by the fact that across all cultures and societies, reciprocity is being regarded as a way of saying "thanks" for a favour or a gift, due to an involuntarily feeling of indebtedness.<sup>60</sup> This means that negotiators can influence

<sup>&</sup>lt;sup>53</sup> See Hsu et al. (2008, p. 297); L. L. Thompson (1991, p. 175)

<sup>&</sup>lt;sup>54</sup> See R. J. Lewicki, Wiethoff, and Tomlinson (2005, p. 532)

<sup>&</sup>lt;sup>55</sup> See Larson (1998, p. 135)

<sup>&</sup>lt;sup>56</sup> See Parks and Komorita (1998, p. 152)

<sup>&</sup>lt;sup>57</sup> See Artz (1999, p. 116)

<sup>&</sup>lt;sup>58</sup> See Larson (1998, p. 124)

<sup>&</sup>lt;sup>59</sup> See Kramer (1996, p. 219)

<sup>&</sup>lt;sup>60</sup> See Cialdini (2007, pp. 13-14)

how their counterpart behaves based on the actions they take. However, reciprocity does not necessarily mean a 'tit-for-tat' strategy in which one party reflects the other in their actions, as it is less about the magnitude of concessions in negotiation context, but more about the reciprocal behaviour itself.<sup>61</sup> Therefore, if your partner would give you a price reduction, you could state that you are willing to increase the trade volume, which are two different things. Also, reciprocity in this research is more focused on 'returning the favour' and not so as in the distributive context, which would indicate that 'bad behaviour' is returned with the same and tends to escalate negative response.<sup>62</sup> Provided that both parties engage in positive reciprocal behaviour, meaning that each party will make concessions and expect concessions from the other, it will contribute to the level of trust which then will result in a strong basis for a healthy relationship.<sup>63</sup>

### **3.2.2 Fairness**: by conducting business in a fair fashion, professionals can prevent irrational and destructive behaviour.

If people experience 'unfair' treatment, then they will make irrational decisions and rather destroy their own utility and collective value for the sake of retribution, which will end up detrimental for all parties.<sup>64</sup> Hence, fairness affects not only the relationship between parties, but also the degree of value creation or the level of integrative tactics during negotiations. During an experimental study, parties that got to know each other first were more likely to reach an agreement and when they made an agreement the value was on average higher.<sup>65</sup> Nevertheless, judgements on fairness are not consistent or objective among negotiators because of motivational biases, in which each party overweighs their own positions and preferences over that of their counterpart.<sup>66</sup> Therefore, what one perceives to be fair is not necessarily considered also fair in the other's perspective.

<sup>&</sup>lt;sup>61</sup> See Esser and Komorita (1975, p. 870)

<sup>&</sup>lt;sup>62</sup> See Putnam and Jones (1982, p. 171)

<sup>63</sup> See Kramer (1996, p. 219); Wall Jr (1981, p. 367)

<sup>&</sup>lt;sup>64</sup> See Rubin (2012, p. 12)

<sup>&</sup>lt;sup>65</sup> See Cialdini (2007, p. 37)

<sup>&</sup>lt;sup>66</sup> See Bazerman et al. (2000, p. 284)

# **3.2.3 Transparency**: increasing information sharing activities between parties can result in optimal outcomes for both sides.

Information sharing in negotiations and B2B interactions can be quite challenging. It is a fact that a premise for negotiations is information asymmetry, in which each party has their own interests and simultaneously is ignorant of the counterpart's values and strategies. Therefore, negotiators have an incentive to misrepresent their bottom line (distributive behaviour) and exacerbate the information problem, which can lead mistrust and make it difficult to make optimal agreements.<sup>67</sup>

<sup>67</sup> See Oliver (1996, p. 84)

### **3.3 Process:** situational factors can influence how negotiations and business relations develop through the negotiation process and bonding.

The concept of process is important because it affects how communication is conducted. In negotiations, the counterpart's perception is dependent on closeness and strength of the bond. This means that casual talks, drinks or dinners impact how negotiations will go and of course how the relationship will be affected, since the way a person talks to a friend is significantly different from the way they interact with a stranger.<sup>68</sup>

#### 3.3.1 Negotiation Process

The negotiation process is often overlooked when considering effective negotiation strategies. By having a clear and easily understandable negotiation process in place, business partners will have a lower change to be negatively surprised when decisions are made. In this study the negotiation process refers to three particular areas of B2B relations: (1) the clarity of the contracts, (2) the clarity regarding negotiation guidelines and inter-organizational contact, and (3) being upfront about expectations and constraints in the business relationship. In general, it comes down to whether a negotiation agent represents their firm in a pragmatic way during B2B negotiations through a clear negotiation process.

### 3.3.2 Bonding behaviour

Oftentimes, negotiators in B2B settings have multiple meetings a year with their respective clients or suppliers. This means that there is a high likelihood that they will interact with the same representatives of the respective organizations. If these people have the power to make decisions, make contracts and engage in business activities, then it is imperative for negotiators to build a strong relationship with these exchange partners. If negotiators are able to build rapport with their counterparts, then they can make more profitable deals for their businesses. Bonding is another aspect of negotiation process. In this study bonding is defined by: (1) engaging counterparts in different settings such as dinners or events, (2) providing the negotiation partner with certain gestures such as gifts and exclusive offers, and (3) taking initiative to occasionally contact the counterpart outside of immediate business needs.

<sup>&</sup>lt;sup>68</sup> See Ashcraft, Kuhn, and Cooren (2009, pp. 4-5)

### **3.4 Conceptual model:** proposing the Tactics, Trust and Process Framework (TTPframework), which incorporates important negotiation factors for building strong B2B relations.

Following the literature on the topics of negotiations and suppler-buyer relationships, this research proposes a conceptual model called the TTP-framework. The model incorporates negotiation actions, attitudes, antecedents and contextual factors that impact B2B relationships. First, negotiation Tactics constitute actionable behaviours split between Integrative and Distributive Negotiation Tactics. Second, Trust is a perception of a counterpart that is contingent on past behaviours. Third, Process determines the attitudes that parties hold towards each other.

