

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

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ABSTRACT,

In recent years, variable pay has become an important aspect to consider when structuring compensation packages. There are many unanswered questions regarding variable pay and its effect on negotiation behaviour.

The study conducted will examine the impact of the use of variable pay on negotiation behaviour from the perspective of both parties involved in a negotiation.

The study was conducted in the hopes of bringing insight in regards to the use of variable pay and a better implementation plan for such compensation schemes.

The case study involved seven individuals which whom interviewees were conducted with five of them being from The Netherlands and two others from Nigeria. The data gathered was then analysed using the comparative method analysis of Ragin (2014).

The findings of the paper indicate that variable pay has an effect on negotiation behaviour with negotiators using both integrative and distributive behaviour.

The findings also reveal that variable pay can be used as a motivational tool to encourage increased performance and better outcomes. It was also revealed in the results that negotiators who receive variable pay experience a change in behaviour with most of them opting for more of a distributive approach and somewhat aggressive behaviour.

The study has limitations which are the sample size where a second study with a much larger sample size can validate our findings. Other limitations include the geographical location of the interviewees with the interviewees being from two countries which is not representative of the overall population while also considering that the interviewees work in different industries.

The findings of this study are important as they highlight some aspects of variable pay which are important when working with variable pay which includes the harmful effect on long term relationships with clients.

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Keywords

Variable Pay, Negotiation Behaviour, Principal Agent Theory, B2B negotiations, Negotiation, Buyer-Supplier Relationship

1. INTRODUCTION

Over the last decade, negotiation has become a widely used form of strategic discussion where two or more parties with different or common needs and objectives enter an ever-changing discussion to reach a solution agreeable to all parties (Lewicki et al, 2016). Good negotiation skills can represent a crucial part of the success of a business (Herbst and Schwartz, 2011). Organisations have become increasingly interested in better understanding the process of negotiation and improving their strategy and skills; this is partly because purchasing has become an increasingly important factor in many organisations. On average buyers for a business can spend up to fifty percent of their time negotiating (Hendon, Henson and Herbig, 1999) which suggests the importance of understanding skilled negotiation techniques.

Negotiation has become an art that constantly evolves over the years within each organisation and its particular environment. Whilst the outcome of a negotiation is usually measured by the savings or wins of a specific party in that negotiation and defines their tactics and behaviours (S.P. Thomas et al, 2013), other factors that play a role in measuring satisfaction with the outcome on both sides of the negotiation depend on the relationship that is built over time through the mutual understanding and mediation between parties. Negotiation skills have often evolved into more of a collaboration and satisfaction between two parties rather than demands of a single organisation. Good negotiation plays an important role in influencing the performance of a company in business to business commerce as well as having an impact in business to customer commerce. The process has evolved over the years to accommodate the ever-changing need of the environment to encompass all the different aspects of the company in a manner that benefits the different stakeholders of that company. One such example of the change in negotiation could be the Microsoft-Nokia deal that was worth 7.2\$ billion dollars.

In recent years, most organisations have identified the need to better understand the buyer-supplier relationship to

improve the supply chain and maximise performance (Geiger, 2017). Considering an important part of all transactions made within a company revolve around purchasing goods and services, firms have genuine motivation to understand the negotiation process further. The process is sometimes misunderstood as it can involve many parties within the company, as well as stakeholders in the environment of the company, that subsequently can affect the overall process and outcome of a set negotiation.

Good negotiation has become a critical component of doing business at every level of an organisation. It helps build better relationships and delivers lasting, quality solutions rather than poor short-term solutions. There is an ever-changing global market where organisations, manufacturers, suppliers, and other stakeholders must work together based on offering services or products to a larger available market. Organisations must use the concept of negotiation to maintain an advantage over competitors (Hindriks, Jonker & Tykhonov, 2007).

Negotiation has evolved in recent years where the focus has shifted from achieving all goals and objectives of a company to a more stakeholder-oriented approach. This approach consists of having a focus on achieving an outcome where all parties are satisfied in order to establish a long-term relationship with benefits for all parties (Chebet, Rotich & Kurgat, 2015). This shift of focus also entails aligning the interests of the negotiating parties in a way where everyone benefits from the outcome (Pfoertsch & Scheel, 2012). For outcomes where both parties benefit there has to be a willingness from both parties to make concessions (Clopton, 1984).

The research and literature that has been conducted in the past shows an effect of behaviour and tactics on the result of a negotiation (Weingart et al, 1990). This suggests a better understanding of all aspects such as; tactics, behaviours, and variable pay, can affect the outcome of negotiations (Perdue, Day & Michaels, 1986; Thompson et al, 2010). Another important to not to lose focus of is the strategy adopted by the company when it comes to

negotiation, the use of variable pay as well as compensation packages and guidelines offered by the company. The company strategy is sometimes a manner by which the company governs the process of negotiation in that aspect. According to Ducharme et al (2006) the increased use of variable pay in recent years also plays a contributing factor in the outcome of negotiations. Variable pay directly affects the type of behaviour and tactics used by the parties involved to influence the outcomes of negotiations (Kuvaas et al, 2018 & Kuvaas et al, 2020). Negotiation behaviour and negotiation tactics are different as the first one represents the behaviour of a negotiating party during the negotiation. This represents the culmination of personality traits as well as other factors in their environment to determine negotiation behaviour. On the other hand, negotiation tactics are used as elements or tools in negotiation employed by either party in order to give them a competitive advantage in the negotiation. The importance of incentives or variable pay in these negotiations is sometimes overshadowed by the need to achieve results. Incentives are an important tool used by organisations in many different ways to aid in attaining their goals and objectives in negotiations. When incentives are used properly, they affect the strategies or tools and negotiation tactics (Murnighan et al, 1999).

Variable pay is an incentive provided by employers as part of their compensation package that can be earned through achieving a set of goals or objectives. It is becoming a more common practice within the negotiation world as a way to motivate employees to provide better results and outcomes for the company and align both their interests (Smilko & Van Neck, 2004). Variable pay can be a powerful tool in order to achieve the results wanted but it is a double-edged sword as the tool can also be detrimental to the company (Cox, 2005). There are negative aspects to variable pay as sometimes it can affect both the negotiation behaviour and tactics used in order to provide better outcomes. This can force negotiators to use more aggressive behaviour that might be beneficial in the short term but can be detrimental in the long term (Herking, 2019). Variable pay, can heavily impact the outcome of a negotiation. It is a tool to use that can be beneficial when used properly.

The focus, in this study, will be on variable pay and its uses and consequences in the larger scheme of things.

Variable pay is usually the portion of the compensation package of an employee that is determined by his/her performance on specific objectives throughout the year or on specific projects

In a majority of cases, Variable Pay is attached to the outcome of a specific negotiation in which objectives are set for the negotiation prior and if the objectives are accomplished by the negotiator they receive the Variable Pay part of the compensation package which can have unforeseen consequences to the use of variable pay (Cox, 2005)..

Variable Pay comes in many forms, with the most common form being incentive programs and the two others being bonus programs and recognition programs.

There are two types of incentive programs with short term as well as long-term programs. The short-term incentive programs are designed to enhance and achieve short-term performances for 6 months to a year usually. On the other hand, long term programs are more oriented towards achieving goals towards more of a multi-year period of time and more in-line with the strategy of the company. The usual manner of pay-out for incentive programs comes in the form of cash or equity in some cases.

Recognition programs generally work through the use of broad guidelines that usually determine the extent of the recognition awards. These awards usually come in the form of either cash pay-outs or non-cash awards, gifts or other forms of awards.

Bonus programs that are usually contingent on accomplishing a specific can be paid mostly through cash bonus or sometimes equity in the company.

