



# So close yet no agreement: The effects of threats to self-esteem when using instant messaging and audio during seller–buyer negotiations



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## ARTICLE INFO

### Article history:

Received 28 March 2013

Received in revised form 7 June 2013

Accepted 20 August 2013

Available online 28 August 2013

### Keywords:

Negotiation

Instant messaging

Audio

Self-esteem

Communication-driven decision support systems

## ABSTRACT

People negotiate with the goal of reaching agreement. However, there are times when reaching agreement may be well within their grasp but it is not realized and the process ends with a loss of benefits for the negotiators. We use self-esteem theory to examine the influences that offers and comments have on this behavior when negotiators use an audio as opposed to instant messaging for communications. To help explain the moderating effects of these media, we use a theory on grounding. We find, for example, that when using instant messaging, the inability to reach agreement though negotiator offers are very close to each other is increased by initial offers containing relatively large concessions, by violations of reciprocity norms, and by critical comments.

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## 1. Introduction

Many of us have been in situations where we are either a buyer or a seller in a price negotiation. After much give and take, we are very close to a mutually beneficial agreement, yet neither we nor our negotiating partner are willing to concede further. We argue below that threats to self-esteem can play a significant role in this unwillingness, and that audio as contrasted with instant messaging communication-driven decision support systems can significantly affect perceptions of self-esteem threats.<sup>1</sup>

The online environment provides a means for negotiators to use a variety of these systems to communicate with each other and exchange offers. Commonly used are systems in the form of synchronous text-based instant messaging (IM) and audio [6,16,32]. For example, price negotiations occur in the over-the-counter market 80% of the time using IM and 20% of the time using audio [1]. Further, as an alternate marketplace to eBay, Bonanza provides an opportunity for buyers and sellers to engage in one-on-one price negotiations using IM in order to reach agreements [13,43]. In its first year of operation, Bonanza attracted about 35,000 registered users, who engaged in tens of thousands of transactions [43]; the site is currently growing at an annual rate of 60% [58]. In addition to negotiation sites, retail organizations are finding IM

negotiations profitable. For example, WideStorm.com provides IM software that is implemented on organizations' websites and that enables consumers and vehicle dealers to negotiate the price of a vehicle entirely on-line [26]. This software is currently implemented on the web sites of over 300 automobile, recreation vehicle, motorcycle, and boat dealerships across the United States [25].

IM and audio are then competing forms of communication-driven decision support systems for negotiations in the global business setting [22]. We thus contrast IM and audio, and propose the following research question. How are perceptions of self-esteem influenced by negotiators' communications via IM versus audio, and how do these perceptions affect the likelihood that negotiators who are very close to agreement will not be able to reach agreement? Our study contributes to decision support system theory and practice as applied to electronic commerce in a number of ways. For example, earlier studies on flaming examined the contextual and partner-associated causes of anger and how anger can lead to flaming [30] as well as the effects of flaming on reaching agreement [31]. This study complements those studies by examining the how non-angry comments and offers can affect the potential for negotiators to reach agreement. In addition, our explanations of how using IM as compared to audio can influence the ability to make electronic commerce sales adds to the growing decision support literature that has examined seller–buyer issues such as influences of seller website dynamic display [68], seller website visual appeal [41], and online sales strategies [19].

The next section provides the theoretical background of the paper. This is followed by the development of a research model based on self-esteem that explains and predicts the outcome of getting close to agreement in negotiations using IM and audio media. Hypotheses derived

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<sup>1</sup> Communication-driven decision support systems provide communication support that facilitates the collaboration of buyers and sellers as they work together to reach agreement [50].

from this non-agreement model are tested with experimental data, and the results are discussed. If this non-agreement model is valid, then it should be able to discriminate between dyads with close seller–buyer offers but not reaching agreement and those dyads that do reach agreement. We therefore test a variation of the non-agreement model to test this ability. The paper ends with a discussion, covering the implications of this study for theory and practice.

## 2. Theoretical background

The theory of self-esteem is the foundation of our research model. We also employ grounding theory in order to determine the ways in which the use of IM versus audio moderate the relationships we developed through the use of self-esteem theory. We begin with a discussion of self-esteem. This is followed by a description of our research context, including our level of analysis, the type of negotiations of interest, and how IM differs from audio in regard to their abilities to convey social and relational cues.

### 2.1. Self-esteem

Self-esteem is a person's overall sense of self-worth or personal value [27]; it is the impression one has of one's self, involving such feelings as confidence and satisfaction [44]. Self-esteem is conceptualized as a state that can have substantial variation around the trait level [9,34]. We are interested in state levels since we are examining the influences of individuals' communications on the transient self-esteem of their partners.

Self-esteem has also been conceptualized as composed of several domains that are of interest unto themselves (e.g., [9]) or that can be combined to form a global value [27]. These domains are related to aspects of an individual's life that the individual feels are important, and the importance of each domain, varies among individuals as well as during different times of life for the same individual [27]. The subjects of our experiments are college students, who have been found to perceive one or more of the following category domains as important [28].