Factors	Component	Definition	Sources		
Tactics_Dis	Distributive negotiation tactics	A group of negotiation tactics that is focused on value claiming.	Barry & Friedman (1998); Lewicki et al. (2011): Sigurdardottir et al. (2018)		
Tactics_Int	Integrative negotiation tactics	A group of negotiation tactics that is focused on value creation.	Barry & Friedman (1998); de Dreu et al. (1998); Lewicki et al. (2011): Sigurdardottir et al. (2018)		
Trust	Transparency	Degree of information sharing between the parties.	Van Boven et al. (2003); Garcia, S. M. (2002); Halter et al. (2009)		
	Fairness	Equal and just treatment between parties in terms of behaviour.	Albin (1993); Welsch (2003); Gelfand et al. (2003)		
	Reciprocity	Exchange of mutual benefits to involved parties at an equivalent level.	Brett et al. (1998); Putnam & Jones (1982); Sanchez et al. (2007); Malhotra (2004)		
Process	Negotiation Process	The degree of clarity of contracts, guidelines and expectations.	Sheth & Sharma (1997); Bensaid (1990)		
	Bonding behaviour	Non business-related actions taken by either party in order to strengthen the bond. Examples are handing out gifts, going on dinners or anything else.	Wang et al. (2016); Ulaga & Eggard (2014)		

**Table 2.** Overview of negotiation factors for developing the conceptual model.

Based on the factors and components discussed earlier, this paper proposes a conceptual model on how negotiations influence business relations between suppliers and buyers. Figure 1 shows the relationships between the five factors, which can best be explained by their predictive nature and how they relate to the response variable of the strength of the relationship. For the factor 'Tactics', distributive negotiation tactics are expected to have a moderating/interacting effect on Integrative Negotiation Tactics and its effect on Perceived Relationship Score. Therefore, the negotiation aspects that influence the development and maintenance of B2B relations are centred around three main areas, namely: (1) actions, (2) attitudes, and (3) antecedents.

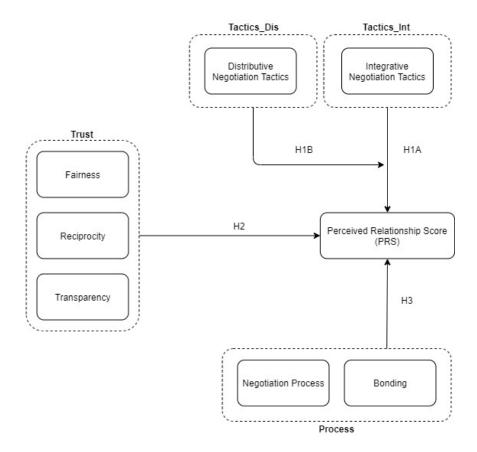
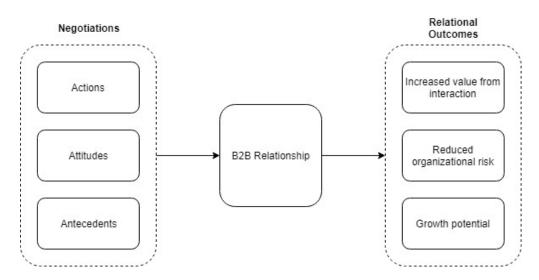


Figure 1. TTP-framework: conceptual model for negotiations in B2B settings.

This research aims to provide a comprehensive negotiation framework for the development of stronger B2B relationships. The negotiation factors from the TTP-model can be classified into the three categories. First, 'Tactics' can be regarded as actions since they are executable and have direct effects. Second, 'Trust' can in general be regarded as an attitude since it revolves around the idea of the perception of the counterpart. However, reciprocity and transparency can both also be viewed as actions, since negotiators have direct influence on whether to engage in information sharing or concession related behaviours. Finally, 'Process' can both be antecedents in terms of process (organizational guidelines) or actions (bonding). Figure 2 shows a general overview of how negotiations influence the relationship, and what that relationship brings.



**Figure 2.** Overview of how negotiations factors can influence the relationship and relational outcomes.

The theoretical framework shows the dynamics of Integrative and Distributive Negotiation Tactics in B2B negotiations. Then, it shows the importance of Trust in forming inter-organisational relations. Finally, it argues that Process is important factor to consider for the strength of relationship, expressed by the Perceived Relationship Score. Therefore, the following hypotheses are proposed:

**Hypothesis 1a:** The use of integrative negotiation tactics between buyers and suppliers are positively related to the Perceived Relationship Score.

**Hypothesis 1b:** The use of distributive negotiation tactics between buyers and suppliers has a positive moderating effect on the relationship between integrative negotiation tactics and Perceived Relationship Score.

**Hypothesis 2:** *Higher scores of Trust (consisting of reciprocity, fairness and transparency) positively influence the Perceived Relationship Score.* 

**Hypothesis 3:** *Higher scores of Process (consisting of clear negotiation process and bonding behaviour) positively influence the Perceived Relationship Score.* 

#### 4 Methodology

For this study, a quantitative survey was developed, based on the TTP-framework to test for validity and reliability of the conceptual model. Surveying can be an appropriate tool to understand perspectives of each participant as the questions in the survey aim to achieve a full view of the opinions of the participants.<sup>69</sup> Thus, the survey acts as a confirmatory tool that tests the academic literature in the real world. Hence, the survey is distributed through professional social platforms such as LinkedIn and personal networks. The survey is designed to be conducted in a dyadic approach, which links respondents into pairs of two in order to get more insight into interpersonal processes, interdependencies and relations.<sup>70</sup> Usually, it is difficult for researchers to obtain social-interaction data with conventional methods only, but by using a dyadic approach, it is possible to examine how two individuals relate to each other on specified fronts.<sup>71</sup>

The survey is designed to have participants, who are sales and procurement professionals, put in their perspective and their approach to negotiations while their counterparts give their scores. This way, the effects of negotiation tactics, attitudes around trust and behaviours concerning process can be linked directly to the effect it has on the perceived relationship. Otherwise, it is not possible to obtain accurate data on attitudes, tactics and actions since intentions can differ from outcomes. For example, a person might intend on acting very fairly and reciprocal, while his opponent might perceive this as nothing special. Finally, the collected data will be processed and analysed through SPSS in order to check for validity and reliability of the hypotheses and to answer the research questions.