These represent the three main aspects of variable pay when it comes to types of programs as well as the manner of pay-out regarding the programs.

The main aspects we focused on were how variable pay affected negotiation behaviour and tactics in individuals, both positively and negatively. To be able to undertake this research we needed to understand the reasons for which variable pay was used within a company. A better understanding of the reasons behind the use of variable pay within a company would provide us valuable insights into why variable pay was used and how variable pay was used

as well as the effect on negotiators the use of variable pay is usually to bridge the gap between principals and agents within the scope of the agency theory problem.

Research objective

The research aimed to increase the understanding whether variable pay has an effect on buyer-seller negotiation and how it can act not only act as a motivational tool to promote negotiation, but also understand how variable pay can affect the behaviour and decision-making process in a manner that can positively and negatively impact the overall negotiation process.

We designed three research questions to examine the aspects mentioned above, regarding variable pay and negotiation behaviour, to guide our research into the topic.

Research questions

1. How does variable pay affect negotiation behaviour and tactics?
2. In what manner does variable pay affect performance in the negotiation process?
3. How do changes in negotiation behavior affect the outcome and decision-making process in a negotiation?

2. LITERATURE REVIEW

In the case of our research study, we need to understand the negotiation behavior when two parties are involved in negotiations. The negotiations, in this case, are between two businesses where there would be a need to differentiate between business to business negotiations to better understand the specificities of B2B negotiations. This will help us form a better understanding of the research being conducted and understand the problem that is faced when using variable pay in that specific environment. This will also allow us to define what B2B negotiations are in general terms.

2.1 Business to business negotiations

Negotiation is in the art of communication (Paik & Tung, 1999) where both parties have to communicate their needs and use communication as an essential part of the negotiation process to reach an agreement. Negotiation is how both parties involved strive to fulfil the needs and requirements of each of their companies through an agreement (Harwood, 2006; Clopton, 1984). This can only be achieved by discovering common goals for the buyer and seller with which they can work (Perdue & Summers, 1991). The negotiation process is not only limited to buyer-seller activities but also to all other activities a business can undertake such as human resources as well as sales and marketing (Shonk, 2019).

The process of negotiation is defined as plans and actions agreed upon by both parties for the attainment of cooperative and combined goals and decisions (Brett, 2007).

The main focus of the research is to better understand the effect of variable pay on individual behaviour in the process of negotiation. To do that we need to better understand the concept of variable pay.

2.2 Negotiation behaviour

In the business world today, negotiation is a rather important tool used by many firms in all sorts of industry but more particularly in the specific field of purchasing in those firms. Negotiation in the field of purchasing is one where it is used to reach an agreement between two or more parties to benefit both firms (Abosch, 1998). The negotiation process can be quite long and extensive and one of the most important parts of that process is the behaviour behind the negotiation process (Pruitt, 2013). There are two types of negotiation behaviours, collaborative behaviour, and distributive behaviour. Collaborative behaviour is one where all parties involved in the negotiation aim to come together and find a mutually beneficial agreement that is both fair and equitable to both parties. Under the best circumstances, both parties aim for a win-win outcome and a long and lasting prosperous relationship (Raiffa, 2007). On the other hand, a distributive behaviour in negotiation is

one where the sole focus of both parties is to try and obtain the best possible outcome for their respective sides. Moreover, one of the important aspects of this type of behaviour is the fact that the only important thing is the bottom line. In this case, when both parties are solely focused on their needs and possible benefits, it is a battle between negotiating parties to give away the least possible or lose the least in the negotiation. This type of behaviour is usually detrimental to the negotiation process as well as the relationship between both parties and any future possibilities of working together in the long term (Barry & Friedman, 1998).

Studies on negotiation behaviour have shown that it affects the outcome of negotiations due to the attitude of negotiators. To better understand these behaviours, studies were conducted over the last five decades.

A research study has identified two dimensions of negotiating behaviour that plays a role in negotiation behaviour as well as categorizes the five negotiation behaviours. The two dimensions are distributive behaviour and integrative behaviour (Brett, 2000). The distributive behaviour is identified as an aggressive tactic used in negotiation to obtain the best performance or result from the negotiation for the purchaser. On the other hand, an integrative behaviour refers to close cooperation and communication between both parties to obtain a win-win outcome for all involved (Stoshikj, M, 2014)

They have identified the five main negotiation behaviours as competing behaviour, collaborating behaviour, compromising behaviour, accommodating behaviour, and avoiding behaviour through the observed behaviour in a negotiation as well as the strategies set up by companies regarding variable pay. There is a need to understand the strategy behind the use of variable pay through the data gathered (Rahim, 1983).

These five negotiating behaviours will be explained in detail.

- **Competing behaviour:** A competing behaviour is one where the focus is on achieving one's own goals and desires in a negotiation with a lot of rigidity and not much flexibility. This provides a very assertive behaviour with very little left for cooperation. This refers to one extreme of the spectrum where the needs and goals of the other negotiating party are not given much importance.

- **Collaborating behaviour:** A collaborative behaviour is one where the negotiator is still assertive in obtaining his own goals but also is willing to cooperate to help both parties achieve what they want. The needs and goals of other parties are given importance and have to co-exist with one's own goals and desires for the negotiation to satisfy both parties.

- **Compromising behaviour:** The compromising behaviour refers to the concept of negotiation where both parties try to reach an outcome where both parties attain some of their goals and lose some of them. This is a compromise between both parties where they have to give in order to receive. This is not the ideal outcome but a compromise that works for both of them.

- **Avoiding behaviour:** The avoidant behaviour is representative of the attitude where the supplier will try and avoid any conflict or crash with the supplier. It is a behaviour where the purchaser has a withdrawn attitude towards the negotiation.

- **Collaborative behaviour:** Rahim (1983) refers to this type of behaviour as integrative where the purchaser will try and obtain a win-win situation for both parties (Perdue et al, 1986). This entails considering the needs of both parties. A research study showed that in the western world the collaborative behaviour is the one used the most (Hageen, Kedia.S, and Oubre.D, 2003).

2.3 Variable Pay

Variable pay is a concept that has been gaining some traction in the field of negotiation for the last couple of decades. It is a concept that has proved its usefulness in the many ways it has been used but it has also shown its shortcomings and disadvantages when it comes to cooperation, unethical behaviour, and create contention (Murnighan et al, 1999). Variable pay is usually used by companies in order to provide flexibility and allow a company to reward their employees with profit gains. It is also important for company's it allows them to control costs, enhance motivation, reaching goals and objectives and most importantly retain employees.

These are the expected benefits of the use of variable pay. On the other hand, the reality of the use of variable pay can be quite different.

As the literature review will show there is a gap between the literature and the reality of the use of variable pay.

When the use of variable pay is employed we realised that there is change in behaviour between the strategy advised by the company and the personal strategy employed by the negotiator to achieve his personal goals. Individual behaviour can be much different than strategies set up by the company and the direction it takes. Individual strategies and behaviour can be a big factor in negotiation. This is where the gap is in the use of variable pay. This gap needs to be bridged in order to use variable pay in order to obtain better results for both company and the negotiator. Variable pay can be a great tool to encourage performance beyond expectation from a person or an organization receiving it (Ducharme & Podolsky, 2006). On the other hand, it can also be the cause of many unethical behaviours by employees or organizations that use it as a justification.

Variable pay is based on performance and how well the performance of the negotiators is when it comes to achieving the objectives required of them.

Variable pay is usually part of the compensation plan of employees where fixed basic monthly salary is differentiated from variable pay that is paid out based on performance in a particular situation.

The focus of the concept is to encourage performance beyond expectations and achieve a better result due to the incentives being offered (Kurdelbusch, 2002).

