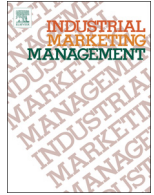




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A model of negotiation issue-based tactics in business-to-business sales negotiations☆

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ABSTRACT

Many business-to-business transactions rely on negotiation, yet extant research has not addressed key questions about *what* is negotiated and *how*. To tackle this persistent research gap, this article adopts a qualitative approach and seeks to discover, describe, and analyze negotiation issue-based tactics, defined as tactics that draw specifically on the negotiation content and issues. Data from semi-structured interviews with 39 sales and purchasing experts, employed by companies active in the industrial and service project business sectors, undergo analysis according to the Gioia methodology. The resulting model of negotiation issue-based tactics features business- and industry-specific negotiation issue subsets, as well as buyer/seller role properties as important boundary conditions. Tactical advantages and safeguarding emerge as two functions of issue-based tactics. Overall, this article identifies 11 tactics that deal with the number, the order, or the characteristics of negotiation issues and may partly serve as best practices for managers.

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1. Introduction

On most business markets, transactions result from a negotiation process between supplier and customer organizations (Eliashberg, Lilien, & Kim, 1995). Negotiations determine whether a selling firm manages to close a deal and thus beats competition (Anderson, Narus, & Narayandas, 2009; Wilken, Cornelißen, Backhaus, & Schmitz, 2010;) and whether the buying organization finds the most suitable partner, in terms of costs and benefits, for a given problem (e.g., Sarkis & Talluri, 2002) and is satisfied with the outcome (e.g., Mintu-Wimsatt & Graham, 2004; Shankarmahesh, Ford, & LaTour, 2004). If an agreement can be reached, it defines what each party gives and takes, the corresponding economic impact, and how well the parties manage to integrate their various interests to reach win-win agreements (Raiffa, 1982). Because of the importance of such negotiations in business-to-business (B2B) marketing, ongoing research efforts have addressed various determinants of the negotiation process and its outcomes, such as personality factors (Barry & Friedman, 1998), teams (Patton & Balakrishnan, 2012), cultural setting (Mintu-Wimsatt & Gassenheimer, 2004; Shankarmahesh et al., 2004), power dependence relations (McAlister, Bazerman, & Fader, 1986), communication media (Purdy, Nye, & Balakrishnan, 2000), and interaction and information processing (Wilken et al., 2010).

However, questions about *what* is negotiated and *how* it is done have received far less attention. If studies focus on process elements, they do so in rather abstract terms of a competitive or co-operative strategic orientation, such as in cross-cultural sales negotiation research (e.g., Chairsakeo & Speece, 2004; Mintu-Wimsatt & Gassenheimer, 2004; Pullins, Haugtvedt, Dickson, Fine, & Lewicki, 2000). Studies from the relational selling realm have disclosed successful seller influence strategies (e.g., McFarland, Challagalla, & Shervani, 2006; Plouffe, Bolander, & Cote, 2014; Reid, Pullins, & Plank, 2002). However, research that focuses on B2B sales negotiation needs to take a slightly different angle than relational selling research, because the research focus here is the negotiated transaction. Relational selling studies, in contrast, remain vague in how far seller influence attempts link to concrete negotiation contents and outcomes. In particular, the tangible issues, and their strategic and tactical uses in B2B sales negotiations, remain unclear, as does the agenda into which they assemble. For this study, a negotiation issue is some aspect of the discussion that must be resolved to come to an agreement (Bendahan, Camponovo, Monzani, & Pigneur, 2005). The negotiated issues and their order constitute the agenda, which structures the discussion between individuals or groups (Patton & Balakrishnan, 2012). Agenda setting then refers to putting the agenda together and gaining approval for it from the opponent. Because prior research has not addressed these concerns, some fundamental negotiation recommendations continue to be uncertain. For example, is it preferable to negotiate difficult issues first or last? When is it best to introduce a certain issue into a negotiation? These questions refer to how parties treat negotiation issues: which and how many issues they bring to the table, in which order and combination, and ultimately how parties might use or leverage the issues strategically and tactically.

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A key reason for the relative lack of knowledge about issue-based tactics may stem from the experimental tradition that marks negotiation research. Nearly all experimental negotiation tasks include a fixed, limited number of negotiable issues (Carnevale & de Dreu, 2005), which are assumed to be independent of one another (Raiffa, 1982). This scenario excludes many negotiation issue related challenges that are relevant in practice. As Eliashberg et al. (1995, p. G56) caution with regard to generalizations about business marketing negotiations: “A clear gulf exists between research and real-world problems. Research articles and case materials that reflect actual bargaining issues overlap to a disappointing degree. We need more researcher-practitioner interaction to allow researchers to better understand the important elements of the real world negotiations problems they are researching.” A recent review of negotiation research in marketing provides two potential reasons for that gulf (Herbst, Voeth, & Meister, 2011): The unwillingness of practitioners to share sensitive information about their negotiations and the predominant use of student subjects instead of negotiation practitioners in experimental studies. To advance the field, the same authors call for “a more comprehensive examination of successful strategies and tactics” (p. 976).