The selection criteria for participants were that they had to be either sales or procurement professionals that engaged in B2B negotiations. They were preselected or approached based on these criteria. In addition, the survey required respondents to provide an answer to a qualitative question at the end. The implementation of the qualitative question allows for additional input and insight into the conceptual model. For example, substantial qualitative input helps developing the risk assessment tool as well as to provide guidance for future research. Additional control variables were added in the survey besides the factors included in the TTP-framework and the qualitative

<sup>&</sup>lt;sup>69</sup> See Lewenberg, Bachrach, Paquet, and Rosenschein (2017, p. 1396)

<sup>&</sup>lt;sup>70</sup> See Gonzalez and Griffin (2012, p. 450)

<sup>&</sup>lt;sup>71</sup> See Kenny (1996, p. 85)

question at the end. The control variables help identify potential deviations from the dataset, and as such are:

- 1. Experience in negotiation
- 2. Gender
- 3. Industry

First, experience could help explain why some suppliers/buyers are more versatile in their negotiation skills, since it is expected that more experienced individuals score better on the relationships with their counterparts.<sup>72</sup> Second, gender could explain differences in negotiation tactics and outcomes since men and women in general employ different strategies to reach their goals.<sup>73</sup> Third, the importance of B2B relationships may be different depending on the industry, because of uncertainty of demand, competition and seasonality, which require some organizations to maintain better relations than their counterparts in other industries.<sup>74</sup>

#### Data collection

The collection of data found place between March and May 2019. In total 54 dyads responded to the survey invitations, and therefore the survey was filled in by a total of 108 individuals that were either buyers or suppliers in their own professional fields. In the selection of respondents, there were no specific targets set on age, industry or negotiation experience. The condition for filling out the survey was that the respondents should have an existing relationship with their negotiation counterparts. The data collection was made through the use of a professional social media channel LinkedIn and through personal networks.

#### Data Analysis

For the analysis of this study a multiple linear regression analysis is performed with the use of SPSS to identify the relevant effects of the constructs of Tactics, Trust and Process on the dependent variable of Perceived Relationship Score. Using a linear regression will provide the relative importance of each construct in relationship to the dependent variable.

<sup>&</sup>lt;sup>72</sup> See Murnighan, Babcock, Thompson, and Pillutla (1999, p. 317)

<sup>&</sup>lt;sup>73</sup> See Stevens, Bavetta, and Gist (1993, pp. 723-724)

<sup>&</sup>lt;sup>74</sup> See Garud and Kumaraswamy (1993, p. 351)

### 4.1 Measures Independent, Dependent and Moderating Variables

Table 3 shows the different negotiation factors that are used in the study and their respective variable types.

Negotiation factor	Variable type
Trust	Independent Variable (IV)
Process	Independent Variable (IV)
Integrative Tactics (Tactics_Int)	Independent Variable (IV)
Distributive Tactics (Tactics_Dis)	Moderating Variable
Perceived Relationship Score (PRS)	Dependent Variable (DV)

#### Table 3. Negotiation factors and variable types

The dependent variable in this study is the relationship score that the dyadic couples of suppliers and buyer gave each other based on an overall perception of the quality of their B2B relationship. The data is measured in ratio data from 0 to 100 where a score of 100 would indicate a perfect relationship. Particularly, this research sets itself apart by cross-examination of data. The study is set up in such a way that negotiation actions, attitudes and antecedents are given by the operationalizes, while the other party scores them based on their experience with the party. Otherwise, it would be difficult to derive meaningful conclusions from self-given scores.

### **Open Question**

Finally, at the end of the survey a single open question is asked to the participants of the study. They have been asked how their counterpart could increase the strength (or score) of the relationship, in case there was a possibility for it. The reasoning for including a qualitative data into the survey was to account for missed areas of examination and for the development of the risk assessment tool.

#### 5. Results

## 5.1 Measuring construct reliability: Chronbach's alpha and the reliability of the constructs in the conceptual model show acceptable levels for regression analysis

Cronbach's  $\alpha$  (alpha) is a measure of reliability that reflects internal consistency and looks at whether items (e.g. survey questions) of the same construct measure the same thing. In other words, it is a test of whether we can put questions under the same 'umbrella', so whether the questions in a construct are measuring the same thing. Adding more items and making questions less susceptible to interpretation could increase the Cronbach's alpha measure by reducing the variances between the answers. The common use of Cronbach's alpha is to determine the reliability of constructs based on internal consistency where it has values between 0 to 1, where higher values represent higher degrees of internal consistency.<sup>75</sup>

In general, a Cronbach's  $\alpha$  with a value between 0.6 and 0.7 is acceptable, and values above 0.8 are considered very good.<sup>76</sup> In some cases, when a construct has fewer than 20 items, an alpha value of 0.5 can also be considered satisfactory.<sup>77</sup> Therefore, as table 4 represents an overview of construct reliability, we can conclude that all constructs have a sufficiently high  $\alpha$ -value that indicates that for each construct there is an acceptable level of internal consistency. Hence, we can say that (1) Tactics, (2) Trust, and (3) Process all have appropriate levels of internal consistency.

Construct	Scale	N items	Cronbach's a	Mean	Std. deviation
Tactics_Int	• Integrative	4	.703	6.085	.770
Tactics_Dis	• Distributive	2	.727	5.296	1.458
Trust	Fairness	2	.660	4.611	1.615
	Reciprocity	3	.663	5.861	.981
	• Transparency	3	.731	5.870	.968
Process	Neg. Process	3	.720	6.102	.952
	• Bonding	3	.522	3.932	1.639

Table 4. Overview of the Cronbach's  $\alpha$  values for the constructs in the conceptual model.

<sup>&</sup>lt;sup>75</sup> See Piedmont (2014, p. 3305)

<sup>&</sup>lt;sup>76</sup> See Ursachi, Horodnic, and Zait (2015, p. 681)

<sup>&</sup>lt;sup>77</sup> See Dall'Oglio et al. (2010, p. 421)

5.2 Testing Assumptions for multiple linear regression: linearity, normality, absence of multicollinearity and homoscedasticity assumptions have been sufficiently met.

#### **Assumption 1: Linearity**

For the first assumption, the linear relationship between the dependent variable (Perceived Relationship Score) and each of the independent variables (the predictors) is tested. In order to test the linearity assumption, scatterplots of the standardized residuals are examined to investigate whether the regression line between the response variable and its predictors are linear and do not exhibit a curvilinear relationship and show a constant variance. Therefore, the dependent variable Perceived Relationship Score is separately tested for linearity with the independent variables, Integrative Tactics (Tactics\_Int), Distributive Tactics (Tactics\_Dis), Trust and Process. The relationship of the standardized predictors and the residuals shows to be roughly linear in Figures 3 through 6. Residuals of all variables are spread randomly. Thus, the assumption of a linear relationship between the dependent variable and independent variables is fulfilled.