The concept of variable pay is also used on employees not only to encourage better performance and attaining objectives but also to foster loyalty between the employee and the company (Damiani, M.; Ricci A. 2014).

On the other hand, it ignores the negotiation behaviour and process through which each employee goes through to reach those objectives (Caputo, 2013). It also does not regard the impact variable pay can have on the relationship between organizations. Variable pay has been shown according to Damiani & Ricci (2014) to influence many aspects of negotiation behaviour that can affect the outcome of negotiations and the overall performance of employees.

Variable pay is understood and defined as incentives provided that are linked to a worker's performance and output (Lezear, 2000). Through previous studies, the effect of incentives and performance was determined to have a significant effect on a firm's productivity (Eriksson & Villeval, 2008). A majority of research found there was an emphasis on variable pay being used to align interests of parties involved within a company or its environment (Lezear, 2000) or to improve employee productivity within the company (Cloutier et al, 2013). On the other hand, this concept of variable pay was rarely studied in the manner as to how it would affect negotiation behaviour between parties outside of a company such as a buyer-seller perspective which now emphasizes the purpose of this study.

In order to study the effect of variable pay on buyer-seller negotiation, it would be helpful to better understand the interactions and factors that play a role in the relationship between both parties. This understanding comes from better understanding the strategic goals of these companies when it comes to these negotiations and the goal is to find the correct supplier for a long-term relationship as well as develop a strategically competitive advantage (Lappacher, 2011). There are multitude other important goals that emphasize the importance of this relationship as Modi and Mabert (2007) shows that a supplier can be a strategic piece in providing a competitive advantage for the company; To gain this competitive advantage both parties have to be flexible to accommodate their conflicting goals and needs and better understand how to adapt these incentives to accommodate their respective needs (Clopton, 1984).

2.4 Agency Theory

The agency theory emerged in the 1970s from the combined work of Stephen Ross and Barry Mitnick in the domains of economics and institutional theory. The theory defines the relationship between two parties that are involved in an interaction in a business setting. This relationship occurs between a principal and an agent who is tasked with carrying out a service to aid the principal (Eisenhardt, 1989). The principal in most cases usually rely on agents in order

to execute certain tasks or transactions. In most cases, the agent is using the resources of the principal to make decisions in which the principal is not involved or has very little input to provide. On the other hand, when the agents make a bad decision, the only party to endure the brunt of the losses will be the principal party.

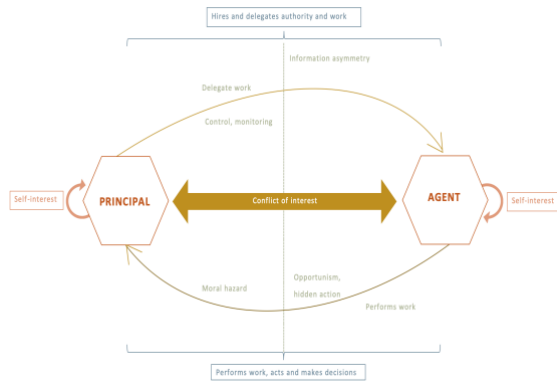


Figure 1: The Principal-Agent Theory (adopted from Eisenhardt, 1989)

The agency theory is one that I used in a business setting in order to resolve issues that might arise between both parties. There are usually two crucial areas in which differences arises, one of them being difference in goals or a difference in the risk undertaken. The theory proposes the fact that in many cases the agent and the principal might have conflicting interests which might push the agent not to act in the best interest of the principal but rather chase their own interests. In this case, their interests are not aligned and usually the principal is the one to experience the loss from this problem between both parties (Gauld, 2016). In this case, companies through the use of a strong corporate policy try and reduce the risk of such misaligned interests. The risk should be minimized as these sorts of situations usually puts people in a spot where there are opportunities for moral hazard.

The principal shows us that when it comes to the supplier-buyer relationship there is usually a gap between what both parties want and their interests. When involved in a negotiation, negotiation behaviour can play an important role in determining the outcome of the negotiation, in order for the principals to obtain the best possible outcome they realise that negotiation behaviour can be changed and possibly enhanced through the use of variable pay. The use

of variable pay can be used to align the interests of both parties in order to get both parties working in the same direction and together towards achieving a common goal. Unfortunately, it has been discovered that the use of variable pay as a method to counter issues related to agency theory might do more harm in the long term. In most cases variable pay is used in a manner where the main focus is short term goals and issues to resolve. This has led to agents focusing on their short-term goals and abandoning long term goals which can cause a bigger rift between principals and agents on the long term and increase agency loss. This causes a vacuum that leaves open the idea that the concept of variable pay can bridge that gap by allowing incentives or variable pay concept to align the interest of both parties. This would incentivize the agent to act in the best interest of the principal while allowing the principal to achieve its objective and even increase performance for the principal when the compensation package considers short and long-term goals. To better develop a compensation package, it is first necessary to understand the mechanisms and corporate governance policies that will be used to govern these sorts of issues and misaligned interests. The problem of agency theory highlights the issue present at hand with the gap between both parties and how a concept like variable pay can bridge that gap and benefit both parties.

3. METHODOLOGY

This research study aims to gather further information on the use of variable pay in business to business negotiations and make recommendations to facilitate the use of the concept of variable pay to enhance the effectiveness of negotiations. The research being conducted is one where we are attempting to understand the effect of VP on the negotiation behaviour and process of negotiation. To better understand the inner workings of negotiations between businesses and the potential use of variable pay we will need to, first of all, gather data on the matter from companies whether in The Netherlands or abroad and use the data to support our research. The data collection was undertaken utilizing seven semi-structured interviews to substantiate and provide data to answer the research questions. In order

to gather the data, we had to find the right people to interview. At the time of the research, we decided to interview personnel that were directly involved in negotiation in a B2B environment. The data provided by these employees would be very useful as a way of discovering how the process of negotiation is conducted. Those means of data gathering were chosen because they allow for the interview to better understand why this research is being conducted and understand the reasoning behind it and the cause of the focus of the research (Fylan, F., 2005). The semi-structured interviews can be guided by the questions in the interview to get answers related to our direction of thinking. The use of semi structure interview was chosen in part because of the open and flexible nature of the interview that could allow respondents to give a new insight to understanding stakeholder viewpoints. This further allows us to explore a participant's perception when it comes to the research being conducted (Harvey-Jordan, S., Long S., 2001). The semi-structured aspect also allows for the responder to give an in-depth look at the answer given and being able to elaborate and provide as much

valuable information as possible to benefit the research in providing a clearer answer. On the other hand, one disadvantage found in this form of data gathering was the difficulty in analysing the answers (Newcomer, K. E., et al, 2015). The interviews will be conducted with individuals that have an intimate knowledge of the purchasing efforts of the company which is why this method of gathering data was chosen as it goes in more detail than the structured question where we get to see their perception of the topic which is of interest to us. The interviews were conducted with individuals who are involved or work in aspects relating to purchasing as we are looking to understand the effect of VP on negotiation behaviour. These individuals hold specific insights into the use of VP by their company as their personal beliefs and perception of the matter at hand that we are looking to analyse. The interviews were conducted over Skype or MS Teams due to the current pandemic and took approximately an hour. The following table will show the specifics of each interviewee in order to better understand the individuals that are participating in the interview process.

		Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	Interviewee 6	Interviewee 7
Topic	In-depth							
Firm	Industry	Automotive industry	Plastic manufacturing	Soil/Water - Geology	Sustainability/Technology	Sustainability	Food Industry	Chemical production
	Size	750	12000	220	11	11	1200	270
	Numbers of suppliers	200	9000	/	6	6	300-330	63
Person	Position	Procurement specialist	Strategic Purchaser	Purchasing Manager	Chief executive officer	COO/Strategic purchaser	Strategic purchaser	junior procurement officer
	Years with company	4	2 1/2	8 months	2 1/2	2	6	5
	Years current position	4	2 1/2	/	3	2	5	3

	Negotiation experience	Yes, 5 years	4 years	9 years	15 years	Only a year	Yes	Yes
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Table I: Overview of interviewees background information

The data gathered from the interviews is qualitative and was gathered from seven interviewees in seven different companies.