In response, this study seeks to make two main contributions. First, it attempts to further understanding of the complex negotiation processes in B2B marketing by discovering, describing, and analyzing real-world negotiation tactics that are based on tangible issues in B2B sales negotiations. In so doing, it aspires to unveil important boundary conditions for the use and success of such tactics. Greater knowledge and understanding of issue-based tactics can benefit sales and purchasing practitioners, such that they might broaden their negotiation repertoire, e.g. by including best practice tactics they had not been aware of in the past. It also can contribute to literature on organizational buying and selling or research into transactions in B2B marketing in general. Second, the present study is designed to help bridge the researcher-practitioner divide. This extensive field study, with an exploratory and revelatory character, helps define the transferability of lab findings to the real world and reveals several new research avenues stemming from practically relevant problems. It thus contributes generally to the negotiation literature.

The next section offers an overview of the current state of research into agenda setting and issue-based negotiation tactics. After presenting the qualitative, exploration-oriented research methodology, this article outlines the findings, in the form of an emerging model of issue-based tactics in B2B sales negotiation, including key tactics, the functions of those tactics, and some boundary conditions. Finally, the discussion details the implications of this model for both research and practice.

2. Issue-based tactics in negotiation

For the present study, it is useful to assume that negotiation starts when potential exchange partners begin discussing issues. Thus, the negotiation spans the whole process, from initial attempts to solve a customer problem to signing a legally binding contract (Geiger, 2016; Kapoutsis, Volkema, & Nikolopoulos, 2013). This view differs from the conventional approach in sales or purchasing practice, as reflected in many lab studies, in which negotiation only refers to the final personal encounter before signing an agreement. However, this wider temporal perspective helps illuminate various important patterns, strategies, and tactics involving negotiation issues.

Parties to B2B sales negotiations use different strategies and tactics (e.g., Perdue, 1992; Zarkada-Fraser & Fraser, 2001). Negotiation strategies are often conceptualized as either integrative or distributive, such that they seek to maximize either joint or individual benefits, respectively (e.g., Raiffa, 1982; Zachariassen, 2008). In turn, the negotiation tactics that make up these strategies are “short-term, adaptive moves designed to enact or pursue broad (or higher level) strategies, which in turn provide stability, continuity, and direction for tactical behaviors. ... they are structured, directed, and driven by strategic consideration”

(Lewicki, Barry, & Saunders, 2010, p. 110). A negotiation issue-based tactic in particular refers to a certain way of handling one or more negotiation issues in pursuit of a joint or individual goal. The negotiation and sales literature touches on several issue-based tactics, but remains fragmentary overall.

2.1. Negotiation agenda as a tactical device

As noted previously, a negotiation agenda comprises the negotiated issues and their order and structures the discussion (Patton & Balakrishnan, 2012). In the pursuit of joint negotiation outcomes—agreement and joint benefits—a negotiation agenda has long been identified as a significant structural characteristic (Schelling, 1956). Rubin and Brown (1975) discuss whether issues should be negotiated simultaneously, in subsets, or sequentially; Balakrishnan, Patton, and Lewis (1993) compare simultaneous with sequential bargaining and specify strategic considerations for defining which agendas benefit negotiators engaging in sequential bargaining (see also Fershtman, 1990).

Three empirical studies found that negotiating multiple issues simultaneously rather than sequentially leads to more efficient (win-win) outcomes. Froman and Cohen (1970) report this effect in a two-person dyadic setting. Patton and Balakrishnan found a similar effect in a condition in which a single seller negotiates either all issues simultaneously with a team of buyers or each issue sequentially with a different member of the team. Finally, Thompson, Mannix, and Bazerman (1988) show that negotiating multiple issues simultaneously instead of sequentially is also beneficial in a three-party negotiation. However, these empirical laboratory studies use relative few issues (mostly three, e.g. McAlister et al., 1986; Neale, Huber, & Northcraft, 1987; Patton & Balakrishnan, 2010, 2012; Pruitt & Lewis, 1975; Purdy et al., 2000; five, Adair, Weingart, & Brett, 2007; or eight, Naquin, 2003). They cannot definitively determine if simultaneous bargaining about all issues still is beneficial when the negotiation must deal with many issues (Geiger & Hüffmeier, 2014).

2.2. Number of issues

Rubin and Brown (1975) identify the number of issues and their ordering as potentially important determinants of bargaining outcomes. They also raise the question of issue interdependence, i.e. the fact that the value or availability of an option within an issue depends on the specific resolution of another issue, but their review of prior literature offered no empirical confirmation for any of these questions. Raiffa (1982) suggests that more, rather than fewer, issues can create more value for both parties, because they can leverage their different interests, resources, and priorities. However, the empirical evidence about how the number of issues affects negotiation outcomes is scarce. Naquin (2003) finds that more (eight) compared with less (four) issues leads to lower negotiator satisfaction. Geiger and Hüffmeier (2014) also show that more issues in a negotiation lead to less accurate judgments about the opponent's negotiation priorities and thus relatively less efficient outcomes. This finding resonates with Watkins's (2003) case-based recommendation of strategic simplification in complex, multi-issue negotiations. To come to an agreement, he proposes using four strategic simplification principles: eliminate issues from the agenda, negotiate guiding principles before detailed issues, split the issues into internally interdependent versus externally independent subsets, and negotiate the latter in sequence.

2.3. Issue sequence and concessions

Questions about who should raise issues at the negotiation table and in which order have drawn some research interest, especially as they relate to individual negotiation outcomes. In distributive negotiations, Galinsky and Mussweiler (2001) reveal a positive effect of an ambitious first offer on the individual profits of the party that makes that first offer.

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