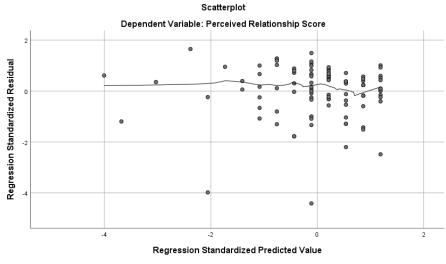
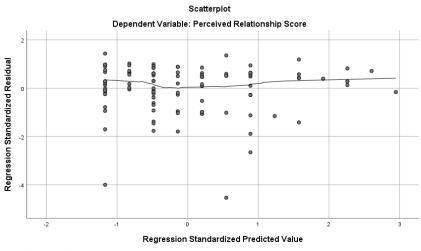
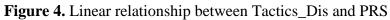
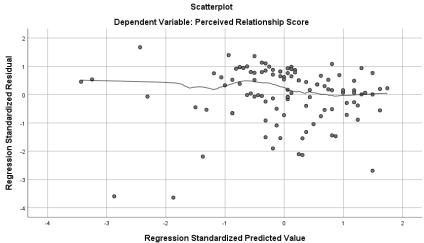
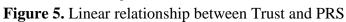


Figure 3. Linear relationship between Tactics\_Int and PRS









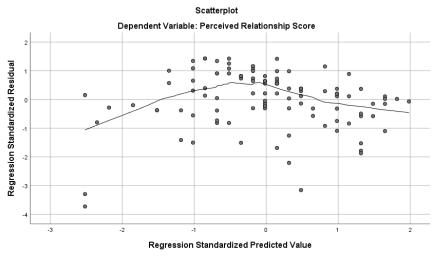


Figure 6. Linear relationship between Process and PRS

#### **Assumption 2: Normal distribution of residuals**

For this assumption several Normal P-P plots have been created of each of the relevant variables. On the next pages we can see that the observed values generally follow the predicted or expected trendline. However, for the PRS we do see some deviations from the line. Nevertheless, overall, we see acceptable levels and we can assume our data is generally normally distributed. Figures 7 through 11 show normal probability-probability plots (P-P plots) of all the independent variables and the dependent variables in order to evaluate the skewness of a distribution.<sup>78</sup>

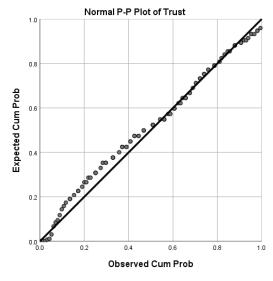


Figure 7. P-P plot for Trust

<sup>&</sup>lt;sup>78</sup> See Holmgren (1995, p. 360)

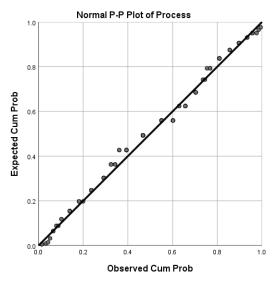


Figure 8. P-P plot for Process

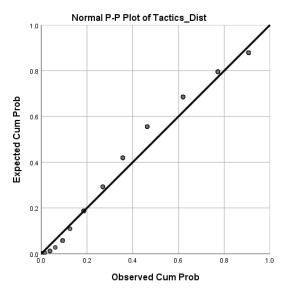


Figure 9. P-P plot for Distributive Tactics (Tactics\_Dis)

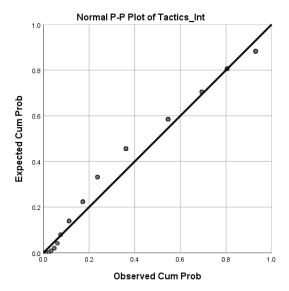


Figure 10. P-P plot for Integrative Tactics (Tactics\_Int)

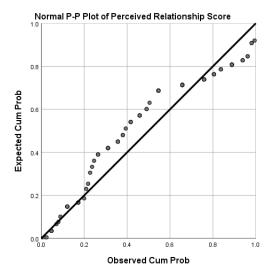


Figure 11. P-P plot for Perceived Relationship Score

#### Assumption 3: Appropriate VIF values and absence of multicollinearity

The variance inflation factor (VIF) is one of the tools used to measure the degree of collinearity present for each factor. VIFs get their name from the fact that they report how much the variance of the estimated coefficients increases is due to collinear independent variables.<sup>79</sup> Because no formal cut-off value or method exists to determine when a VIF is too large, typical suggestions for a cut-off point are 5 or 10. Although no formal criteria exist for deciding when a VIF is too large, generic cut-off values, between 5 and 10 are commonly used to determine if the collinearity is strong enough to require remedial measures.<sup>80</sup> Table 5 shows appropriate levels of VIF with about a maximum of 1.3. Therefore, we can assume that there is an absence of multicollinearity between our variables.

Predictor Variable	Dependent Variable	VIF
Integrative Tactics (Tactics_Int)	Perceived Relationship Score (PRS)	1.141
Distributive Tactics (Tactics_Dis)	Perceived Relationship Score (PRS)	1.109
Trust	Perceived Relationship Score (PRS)	1.303
Process	Perceived Relationship Score (PRS)	1.303

Table 5. VIF scores of predictor variables to check for multicollinearity

#### **Assumption 4: Homoscedasticity**

The assumption of homoscedasticity assumes that the error terms or residuals in the independent variables (in relation to the dependent variable) shows similar ranges across all values of the IV. Thus, we want to assume homogeneity in the variance of our error terms. The figures on the next page show scatterplots of each of the individual IV against the DV. We can see that generally speaking; the scatterplots show a well distributed dispersion of the errors. There are a couple of outliers and some skewness but looking at the overall picture this would still be in acceptable ranges. Figures 12 through 15 show scatterplots of the independent variables against the dependent variable.