Companies 1, 2, 3, 4, and 5 are located in The Netherlands while company 6&7 are located in Lagos, Nigeria. There is a good mixture of people in the sample with some people receiving a fixed salary accompanied by variable pay through incentives while others were fixed to a basic salary only. We will further discuss this aspect in the findings part of the research.

The interview guide was designed in collaboration with another student based for the most part on the existing ones used by Saorin-Iborra and Cubillo (2019). The interview guide (Appendix a.) was designed to cover all the necessary topics for the research paper.

The interview guide was divided into eight parts relating to the focus of the interview which was negotiation. The following eight parts are shown in the following table with the purpose of each part in our interview guide.

Eight Part Negotiation Guide	Explanation
Opinion on Negotiation outcomes	Evaluate each interviewees perspective on outcome of a negotiation
Negotiation Preparation	Gathering info regarding Neg Prep
Negotiation	Focus on the core aspect of negotiation and how it is undertaken
Negotiation Behaviour	Evaluating the changes in Neg Behaviour relating to factors
Agency theory problem	Searching for conflicts of interests and the manner in which they are resolved
Variable Pay	<ul style="list-style-type: none"> - Assess the use of variable pay for interviewees - Understand the effect of VP on Interviewees
Satisfaction	Assessing satisfaction levels within both negotiating parties
Conclusion	Possibility for additional information to be provided

Table II: Eight-part negotiation interview guide

The first part of the interview was meant to provide information to the interviewee about the interview and allow the individual to ask any questions related to how the interview will be undertaken. An important aspect of this first part was to get permission to record the interview. The second part was designed to get background information on the individual being interviewed as well as the company and any other relevant information

The third part of the interview is dedicated to the negotiation topic. This includes:

- Opinion of the interviewee on the outcome of negotiations
- Negotiation preparation will board all the questions relating to the activities undertaken by the negotiator before the start of the negotiation.

- Negotiation: This will focus on the actual negotiation and how it is undertaken and what sorts of tools and tactics are used in an interview.

- Negotiation behaviour: This aspect is especially important to us as we will evaluate if and how an individual's behaviour could change due to the many factors one of them being the core of our research variable pay.

- Agency theory problem: This will evaluate if there have been any conflicts of interest and how the interviewee deals with such a situation in the negotiation.

- Variable pay: This is the core of the research paper as this will first evaluate the current variable pay or incentives given to the interviewee if any is given. The second part of the focus on variable pay will be to understand the effect of variable pay on the interviewee.

- Satisfaction: We look at the satisfaction levels of both parties involved in the negotiation to evaluate how the satisfaction of both parties can be an indicator of how negotiation tactics/behaviours and variable pay can affect the satisfaction level of a negotiation.

- Conclusion: We give the interviewee the possibility to add any other relevant information that might have been missed or overlooked during the interview or the design of the interview.

- Acquisition: A single question asking to be directed to other potential interviewees that might be interested in participating in the research.

This covers and explains the whole interview guide to understand how it was decided and to what ends.

The usage of literature will also be important in having to support the answers from the interviews with some literature to corroborate them and give them more weight in hindsight. It is important to use both aspects of data gatherings to support one another and help draw some conclusions based on the research questions.

The data being gathered through the interviews stems from a questionnaire developed by students (appendix a.), the interviews will be transcribed. The relevant information from the transcribed interviews was included in an excel sheet with the core answers for each question.

	A	B	C	D	E	F	G	H
1	Table	purchase	purchase	purchase	purchase	purchase	purchase	purchase
2	Variable pay	X	X					
3	distributive behaviours							
4	influence through bargaining power	X	X			X	X	
5	importance of issues is exaggerated	X	X	X		X		
6	misrepresenting factual information					X		
7	acquiring information by asking around		X	X	X	X	X	X
8	greater opening demand than negotiation goal	X	X	X		X	X	
9	conveying false information on time constraints			X		X	X	
10	talking to opponents superior to undermine position			X				
11	gaining information through payment		X					
12	cultivating friendship through expensive gift			X				
13								
14	integrative behaviour							
15	Trust	X		X	X		X	X
16	preference of supplier taken into account				X		X	X
17	search for mutually beneficial solution	X		X	X		X	X
18	personal relationship	X		X	X	X		X
19								
20								
21	Negotiation behaviour	Mixed	Distributive	Mixed	Integrative	Distributive	Mixed	Integrative

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

This facilitated the use of the comparative method analysis (Ragin, 1987). It is also important to interpret the information given and relate that information to other information gathered this way it can be used and supported by literature and also discussed to understand the many perspectives that might arise from the interviews on a specific aspect of the interview.

A second source of data was the literature review done in which we highlight the necessary information found through literature review that would allow to corroborate or disprove facts found through the data gathering and interviews.

In order to perform the literature review, we mostly used google scholar as well as the library of the University of Twente giving us access to a variety of research papers relating to the topic. These tools are used in order to retrieving information as well as other research paper related to the topic that might have valuable insights on the same topic being researched. The literature review would allow us to better link the findings with the literature review.

This whole process of data gathering and data analysis allowed us to draw some conclusions once linked to the literature review on the main aspects of the topics in the interview and provide concrete and supported answers about the research question and provide recommendations possibly on the use of variable pay based on the research done. The data will be analysed using the qualitative comparative analysis (Ragin, 1987) to determine the logical conclusions to draw from the data gathered through the interviews and literature.

4. FINDINGS:

The research paper aims to understand the impact of variable pay on negotiation behaviour between two parties. For this purpose, we have conducted seven semi-structured interviews to gain a more thorough knowledge of negotiation and the role variable pay plays in the process. To better understand the data, we summarized all of the information necessary from the interviews into a table. The table allows us to view the answers of interviewees regarding the questions related to both dimensions which are variable pay and negotiation behaviour. Below, the findings from both dimensions of the research paper will be discussed in further details.

4.1 Negotiation Behaviour

The data gathered shown in the table above (appendix b.) highlights three types of behaviour used in negotiations by our seven interviewees.

At first, we have two interviewees who used more of a distributive approach to negotiation while two others used an integrative approach. The four results from these interviews are quite clear cut. On the other hand, we have three interviewees that relied on a mix of both behaviours in negotiation. We will look further into all seven interviewees and their use of these negotiation behaviours.

In our interview, when we discussed both behaviours, we divided both into smaller components or characteristics of each of them to better analyse it. The distributive behaviour is divided into nine elements while the integrative behaviour is divided into four elements. This is necessary as it will allow us later on in the findings to assess the extent of both types of behaviour in each of the interviewees by quantifying how many of these elements/components, they each use in their respective negotiation behaviour process.

Interviewee 1 works as a procurement consultant in the automotive industry and uses a mix of both behaviours during negotiation. According to the data gathered from the interview, in appendix b., shows us that interviewee 1 uses 3 out of the 9 elements associated with distributive behaviour. Moreover the 3 elements used by interviewee

one is as follow: “Influence through bargaining power”, “Importance of issues is exaggerated” and “Greater opening demand than negotiation goal”. According to interviewee 1, he utilizes those 3 elements of distributive behavior due to the fact that those elements are very common tactics used by a vast majority of negotiators in the field. In his opinion, the use of these 3 elements does not affect in any aspect the long-term relationship he is looking to establish and maintain with his supplier. On the other hand, the six other elements were considered by interviewee one to have the potential to hurt the negotiation as you are undermining the essence of the negotiation as well as the opponent in the negotiation.