- Physical competence – consisting of athletic competence and physical appearance.
- Peer acceptance – consisting of close friendships, romantic relationships, and relationships with parents.
- Behavioral conduct – consisting of morality and sense of humor.
- Cognitive competence – consisting of scholastic competence, intellectual ability, creativity, and job competence.

Our focus is on negotiations over IM and audio among anonymous strangers, such as those negotiating using the Bonanza website. The IM and audio contexts do not allow negotiators to see each other, which reduces the potential for physical competence to be important. Since negotiators are anonymous strangers, the peer acceptance domains are also less important. Within behavioral conduct, we are not interested in morality because during negotiation typical threats to this aspect of self-esteem involve issues of fairness; and reducing such threats would involve greater concession leading to agreement rather than non-agreement. In addition, we are not interested in the sense of humor domain because we are specifically examining the cognitive rather than affective aspects of comments. Finally, threats to creativity (within cognitive competence) are less important because, as described below, our focus is on distributive rather than integrative negotiations; and creative solutions are more important with integrative negotiations because of the multiple issues involved [59]. We are thus left with job competence, scholastic competence, and intellectual ability as potentially important domains. For example, during negotiations, threats to job competence could occur with the belittling of one's negotiation skills, while threats to scholastic competence or intellectual ability could occur with belittling one's ability to determine the expected value of the object of negotiation.

“[P]eople seek to maintain, enhance, and protect their self-esteem” by attempting to obtain success and avoid failure in domains they deem important [9 page 143]. People do this because they seek to validate their opinions of themselves by proving to themselves that they are successful in domains that are important to their self-esteem [11]; success then supports their beliefs that they are worthy and valuable individuals [10,53]. In addition, they seek “the emotional high associated with success in [important] domains ... and strive to avoid the emotional lows that accompany failure in these domains” [10 page 200]. In this way maintenance of self-esteem serves to regulate behavior [10]. Thus, for self-validation and regulation reasons, the protection, maintenance, and enhancement of an individual's self-esteem serve to motivate his or her behavior [9].

### 2.2. Self-esteem and negotiated agreement

One way by which threat to self-esteem can be inferred during negotiations is to take into account what and how price offers are made. We use an example to elaborate what the bases are for making such inference. The example in Fig. 1 helps illustrate the relationship between self-esteem and price offers that are made between a buyer and a seller negotiating for a lottery ticket with the potential to win 30.<sup>2</sup> The range of acceptable prices for the seller is 30 to 16, and for the buyer is 0 to 22. As is typical, at any time during negotiations, not only do the buyer and seller have ranges in which they will individually accept offers, but there is also an overlap region where they will both accept [51]. In Fig. 1, assume that the buyer's first offer was 4 and second offer was 7, while the seller's first offer was 27 and second was 25. At this point, a matching offer (one that makes both offers equal to each other and results in agreement) by either seller or buyer is not reasonable because if the seller (buyer) matches the buyer's (seller's) offer of 7 (25) then the matching offer is outside of the seller's (buyer's) range of acceptable prices. If negotiations stop at this point (for example because both negotiators decide not to concede any more) then it is not clear to seller or buyer that there exists the potential for agreement and it is thus unlikely that the seller or buyer will view stopping negotiations as resulting in significant opportunity costs.

However, if negotiations continue to the point where the seller's offer is 22 and the buyer's offer is 16, then a matching offer by either party is reasonable, since the seller perceives receiving at least 16 as more valuable than keeping the ticket and the buyer perceives giving up to 22 is less valuable than receiving the ticket. At this point if the seller (buyer) chooses to stop negotiations it is clear to the seller (buyer) that he or she is giving up the opportunity to sell (buy) the ticket at an acceptable price.

Thus, once offers are within the overlap region there is an incentive for both the buyer and seller to make a matching offer and end negotiations with agreement. As the spread between seller and buyer offers decreases, this incentive increases for the seller or the buyer or both. This occurs because the opportunity costs increase in that the seller will be receiving more and/or the buyer will be paying less for the ticket.<sup>3</sup> Note that these incentives do not require that seller or buyer know each other's range of acceptable prices. Rather, when faced with conceding or not reaching agreement, only knowledge of their own range is required.

<sup>2</sup> See the Appendix A for details concerning the use of this ticket as the object of negotiation.

<sup>3</sup> For example, with the seller offer of 22 and the buyer offer of 16, there is a spread of 6 and both parties have the same incentive to match the other's offer to reach agreement. If the seller counters with an offer of 20, this results in a spread of 4, and the buyer has increased his or her opportunity costs by 2 if he or she does not match the seller's offer and negotiations end without reaching agreement. If the seller concedes again and offers 17, the spread is 1, and the buyer now has the potential for even greater opportunity costs, which provides greater incentives to match the seller's offer rather than stopping negotiations without reaching agreement.

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