<sup>&</sup>lt;sup>79</sup> See Craney and Surles (2002, p. 392)

<sup>&</sup>lt;sup>80</sup> SeeCraney and Surles (2002, p. 393)

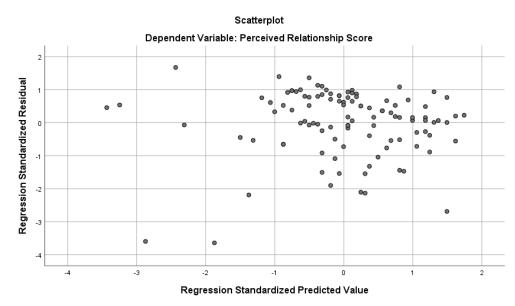


Figure 12. Scatterplot of residuals for Trust and PRS

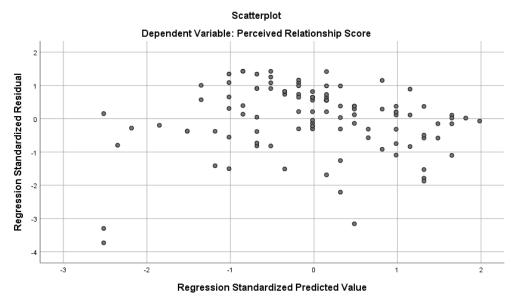


Figure 13. Scatterplot of residuals for Process and PRS

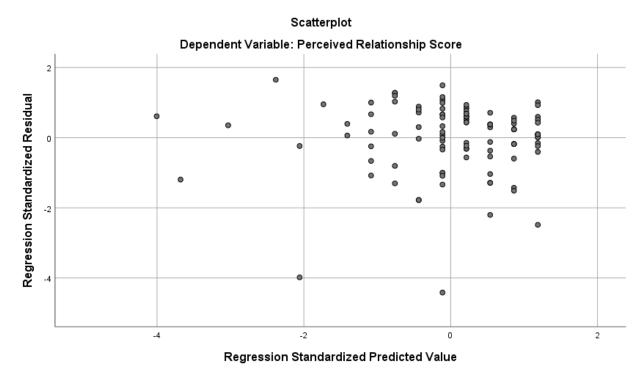
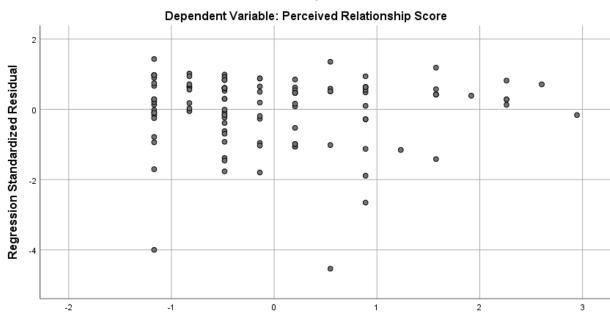


Figure 14. Scatterplot of residuals for Tactics\_Int\_c and PRS

Scatterplot



Regression Standardized Predicted Value

Figure 15. Scatterplot of residuals for Tactics\_Dis\_c and PRS

5.3 Hypotheses 1 A & B: Higher levels of indicated use of integrative negotiation tactics show a positive significant effect on the Perceived Relationship Score (PRS)

In order to test the hypotheses 1a and 1b, a multiple linear regression analysis is performed to investigate whether the use of Integrative Negotiation Tactics have a positive effect on the Perceived Relationship Score and to see whether Distributive Negotiation Tactics positively moderates this effect. Tables 6 through 8 show the statistical results from the linear regression for the effect of the use of negotiation tactics on PRS. To prevent high multicollinearity with the interaction variable, the predictor variables are mean centred (denoted with a 'c') and an interaction variable is created between integrative and distributive tactics (Interaction\_Int\_Dis) to test a moderating effect.

**Hypothesis 1a:** The use of integrative negotiation tactics between buyers and suppliers are positively related to the Perceived Relationship Score.

**Hypothesis 1b:** The use of distributive negotiation tactics between buyers and suppliers has a positive moderating effect on the relationship between integrative negotiation tactics and Perceived Relationship Score.

First, only the effect of (mean centred) integrative negotiation tactics (Tactics\_Int\_c) is measured in Model 1 in order to see its isolated effect on the PRS. Model 1 shows that integrative negotiation tactics account for a significant amount of variance in PRS with  $R^2 = .161$ . This indicates that 16.1% of variance in the PRS is explained by the predictor integrative negotiation tactics. The coefficient indicates that PRS is higher for supplier or buyers that report a higher use of integrative negotiation tactics, b = 6.801, t (107) = 4.510, p = .000. Hence, Hypothesis 1a is supported, as the results suggest that there is a strong significant positive relationship between the use of integrative negotiation tactics and the PRS.

Second, additional to the sole effect of integrative tactics, the direct effect of (mean centred) and the moderating effect of distributive negotiation tactics (Tactics\_Dis\_c) is measured in Model 2 and 3 respectively. Starting with the direct effect of distributive negotiation tactics, it can be observed that there is no significant change in  $R^2 = .161$ . Therefore, the explained variance in PRS by adding an additional predictor did not change. The coefficient for distributive tactics indicates

that PRS is slightly higher for supplier or buyers that report a higher use of distributive negotiation tactics, b = 0.031, t (107) = .037, p = .970. Nevertheless, the finding is not significant.

Third, the interaction term between integrative and distributive negotiation tactics is added in Model 3 to examine whether distributive tactics positively moderates the effect between integrative tactics and PRS. It can be observed that there is some change in explanatory power of variance  $R^2 = .187$ . This indicates that by adding the interaction effect, 18.7% of the variance in PRS can be explained by the predictors in the model. The interaction variable does not account for a significant proportion of the variance in the PRS,  $\Delta R^2 = .026$ ,  $\Delta F(1,104) = 3.319$ , p = .071 and does not significantly improve the prediction, b = -1.857, t (107) = -1.822, p = .071. Thus, there is no significant interaction variable indicates that PRS is conversely lower when distributive tactics moderate the effect of integrative tactics on PRS. Given an alpha level of 5%, there is no significant moderating effect of Distributive Negotiation Tactics on Integrative Negotiation Tactics and PRS. Concluding, there is no support found for Hypothesis 1b, but for Hypothesis 1a, integrative negotiation tactics show a positive significant effect on PRS with p < 0.001.