Interviewee 1 also highlighted in his interview that he made use of 3 other elements that are representative of integrative behavior: “Trust”, “Search for mutually beneficial solution”, “Personal relationship”. As he made it clear that when dealing with clients, he would much rather be able to establish a long lasting and mutually beneficial relationship between both parties.

The second interview was conducted with a strategic purchaser that is currently working in the plastic manufacturing industry. The table (appendix b.) gives us a better understanding of the negotiation behaviour used by interviewee 2.

The table shows that interviewee 2 uses a distributive approach in his negotiation. It shows that out of the nine elements of distributive behaviour we were looking for, he uses five of the elements whilst not making use of any of the element’s representative of integrative behaviour.

The distributive elements used by interviewee 2 are as follow: “Influence through bargaining power”, “Importance of issues is exaggerated”, “acquiring information by asking around”, “Greater opening demand than negotiating goal” and “Getting information through payment”.

According to interviewee 2, the company he works for is a multinational with over 12,000 employees and approximately 9,000 suppliers. With such a large number of supplier and being in an industry where the market is saturated with suppliers that offer relatively the same products allows interviewee 2 to adopt a distributive approach towards the negotiation. This is due to the fact that

the company emphasizes results as well as having a large pool of suppliers they can choose from without compromising the performance of the company. Interviewee 2 goes on to explain, "In the plastic manufacturing business you only have a few suppliers that are critical to the company which gives us leverage".

As we mentioned above there were no elements of integrative behaviour used by interviewee 2 which falls in line with the previously discussed strategy of the company as well as the large number of suppliers that are made available to them.

The third interview was conducted with a purchasing manager at a company with approximately 220 employees and between 60-70 suppliers who mostly works out of Europe and South east Asia. The results of the 3rd interview is highlighted in the table (appendix b.) in which it shows that the individual uses a mix of both negotiation behaviour. The table shows the interviewee uses elements from both negotiation behaviours, 6 elements of distributive behaviour and 3 elements of integrative behaviour. According to the purchasing manager, he uses mixed negotiation behaviour to achieve both his personal goals as well as the goals of the company while maintaining a beneficial long-term relationship with the supplier. In order to do that he explains "the core of the negotiation should be an integrative behaviour, but I use distributive behaviour and tactics in a complementary fashion in order gain an advantage".

The distributive behavior elements used by the interviewee in negotiation are as follow: "importance of issues is exaggerated", "Acquiring information by asking around", "Greater opening demand than negotiation goal", "conveying false information on time constraints", "Talking to opponent's superior to undermine their position", "Cultivating friendship through expensive gift".

The purchasing manager uses "Greater opening demand than negotiation goal" and "importance of issues is exaggerated" to gain advantage that he can later trade on if the need arises.

The rest of the distributive tactics used are only maintained as a last resort used by the purchasing manager as he believes when they are used, they can be detrimental to the long-term relationship he is trying to build. The use of the

other two depends as well on the importance of the matter or project being discussed and how vital it is to the company.

On the other hand, interviewee 3 also uses 3 elements of integrative behaviour which are: "Trust", "Search for mutually beneficial solution" and "personal relationship".

These elements are the basis of any good long-term relationship with a supplier which is why they are constantly at the forefront of any negotiation with a supplier according to interviewee 3.

In his particularly small industry, there is a small to medium range of suppliers which he says makes it crucial to use elements of integrative approach as the core elements of the negotiation to preserve the relationship.

The fourth interview was conducted with the chief executive officer of a company that works in the sustainability/technology sector. The company is relatively small and works in a very niche field in that industry.

The findings table (appendix b.) reveals that the interviewee uses both integrative and distributive elements in their negotiation behaviour.

It is shown that only one element of distributive behaviour "acquiring information by asking around" is used by the interviewee. According to the interviewee "acquiring information by asking around will not affect any future relationship with my supplier and isn't very harmful to the process or even the relationship.". The information he gathers is just to provide him with a better understanding of the negotiation. The information gathered is not used in any way to harm the negotiation or relationship they are trying to build with the supplier.

This now brings us to the second part of the negotiation behaviour which is the integrative behaviour. In that regard, interviewee 4, uses all four components of integrative behaviour.

He explains that the first two elements of Integrative behaviour which are "Trust" and "Personal Relationship" are essential in the negotiation because it allows for open and essential communication with both parties which these two elements facilitate. He believes that having a trustworthy relationship and open communication between both parties is essential and makes it much easier to achieve the results they are looking for. The two other elements used

to be “preference of supplier taken into account” and “mutually beneficial solution”.

It is important to understand that even though interviewee 4 used a single component of distributive behaviour, his negotiation behaviour is rather associated with integrative behaviour as the essence of his negotiation behaviour revolves around building a relationship with his supplier.

Interview number 5 was also conducted in sustainability industry with an individual that works both as the chief operating officer as well as the strategic purchaser.

The findings table (appendix b.) showed above shows that the strategic purchaser uses of a combination of both negotiating behaviours. It shows that six distributive behaviour elements are used by interviewee 5 with the elements being: “influence through bargaining power”, “importance of issues is exaggerated”, “misrepresenting factual information”, “acquiring information by asking around”, “greater opening demand than negotiation goal” and “conveying false information on time constraints”.

The interviewee informs us that he likes to use his leverage when possible as a unique service provider in the industry. He positions himself and the company in a manner where other parties view them as a way to tap into a market that is growing rapidly.

That’s the reason behind the use of a distributive behaviour as he believes he can leverage his position in the market into obtaining what they need.

On the other hand, the table also shows that interviewee 5 still chooses to use an element of integrative behaviour which is a “personal relationship” with the supplier. “It is always important to have a personal relationship with the supplier you have to work with because it makes the whole negotiation process easier”. The interview also mentions that “Trust” is not mandatory in his opinion in order to achieve an adequate outcome.

The sixth interview was conducted with a strategic purchaser that works for a company in the Food and Beverage industry. They employ 1200 employees worldwide and work with approximately 370 suppliers with different background.

The findings table provides us information on the negotiation behaviours and elements of which used by the interviewee in a negotiation. Interviewee 6 uses a clear mix of both negotiation behaviour with 4 elements of distributive behaviour and 3 elements of integrative behaviour.

The interviewee explains his use of mixed negotiation behaviour by saying: “In any negotiation, the most important aspect is the relationship you have built with your supplier and will ensure that the contract will be upheld by both parties” speaking about the reasons why he values an integrative approach and incorporates the following elements in his behaviour. The interviewee mentions that it is important to have a certain level of trust and close relationship with suppliers to build transparent supply chain. The interview also revealed that because the company works in the field and beverage industry, there is a need to better monitor the supply chain to maintain a certain level of quality and while also abiding by fair trade issues that are of concern to the company. This means that the company needs to work in close cooperation with its suppliers and that entails they build a long-term relationship with them which is how the interviewee justifies using an integrative approach and work with supplier of continuous assessments to ensure certain level of quality and transparency.

The table (appendix b.) also reveals that interviewee 6 uses 4 elements of distributive behaviour. These elements are used by the interviewee only in order to gain an advantage in the negotiation and only use it when needed as it does not seek to undermine the relationship between both parties. “The information we gathered by those means is only used in order to improve our position in the negotiation” referring to the distributive elements attributed to the interviewee.

The seventh and final interview was conducted with a procurement officer that works in the chemical production industry. The firm he represents, employs over 270 employees with approximately 63 suppliers. The interview findings table gives us a clearer understanding of the negotiation behaviour of the interviewee. The interviewee utilizes elements of both types of behaviour with one distributive behaviour element whilst using all four of the integrative behaviour elements.

The one distributive element used by the procurement officer was “acquiring information by asking around” which

he justifies by saying “It is a very common practice within the industry as it is important to gather information without doing anything that is unethical or I’m uncomfortable with”. In the opinion of the interviewee, this element of distributive behaviour is widely accepted and is unlikely to have a negative impact on the negotiation.

The table also shows that the interviewee used all elements of integrative behaviour such as “Trust”, “Preference of supplier taken into account”, “search for mutually beneficial solution” and “Personal relationship”. The use of all elements of integrative behaviour highlights the behaviour of the interviewee towards a negotiation as a use of all these elements is usually associated with developing a long-term relationship with the supplier. The interviewee mentions that “There is greater potential when working and cooperating alongside our suppliers [...] we value communication and cooperation”.

This concludes the negotiation behaviour part of the findings in which we elaborated on the data gathered related to negotiation behaviour. We will now look to dive into the findings of variable pay which is the second crucial focus point of this paper.

4.2 Variable Pay

The variable pay component is an important one in our analysis as it is the one variable that could potentially affect negotiation behaviour and tactics for employees. In our research, we conducted seven interviewees two of which received a form of variable pay in form of financial incentives.

One of them received a different sort of variable pay compensation which focused not necessarily on the negotiation but rather on the billable hours. The interviewee mentions that this tactic is mostly used by the company to encourage employees to undertake multiple projects at the same time to rack up billable hours. The billable hours incentive pay can be a double-edged sword due to the fact that some employees tend to be inefficient in their work to increase their billable hours for each client. This is partly because this individual works as a purchasing consultant.

Interviewee 2 received a compensation package that includes variable pay that comes in the form of yearly performance target to be reached by the interviewee with additional variable pay based on specific project where there are specific goals that need to be reached with his variable pay performance packages being 15%.

The five other interviewees did not receive any variable pay packages or incentives from their company.

Out of the seven interviews I conducted, there are 4 interviewees that stress that the use of variable pay would potentially affect their negotiation behaviour.

Negative impact of Variable Pay on Negotiation Behaviour:

The data gathered through the interviews also focused on the effect of variable pay on negotiation behaviour. The interviewees were asked to detail whether or not VP would influence their negotiation behaviour and the manner in which they would be affected.

The findings collected from the interviews suggests that 4 out of the 7 individuals interviewed agree that VP if offered to them could potentially affect or change their behaviour during the negotiation. Out of these 4 individuals, Interviewee 1 & 2 both receive VP with both agreeing that VP does change the behaviour of the negotiator.

The 4 interviewees agree that the VP would change their behaviours because it would “push you towards your goal and they’ll be more determined” to achieve them. This opinion is shared by all 4 interviewees with interviewee 5 stating that “You are incentivized to reach your goals no matter what” which translates to negotiators sometimes pushing too hard or using tactics that might hurt the negotiation or the relationship between both parties.

Interviewee 1 also suggests that the use of VP would affect his behaviour by making him “lose focus of the big picture and the overall results”. This indicates that interviewee 1 considers that VP would change the perspective of the negotiator and force him to prioritize his personal gain over the interest of the company.

On the other hand, when the three other interviewees were asked about possible change in their behaviour because of VP, they suggested that it would not affect them.

Interviewee 3 which is part of the group of individuals not affected by VP also stated that “the interest of the company should come first and foremost”.

The interviewees were questioned about their opinion on whether or not VP would have a negative effect on negotiation. Interviewee 1 highlights in his interview that when VP is used it affects “the objective of the professional” as well as “lose track of the important aspects and only focuses on the elements related to the VP” which is further substantiated by interviewee 3 who states that “It will push people to put their interests first [...] at the expense of the supplier and the company”.

There are many negative effects that could come from the use of VP due to the fact that “you’re introducing an element into the negotiation that both parties want to benefit from it at all costs” which is Interviewee 7’s opinion on the matter of negative effects. These reflect the general opinion of six of the seven interviewees on the matter of whether VP has a negative effect on behaviour.

Furthermore, the findings from the interview reveal that interviewees were concerned about the effect of variable pay on the long-term relationship that they are trying to build with their suppliers with interviewee 3 stating that “it could affect the long-term relationship and results for both parties” while also creating an “unhealthy competition” within the company and “create friction amongst employees” according to Interviewee 5.

While the interviews revealed that VP has an impact on the behaviour of the negotiator, I also looked to understand how this could also affect the other parties involved in the negotiation. When faced with a party that benefits from VP, the opposing party can sometimes make use of “harsher negotiation tactics” as noted by interviewee 4 with interviewee 6 explaining that “VP can cause other parties to change behaviour to match the behaviour of the opposing party” in order to be able to level the playing field for the negotiation.

We will now interpret and describe the significance of the findings in regards to the research previously discussed and to understand the new insights given to us by the findings.

5. DISCUSSION

This paper presents the findings of research designed to answer the question of whether the use of variable pay can affect negotiation behaviours. The study allowed us to gain insight into what negative or positive effects might come from variable pay and any potential influence it might have on the outcome of a negotiation. We focused on the effect of variable pay on negotiation behaviour as well as the tactics being used and how variable pay can affect them.

By adopting a qualitative method approach with the use of semi-structured interviews we gathered information on the different topics which will now be discussed in detail. For ease, the term “variable pay” is initialised to VP in the following discussion.

5.1 Effect of variable pay (VP) on negotiation behaviours:

The data gathered through this research shows there is some evidence to suggest that VP has an impact on negotiation behaviours. Findings allowed analysis to better understand how individuals receiving VP behaved differently to those not receiving VP.

The data reveals that all purchasing managers (the participants) interviewed in the scope of this research used at least one of the elements representatives of distributive behaviour. All participants also made use of at least one of the elements representatives of integrative behaviour except for Interviewee 2 who did not appear to employ any of the integrative elements of negotiation behaviour.

To gain a better understanding of the usage of the elements we calculated the average of elements used in different types of behaviours while taking VP into account. The results are summarised in the table below.

	Variable Pay	No Variable Pay
Integrative behaviour	1.5	3
Distributive behaviour	4	3.6

Table IV: Summary of the average of negotiation behaviours used for Variable and No Variable Pay

The table shows that there were variations in the number of elements used for each type of negotiation behaviour depending on whether VP was awarded to the individual purchasing managers.

Firstly, on review of the integrative behaviour of these participants, the table reveals that participants with VP use an average of 1.5 elements from the integrative behaviour range. On the other hand, participants that do not receive VP use an average 3 elements of integrative behaviour in their negotiations. The number of integrative behaviour elements used is clearly correlated to the use of VP as purchasing managers that do not receive VP tend to use twice as many elements of integrative behaviour.

Integrative behaviour in negotiation is generally used by purchasers or companies that are looking for long-term relationships with their suppliers. It is used to establish trust and mutual gains for both parties involved in the negotiation. This research suggests that the use of VP on purchasers makes them less likely to use integrative behaviour in their negotiations which could potentially affect the outcome of the negotiation as well as the long-term relationship between negotiating parties (Zachariassen, F., 2008).

Secondly, inspection of the data for distributive elements represented in the table above shows that there is a difference in the number of distributive elements used when paired with VP. A participant that received VP would, on average, make use of 4 elements of distributive behaviour whilst a participant without VP used an average of 3.6 elements. The table shows a slight decrease in the average of distributive elements used which could indicate that VP has an impact on the use of distributive behaviour. In this case, the difference is not significant, so the correlation is not as strong.