 Table 6. Model Summary: Integrative Tactics, Distributive Tactics and PRS

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 E Change Statistics

						0110	inge stat		
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.401ª	.161	.153	12.01985	.161	20.336	1	106	.000
2	.401 <sup>b</sup>	.161	.145	12.07687	.000	.001	1	105	.970
3	.432°	.187	.163	11.94568	.026	3.319	1	104	.071
	Duralista	(Constant) 7	Tastian Int.						

a. Predictors (Constant), Tactics\_Int\_c

b. Predictors (Constant), Tactics\_Int\_c, Tactics\_Dis\_c

 $c. \quad Predictors \ (Constant), \ Tactics\_Int\_c, \ Tactics\_Dis\_c, \ Interaction\_Int\_Dis$ 

d. Dependent Variable, Perceived Relationship Score

<b>Table 7.</b> ANOVA <sup>a</sup> : Integrative Ta	actics. Distributive Tactics and P	RS
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Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2938.086	1	2938.086	20.336	.000 <sup>b</sup>
	Residual	15314.543	106	144.477		
	Total	18252.630	107			
2	Regression	2938.290	2	1469.145	10.073	.000°
	Residual	15314.339	105	145.851		
	Total	18252.630	107			
3	Regression	3411.916	3	1137.305	7.970	.000 <sup>d</sup>
	Residual	14840.714	104	142.699		
	Total	18252.630	107			

a. Dependent Variable, Perceived Relationship Score

b. Predictors (Constant), Tactics\_Int\_c

 $c. \quad Predictors \ (Constant), \ Tactics\_Int\_c, \ Tactics\_Dis\_c$ 

d. Predictors (Constant), Tactics\_Int\_c, Tactics\_Dis\_c, Interaction\_Int\_Dis

		Unstandardized	l Coefficients	Standardized		
				Coefficients		
Model		В	Std. Error	Beta	t	Sig.
1	(Constant)	73.648	1.157		63.676	.000
	Tactics_Int_c	6.801	1.508	.401	4.510	.000
2	(Constant)	73.648	1.162		63.375	.000
	Tactics_Int_c	6.815	1.558	.402	4.374	.000
	Tactics_Dis_c	.031	.823	.003	.037	.970
3	(Constant)	73.167	1.179		62.036	.000
	Tactics_Int_c	6.027	1.601	.356	3.765	.000
	Tactics_Dis_c	.359	.834	.040	.430	.668
	Interaction_Int_Dis	-1.857	1.019	174	-1.822	.071

**Table 8.** Coefficients<sup>a</sup>: Integrative Tactics, Distributive Tactics and PRS

a. Dependent Variable, Perceived Relationship Score

## 5.4 Hypotheses 2 & 3: Higher levels of indicated trust and a better process have a positive significant effect on Perceived Relationship Score (PRS)

In order to test the Hypotheses 2 and 3, another multiple linear regression analysis is performed to investigate whether Trust and Process have a positive effect on the Perceived Relationship Score. Tables 9 through 11 show the statistical results from the linear regression for the effect of Trust and Process on PRS.

**Hypothesis 2:** *Higher scores of Trust (consisting of reciprocity, fairness and transparency) positively influence the Perceived Relationship Score.* 

**Hypothesis 3:** *Higher scores of Process (consisting of clear negotiation process and bonding behaviour) positively influence the Perceived Relationship Score.* 

In Model 1, the effect of both Trust and Process are measured. First, Model 1 shows that both Trust and Process account for a significant amount of variance in PRS with  $R^2 = .271$ . This indicates that 27.1% of variance in the PRS is explained by the predictor variables Trust and Process. The coefficients indicate that PRS is higher for supplier or buyers that report a higher score for Trust or Process with b = 3.797, t (106) = 2.732, p = .008, and b = 4.497, t (106) = 3.621, p = .000 respectively. Hence, Hypothesis 2 and 3 are supported, as the results suggest that there is a strong significant positive relationship between indicated Trust between buyers and sellers and a better indicated Process in relation to the PRS, with p < 0.01 and p < 0.001 respectively.

Change Statistics									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.521ª	.271	.258	11.25365	.271	19.562	2	105	.000

### Table 9. Model Summary<sup>b</sup>: Trust, Process and PRS

a. Predictors (Constant), Trust, Processb. Dependent Variable, Perceived Relationship Score

	Table 10. ANOVA <sup>a</sup> : Trust, Process and PRS	
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Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4954.950	2	2477.475	19.562	.000 <sup>b</sup>
	Residual	13297.680	105	126.645		
	Total	18252.630	106			
	D 1 / W 1	11 0 1 10 1 1 0				

a. Dependent Variable, Perceived Relationship Scoreb. Predictors (Constant), Trust, Process

		Table 11. Coe	fficients <sup>a</sup> : Tru	st, Process and PR	.S	
		Unstandardized Co	efficients	Standardized		
				Coefficients		
Model		В	Std. Error	Beta	t	Sig.
1	(Constant)	30.403	7.215		4.214	.000
	Trust	3.797	1.394	.259	2.723	.008
	Process	4.497	1.242	.344	3.621	.000

a. Dependent Variable, Perceived Relationship Score

5.5 Descriptive analysis shows the characteristics of the dataset in which organization industry and negotiation experience are shown

#### Descriptive analysis

This section explains the dataset that was obtained through the distribution of online surveys. As explained under methods, the main approach was to preselect and approach sales and procurement professionals that negotiated regularly within their function. The dataset contains 54 dyads and so a total of 108 respondents. The majority of the professionals surveyed were operational in the service industry, the public sector, the fashion industry and manufacturing. Figure 16 shows the distribution of industry background of the respondents.

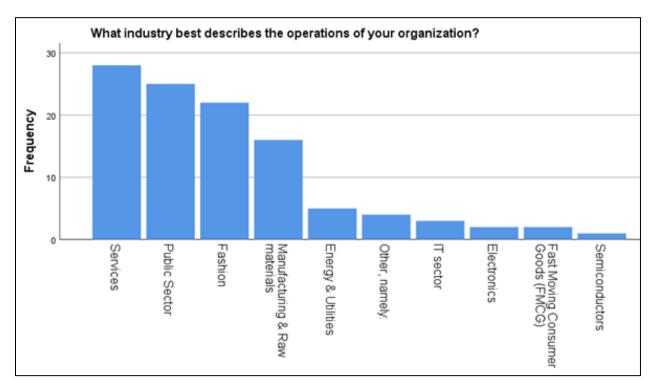


Figure 16. Industry specification of the respondents.

Figure 3 shows that about half of the respondents dealt with mostly one contact person in dear organizational negotiations. And a significant majority of the respondents dealt with no more than two negotiation partners. Figure 17 shows the distribution of negotiation experience among the respondents, with an average of 106.95, which is roughly 9 years of experience.