The average number of elements for both types of behaviour appears to be affected by the VP factor. It seems that when VP is given to a purchasing manager there is clearly more focus on distributive elements and behaviour by using more

of them than non-VP purchasers. On the other hand, it can be noted that participants not influenced moved towards a more integrative approach. This was also very apparent in the interview as might be evident in the findings with the table mentioned above showing increased usage of integrative elements with purchasers not being offered variable pay.

The data gathered revealed that some elements of both types of behaviours were used at different frequency, but that was also because of the nature of the elements for each type of negotiation behaviour. The data shows that, in most cases, there are some elements of both types of behaviour used by most participants as they are widely accepted elements to be used without any significant impact according to the participants. The elements being referred to in the part above are as follows: “acquiring information by asking around” and, “greater opening demand than negotiation goal”, for distributive behaviour; and “Trust” for integrative behaviour.

5.2 Other factors affecting negotiation behaviours:

The research conducted looked at the effect of VP on negotiation behaviours, which represents a single variable involved in the negotiation process. In any negotiation, there are a number of variables that can play a significant role in the negotiation process and possibly change the negotiation process as well as the outcome. It is important to realise that these other variables could also impact the negotiation behaviour, which means that VP might not be the only variable with an effect on negotiation behaviours.

There has been research conducted in which it was revealed that there are other factors that affect the use of VP within a company (Miceli & Heneman, 2000). The research previously conducted on VP suggests that it can cause

significant unanticipated costs in regards to management time, training, and administrative tasks. The complexity in managing compensation strategies as well as VP has left quite a large margin of error through which we cannot determine whether these provide any sort of real competitive advantage (Cox, 2005).

A second variable which is important to consider is globalisation, which is the process through which the world is becoming more inter-connected with worldwide trade and cultural exchange being at the forefront. Globalisation has made trade around the world extremely accessible for all companies and individuals and forced companies to work with entities from around the world that have different cultures. This aspect can play a significant role in negotiation behaviour as illustrated by previous research which states that two major factors of any culture that can affect negotiation outcome focuses on “information exchange” and “power strategies” used by different cultures (Brett, J. M., 2000). The research suggests that in order to obtain a more favourable outcome in the negotiation it is important to understand the other negotiating party’s cultural characteristic. The research suggests that different cultures respond differently in negotiations according to their culture (Adair et al, 2004).

Culture is a broad term that can be influential on many aspects of an individual with one of them being the processing of emotions which can play a role in the negotiation. In previous research conducted, there was evidence to suggest that the handling of emotions can be a crucial part for some negotiators, with this case focusing on Italian negotiators (Benetti, Ogliastri & Caputo, 2021). This highlights the fact that culture can play a role in the way we handle our emotions during a negotiation which is part of the negotiation behaviour.

One last factor that could potentially affect negotiation behaviour is the possible setting in which these negotiations take place. This refers to the time and place of the meeting and being in control of the setting. The meeting location for negotiation can be extremely important as it signifies which party has more control or authority over the other. This allows the hosting party to be in their comfort zone as well as in their area of strength where they possess home court advantage. When a negotiator has the advantage of having a meeting at their location, they also get to decide on the manner in which they are treated. The setting can be made

to be very welcoming and courteous or on the other hand it can be made to put the other party on their heels and at a disadvantage.

This also provides the host negotiator with an advantage to set the pace of the negotiation, with breaks or other ways in which they could control the negotiation.

This part of the research paper discussed how the findings of this paper showed to some extent that variable pay does have an effect on negotiation behaviour in different regards and levels. We also acknowledged that there are other possible factors which could affect the negotiation behaviour which could account for the changes and variances in the data.

6. IMPLICATIONS & LIMITATIONS

6.1 Academic Implication

The concept of variable pay has been in use for decades in the business place to incentivize employees to improve performance, to retain employees, or even to promote the strategic goals of a company. In another manner, variable pay has also been used to resolve agency theory problem and bridge the gap between shareholders and managers within a company. Which begs the question, why hasn’t the concept of variable pay been tested out on the buyer-seller negotiation process to enhance performance and align the interest of both parties and thus improve negotiation outcomes.

6.2 Practical relevance

There is a need to enhance the negotiation between both parties of a business to business negotiation setup, as there is a gap at times between the interests of both parties. The practical relevance of this study is to evaluate the effectiveness of such a tool as variable pay to improve outcomes in the negotiation process, and underline the negative aspects of such a tool when used for such a task.

6.3 Limitations

The research conducted in this paper was constrained by limitations due to the following factors. An important limitation of this research was the sample size used for data collection. A sample size of seven interviewees is not an accurate representation of the negotiation behaviour of all strategic purchasers. A bigger sample size would allow for more accurate data, it would also allow future research to identify outliers that could skew the results while being able to generalise the results as they are more representative of the population being studied.

The second limitation regarding the sample is that it refers to the characteristic of the sample population. In this case, I am referring more specifically to the size of the company the interviewee works for, as well as the industry the company works in. First of all, the size of the company where the interviewee works can play a role on the data as it is well known that larger companies have different ways of working compared to smaller companies. The focus of the research revolved around variable pay and its effect on negotiation behaviours; it would be better for future research to be focused on a specific element. Research that is conducted in a more specialised industry or company size would allow for more accurate results that can be used for companies with those specific characteristics.

This research was conducted on the basis of the questionnaire that we developed which used nine elements of distributive behaviour while using only four elements of integrative behaviour. The number of elements used to represent both types of behaviour can be a limitation. While conducting our research, we had to limit the number of elements we researched. In order to conduct future research, we would advise taking more elements of both types of behaviours into account which would increase the reliability of the correlation found between VP and negotiation behaviour.

The final aspect of this research that would be considered a limitation was that the research was conducted during a pandemic which greatly impacted our ability to gather data. It was difficult to find volunteers who were willing to participate in the research and, because interviews were

conducted through Skype or Zoom calls, it is arguable whether they disclosed the same information, for the purpose of the research, as they would in a more controlled environment.

7. CONCLUSION

The aim of this research paper was to identify whether or not variable pay had an effect on negotiation behaviour and if so in what manner while also highlighting the negative impact of variable pay.

The research we conducted concluded that variable pay does indeed have an impact on the negotiation behaviour with the results revealing a more integrative approach for most purchasers not being offered whilst a more distributive approach is used by purchasers being offered variable pay. The research also highlighted the fact that variable pay can affect the performance of the individuals as well as the motivation which is where the issue of agency theory comes in with not having their interests aligned.

Even though there are benefits to some aspects of variable pay, the majority of our participants agreed that any form of variable pay would have a negative impact on the behaviour and decision-making process, in part due to the misaligned interests as well as the motivation which can be a double-edged sword.

The usage of both elements for most of the interviewees demonstrates that there is a balance reached in the overall behaviour of purchasing negotiators which was also revealed in a paper by Saorin Iborra & Cubillo (2018). This goes to show that some elements of both types of behaviour are used by negotiators regardless of what type of behavioural approach they use for the negotiation.

The data gathered regarding the use of elements of negotiation behaviours revealed that integrative behaviour is a crucial part of any negotiation with most firms emphasising the importance of a long-term relationship with their suppliers. The long-term relationship is usually based around three important elements of integrative behaviour which are “mutually beneficial solution”, “trust” and “personal relationship”. This is further substantiated in research undertaken by Fleming & Hawes (2017), which

revealed that negotiators were usually more satisfied with an integrative behavioural approach. This balanced approach described above is usually used by companies who do not wish to commit to one specific supplier for a long-term relationship as the environment of the company can play a big part in their choice of negotiation behaviour approach (Ramsay, 2004).