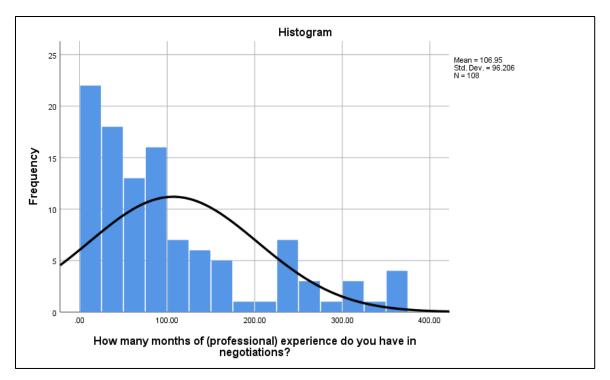


Figure 17. Distribution of negotiations experience in months.

At the end of the survey an open answer was added to get a qualitative response from the respondents. The question was: "How could your counterpart improve the relationship?". Of course, this question was optional, and its purpose was to see whether anything significant was missed by the proposed conceptual model. By doing this, it is possible to better develop the risk assessment tool for professionals. All the open questions have been analyzed and separated by category. Figure 18 provides a compiled overview of the responses by category.

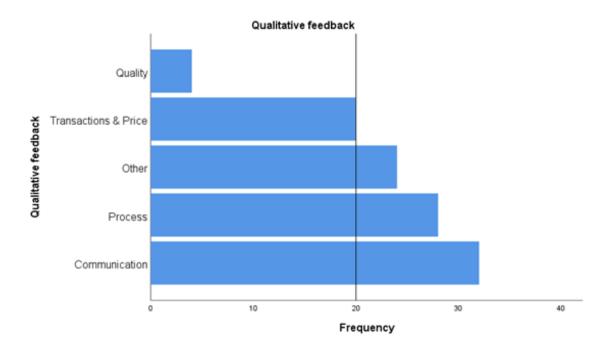


Figure 18. Indicated areas on how the relationship could be improved between the dyads.

The most popular feedback with regards to improvements in the relationship were concerning communication. These answers typically stated that counterparts were negligent, pushy, making assumptions, not engaging enough, not being clear and not providing enough options in the negotiations. The second largest group fell under process. Here, respondents had concerns about slow responses, delivery, contracts, collaboration, flexibility and inventory. The group labelled by "other" were either blank answers or too specific to put under a category. The rest of the answers were about pricing and quality.

## **Discussion:** unfolding the impact of trust, tactics and process on the perceived relationship between buyers and suppliers in B2B negotiations

This research has been performed to examine if the negotiation aspects of trust, tactics and process have an impact on the perceived relationship between buyers and sellers within a B2B setting. A quantitative study was set up to answer the research question:

# *RQ*: To what extent do negotiation factors such as tactics, trust and process influence the perceived relationship between suppliers and buyers in B2B settings?

In organizational settings there are a variety of ways to conduct business negotiations. Traditionally speaking, negotiations are conducted face-to-face. However, the increasing use of technology has provided many alternatives to negotiation modes such as email and text.<sup>81</sup> Nevertheless, face-to-face negotiations are imperative to developing and sustaining business relations since it fosters bonding, trust, building rapport, cooperation, mutually beneficial outcomes and facilitates better understanding of business partners.<sup>82</sup> Nowadays, many negotiations take place through phone calls, emails, texts and other ways other than just conventional face-toface meetings. There is a heighted chance for misunderstandings due to for example, abbreviations in texts, the lack of audio-visual cues in emails and many more issues that make it difficult to observe or interpret behavioural and attitudinal undertones of communication.<sup>83</sup> These problems are not common for face-to-face meetings, since personal meetings lower the chance of deception, lying, opportunism, confrontation and allow us to experience increased empathy and sense of human interaction with the people we interact with.<sup>84</sup> In addition, the absence of (non-)verbal cues that could normally help negotiators ascribe "true" meaning to messages could cause misplaced judgements, lack of understanding and undesirable outcomes.<sup>85</sup> Valley et al. (1998) suggest that face-to-face meetings on average result in higher levels of trust among negotiators and more mutually beneficial outcomes, where 60 percent of face-to-face meetings, 38 percent of telephone negotiations and only 22 percent in written agreements showcased positive outcomes.<sup>86</sup> Hence,

<sup>&</sup>lt;sup>81</sup> See Giordano, Stoner, Brouer, and George (2007, p. 363)

<sup>&</sup>lt;sup>82</sup> See Drolet and Morris (2000, p. 26); Galin, Gross, and Gosalker (2007, p. 787)

<sup>&</sup>lt;sup>83</sup> See Fisher et al. (2011, p. 171)

<sup>&</sup>lt;sup>84</sup> See Fisher et al. (2011, p. 171); Valley, Moag, and Bazerman (1998, p. 221)

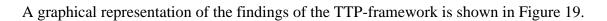
<sup>&</sup>lt;sup>85</sup> See Galin et al. (2007, p. 788); Urbanavičienė et al. (2009, p. 67)

<sup>&</sup>lt;sup>86</sup> See Valley et al. (1998, p. 225)

there are many benefits to be derived from personal negotiation meetings over other modes of communication.

Despite the obvious benefits of meeting face-to-face, it simply is not always a feasible solution. Businesses and negotiators must pick their battles and be selective about which of their business partners they could best see before meeting them in person for B2B negotiations. Face-to-face negotiations can simply be too costly in modern markets and a globalized world, where companies have suppliers and customers from all corners of the world. For example, there are scenarios in which using phone calls, texting or emails may be more strategically relevant. People find it easier to be less accommodating over the phone than in person, texting usually facilitates faster responses and emails can be more effective as they provide more time to construct ideas and arguments in order to prevent errors.<sup>87</sup> Thus, professionals can make use of any mode of communication for their negotiations as long as it suits the right context. Also, negotiations with existing relationships with suppliers or regular customers usually do not involve complex negotiations and are rather about straightforward issues. Under these circumstances, it does not matter if negotiations happen through non-traditional channels.

<sup>&</sup>lt;sup>87</sup> See Fisher et al. (2011, p. 173)



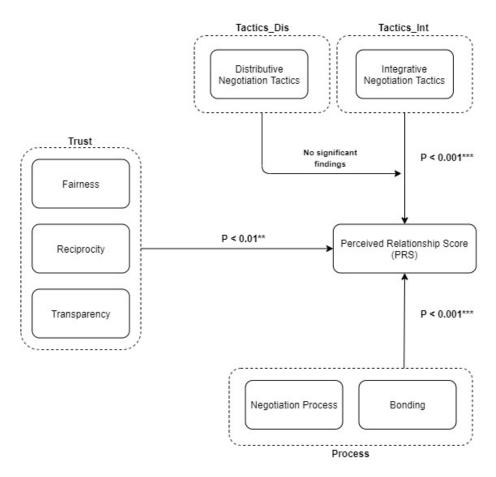


Figure 19. Visual representation of findings for the TTP-framework

#### Limitations

As with most academic researches, there still needs to be done extensive research on relationship management and negotiations in organizational settings. The scope of this research has not allowed for full exploration on the topic of negotiations and inter-organizational relationships. Because of the conceptual nature of the study, there are still areas left to discover since there is still much work to be done in terms of negotiation research. Therefore, there are a few limitations to consider.

First, a significant majority from the survey respondents were professionals from The Netherlands. Thus, this study does not account for cultural and stylistic differences among the participants that may be contingent on their geographical disposition. The general culture in The Netherlands can best be described as a more individualistic one than a collectivistic culture.<sup>88</sup> In contrast to collectivistic societies, individualistic cultures tend to be more centred around autonomy and self-interests rather than social norms, representativeness and group values, which can impact negotiation strategies and outcomes.<sup>89</sup>

Second, this research does not account for power imbalances between negotiators and organizations. A business that has more resources to its disposal, may display more aggressive behaviour in negotiations and would be more inclined to influence its partners' decision making.<sup>90</sup> The resource dependency theory suggests that the flow of B2B negotiations is often shaped by power and dependency structures that might shape negotiators' actions and decisions.<sup>91</sup> This means that the direction and outcomes of negotiations are likely to be influenced by the degree of dependency each side has on the other regarding their resources. Hence, a stronger party might assert more dominance in negotiations and may feel less inclined to work on the relationship than their counterpart.

Third, this paper does not consider the potential differences towards industries and their negotiations and relational structures. There might be a possibility that organizations operating in certain industries have other dimensions to their negotiations and other factors influencing their relationships.

<sup>&</sup>lt;sup>88</sup> See Hofstede and Soeters (2002, p. 6)

<sup>&</sup>lt;sup>89</sup> See Brett (2000, p. 99)

<sup>&</sup>lt;sup>90</sup> See Huo, Tian, Tian, and Zhang (2019, p. 10)

<sup>&</sup>lt;sup>91</sup> See Strauss (1982, p. 352)

#### **Future research**

Considering the limitations and the scope of this research, future research can best be focused on further developing the conceptual model by examining (1) different cultures, (2) different industries, and (3) different power structures. There is a plethora of areas to explore within B2B negotiations. Hence, advancement in understanding is best achieved by testing other negotiation factors and antecedents that impact the relationship between buyers and suppliers. This way, the outcomes of future studies can be more accurate and representative of the real world. Then, it is possible to tweak, adjust or modify the TTP-framework in such a way that it becomes more developed and practical. Hence, the suggestion idea is to examine the potential differences across cultures, industries and power balances.

#### Conclusion

The purpose of this paper is to propose a comprehensive conceptual model that provides insights into the important negotiation areas in B2B settings. By providing a holistic overview of the influence of the negotiation factors of Tactics, Trust and Process in B2B settings, hopefully, professionals (buyers and suppliers) can identify areas of development and improve their relationship with their counterparts to potentially derive more value from those relationships. The results of the study show that Integrative Negotiation Tactics, Trust and Process have a significant positive effect on the Perceived Relationship Score. This indicates that the use of integrative tactics, building trust and ensuring a smooth process, before, during and after negotiations have a considerable impact on the perceived quality of the relationship. Nevertheless, there was no support found for the moderating effect of Distributive Negotiation Tactics on the relationship between Integrative Negotiation Tactics and PRS. The reason that Distributive Negotiation Tactics may not significantly affect the PRS may be due to its many facets, which all would need to be investigated separately. Concluding, the managerial implications are that both buyers and suppliers can improve their negotiation skills and especially focus on improving their use of Tactics, garnering Trust and ensuring a smooth Process.

### Appendix:

#### Appendix A: Constructs and items Likert-scale questions

#### Distributive

- 1. Gain information about an opponent's negotiating position and strategy by asking around in a network of your friends, associates and contacts. \*
- 2. Make an opening demand that is far greater than what one really hopes to settle for.
- 3. Hide your bottom line from your opponent.
- 4. Convey a false impression that you are in absolutely no hurry to come to a negotiation agreement, thereby trying to put more time pressure on your opponent to concede quickly. \*

#### Integrative

- 1. Ensure understanding of the counterpart's need.
- 2. Seek mutual satisfaction of negotiators.
- 3. Ensure a positive and productive relationship.
- 4. Looking for ways to improve existing deals and contracts.

#### Transparency

- 1. Free flow of information among negotiators
- 2. Trust the position and information of the other negotiator(s)
- **3**. Giving the other party certain information when needed.

#### Fairness

- 1. When your company makes more profit because of your counterpart, you will compensate them accordingly.
- 2. During the negotiation process your counterpart has an equal input and control over the direction of the deals. \*
- 3. You would prefer to maximize the total value of your negotiated deals for both parties, rather than only gaining more individually.

#### Reciprocity

- 1. If the counterpart makes a concession you would also be willing to make one.
- 2. If the counterpart negotiated in good faith, then you are willing to the same for them.
- 3. You take initiative in negotiations and invite your counterpart to return the favour.

#### Process

- 1. Negotiated contracts/deals are clear and concise and rarely lead to disputes.
- 2. There are clear guidelines for negotiations and inter-organizational contact.
- 3. You are upfront about expectations and constraints in the business relationship.

#### Bonding

- 1. You engage the counterpart in different stings than only business (ex. Dinners or events).
- 2. You provide your negotiation partner with certain gestures (ex. Gifts or special offers).
- **3.** You take initiative in contacting your counterpart from time to time even if there is no immediate business need.

#### Note: \* this item has been excluded from the analysis due to lower factor loadings / correlation

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