8. ACKNOWLEDGMENTS

I would like to express my deepest gratitude to Dr. Aldis G. Sigurdardottir and Dr. Kjartan Sigurdsson for their feedback and support throughout the whole thesis process. I would also like to thank my study advisor Ms. Lena Ay for her continuous support throughout my academic journey at the University of Twente. The whole academic journey was facilitated through the tremendous support of my parents, sisters and friends which have accompanied me throughout my journey. One last special thank you goes out to M. Mahayri.

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APPENDIX

Appendix a.

Interview Guide

"Do organizations offer variable pay and if they do, does it affect negotiation behaviour in a positive or negative way and how?"

Date: _____
Name: _____
Company: _____
Job Title: _____

1. General and Organizational points

a. Organizational Points

Interview will be recorded with your permission
Your name and firm will be used anonymously
You will receive an executive summary of the findings if you like

b. Procedure

Open questions to find out more about the sales/purchasing strategy you use
I define negotiation behaviour as the way a person behaves/durings during a negotiation

2. Background Questions

a. Could you please describe the firm you work for?

Products
Size
Number of employees
Type of customers
Type of industry

b. Could you please describe your educational/professional background?

Current position
Age, Gender and education
Years in the industry and in the Position and at the firm
Negotiation experience
How many clients are you responsible for?
Do you always interact with the same people?
What is your/firm's cultural background? (This may have an impact on negotiation behaviour)

3. Negotiations

When answering these questions please think about a recent/negotiation. Please also add experiences from negotiations which deviate from the typical example.

a. Outcomes

What do you consider a successful negotiation outcome?
What in your opinion are the key factors that influence the outcome of the negotiation
The importance of attitude and behaviour in order to achieve a desired outcome

b. Negotiation Preparation

Do you prepare for a negotiation? (if yes how? How long? What do you do?)
Do you prioritize working with existing suppliers over new ones? Please explain why
Does the process for negotiation preparation differ between a new and existing customer?
Standardized preparation or supplier specific preparation?
Are preferences and priorities scored and measured (if the opponent)?
How many clients are you responsible for?
Do you always interact with the same people?
What does the evaluation process of a potential supplier look like?
What does your ideal supplier look like in theory?

c. Negotiation

Who is involved in the negotiation process and where do they take place?
How do you start off negotiations?
What content does the first interaction have?
Which issues are negotiated?
1. Pre-negotiated agenda?
2. Number of issues?

d. Negotiation Behaviour

Did you know your counterpart? (if yes, how long did you know them? Do you consider that you could trust each other?
Have you ever used blackmail? (bribe is defined as greater than the desired outcome)
What communication tools do you use in order to facilitate communication or the exchange of information?

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

1. Guideline by company?
2. Influence through negotiating power?
3. When are different issues negotiated? Why?
4. Is the importance in some issues exaggerated? Why?
5. Are issues treated same or in packages? Why?
6. Do issues pop up even though the negotiation seems to be finished? How do you handle that?
Does your negotiation behaviour evolve along the procedure? Does your opponent influence that?
Which strategies/actions do you use to negotiate successfully? (or consider vital to negotiate successfully)
What behaviour do you dislike when used by your opponent and why?
Which of the following tactics would you use? (How likely or unlikely?)

1. (D1) Intentionally misrepresent factual information to your opponent when you know that he/she has already done this to you.
2. (D2) Intentionally misrepresent factual information to your opponent in order to support your negotiating arguments or position.
3. (D3) Gain information about an opponent's negotiating position and strategy by "letting around" in a network of your friends, associates, and contacts.
4. (D4) Make an opening demand that is far greater than what one really hopes to settle for.
5. (D5) Hide your real bottom line from your opponent.

6. (D6) 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.
7. (D7) Make an opening offer or demand so high (or low) that it seriously undermines your opponent's confidence in his/her own ability to negotiate a satisfactory settlement.
8. (D8) Lead the other negotiator to believe that they can only get what they want by negotiating with you, when in fact they could do otherwise and get what they want cheaper or faster.
9. (D9) Promise that good things will happen to your opponent if he/she gives you what you want, even if you know that you can't or won't deliver those good things when the other's cooperation is obtained.
10. (D10) Threaten to harm your opponent if he/she doesn't give you what you want, even if you know you will never follow through to carry out that threat.

9. [Q2] Promise that good things will happen to your opponent if he/she gives you what you want, even if you know that you can't (or won't) deliver those good things when the other's cooperation is obtained.
10. [Q2] Threaten to harm your opponent if he/she doesn't give you what you want, even if you know you will never follow through to carry out that threat.
11. [Q1] Talk directly to the people who your opponent reports to, or is accountable to, and try to encourage them to defect your side.
12. [Q2] Threaten to make your opponent look weak or foolish in front of a boss or others to whom he/she is accountable.
13. [Q2] Talk directly to the people who your opponent reports to, or is accountable to, and tell them things that will undermine their confidence in your opponent as negotiator.
14. [Q1] Gain information about an opponent's negotiating position by paying friends, associates, and contacts to get this information for you.
15. [Q2] Gain information about an opponent's negotiating position by cultivating "friendship" through expensive gifts, entertaining, or "personal favour".
4. Agency theory problem
a. Do you usually have any conflict of interests with suppliers?
b. If not, are some of the usual conflicts of interests you've had to deal with over the years of negotiation?
c. How do you overcome conflicts of interests?
d. How does it affect both parties' negotiation behaviour?
e. Do you share all information with the other party involved in the negotiation?
5. Variable Pay
Variable pay means bonuses or other financial incentives for a job well done (reaching a specific goal).
a. Does your firm offer VP?
i. If yes, can you explain how it works? (specific outcome of a negotiation?)
ii. What kind of VP? (fixed rate, percentage, or something else?)
1. How much do you tolerate?
2. How much would VP have to increase to significantly change your negotiation behaviour?
b. If no, do you think VP would change your negotiation behaviour and why?
1. How much of a bonus would it take for you to change your negotiation tactics/behaviour? Is there a minimum threshold?
c. What do you think of the effect of VP is on the behaviour of other parties involved in the negotiations?
d. Do you think VP may have a negative effect on the negotiation process and why? How does VP negatively affect the negotiation process? And why?
e. What are the disadvantages of using VP?
6. Satisfaction
a. Are you usually satisfied with the outcome of a negotiation? (Why/why not?)
b. How would you describe the satisfaction with your negotiation "opponents" after a negotiation?
c. Do you feel that your opponent is equally satisfied with the outcome as you? (If yes, kindly explain why.)
d. Does the firm track satisfaction of suppliers? How important is it to your/firm?
7. Conclusion
a. What recommendations would you have when carrying out the kind of negotiation you just described?
b. Is there anything else you would like to add that I may have missed to ask?
8. Acquisition
a. Is there anyone else you know who I can contact for an interview?

Appendix b.

	A	B	C	D	E	F	G	H
1	Table	= purchase =	= purchase =	= purchase =	= purchase =	= purchase =	= purchase =	= purchase =
2	Variable pay	X	X					
3	distributive behaviours							
4	influence through bargaining power	X	X			X	X	
5	importance of issues is exaggerated	X	X	X		X		
6	misrepresenting factual information					X		
7	acquiring information by asking around	X	X	X	X	X	X	X
8	greater opening demand than negotiation goal	X	X	X	X	X	X	
9	conveying false information on time constraints			X		X	X	
10	talking to opponents superior to undermine position			X				
11	gaining information through payment		X					
12	cultivating friendship through expensive gift		X					
13								
14	integrative behaviour							
15								
16	Trust	X		X	X		X	X
17	preference of supplier taken into account			X	X		X	X
18	search for mutually beneficial solution	X		X	X		X	X
19	personal relationship	X		X	X	X		X
20								
21	Negotiation behaviour	Mixed	Distributive	Mixed	Integrative	Distributive	Mixed	Integrative