



Negotiating when outnumbered: Agenda strategies for bargaining with buying teams

Charles Patton ^{a,*}, P.V. (Sundar) Balakrishnan ^{b,1}

^a Department of SCM & Marketing Sciences, Rutgers Business School, Rutgers University, 1 Washington Park, Newark, NJ 07102, United States

^b School of Business, University of Washington Bothell, MS 358500, 18115 Campus Way NE, Bothell, WA 98011-8246, United States

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ABSTRACT

The authors empirically investigate how the choice of agenda strategies may enhance economic gain and promote customer relationships when a single salesperson must bargain with a buying team. The authors develop a framework of multi-issue negotiations for examining two key agenda decisions: selecting simultaneous or sequential negotiations; and, within sequential negotiations, determining in which order of importance multiple issues should be bargained. Using face-to-face bargaining settings, the authors demonstrate that, compared to the benchmark of single-buyer vs. single-seller negotiations, simultaneous bargaining of issues with a buying team raises buyers' perceptions of their power and influences a seller's bargaining style. Contrary to conventional wisdom, however, these effects do not disadvantage the single salesperson when tasked with bargaining with a buying team, as the salesperson is no worse off economically than when he or she engages in single-buyer vs. single-seller negotiations. Directly comparing simultaneous to sequential agenda strategies, the authors show that simultaneous negotiations result in more integrative agreements; increased profit to the seller; while at the same time lead to increased satisfaction to the buyers. In sequential negotiations, the ordering of the relative importance of the issues to the parties affects the seller's pre-negotiation disposition, bargaining styles, and—of critical importance to the seller—the likelihood of reaching an agreement. The authors provide managerial implications and contrast them with general beliefs.

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1. Introduction

Historically, in business markets, negotiations centered on the purchasing agent, an individual tasked with bargaining with salespeople to satisfy the organization's requirements for products or services (Hutt & Speh, 2009). Over the past two decades, however, the buying process among business-to-business customers has been steadily evolving from being primarily the domain of purchasing departments to encompassing the more multi-functional approach of team buying. As Morgan (2001, p. 28) observes, "Cross-functional team buying got its start in the late 1980s when companies began readjusting organizational structures to make them more flexible and competitive." He found that buying teams are highly popular and in wide use; nearly seventy percent of the companies sampled used or were interested in using team buying and sourcing techniques. Two examples illustrate the broad nature of this transition. Ceparano (1995, p. 24) reported that the purchase of packaging machinery had changed dramatically in the past 10 years with the adoption of buying teams being commonplace. Indeed, at a major packaging machinery exposition, a session was entitled "Team Buying: Do it

the Right Way, The profitable Way." During this same time frame, Liebeck (1996, p. 1) observed that "The traditional 'silo' approach to buying merchandise at Kmart is being dismantled, replaced by a team-buying concept that the giant retailer hopes will improve customer service, in-stocks, merchandise assortments and, ultimately, profitability."

Under these circumstances, an individual salesperson is solely responsible for negotiating a number of issues, some or all of which fall under the bargaining authority of separate buying team members. Within this context, the salesperson must not only seek successful economic negotiation outcomes but also must balance this objective within the larger context of fostering long-term customer relationships. Given these challenging bargaining environments and complex negotiation goals, we examine approaches salespeople may use in setting their negotiation agendas, a factor long recognized as critical in determining negotiation outcomes (Schelling, 1956).

Agendas are a means of structuring discussions between individuals and groups and comprise the domain of issues along with their ordering for discussion or negotiation. In business markets, negotiation is recognized as the central mechanism to achieve coordination between parties to an exchange (Balakrishnan & Eliashberg, 1995; Eliashberg, Lilien, & Kim, 1995; Srivastava, Chakravarti, & Rapoport, 2000). These purchases, moreover, account for the majority of the economic activity in industrialized countries (Dwyer & Tanner, 2009). Accordingly, we investigate a number of strategic agenda decisions that are critical for improving a salesperson's negotiating effectiveness regarding both

* Corresponding author. Tel.: +1 973 353 5266; fax: +1 973 353 1165.

E-mail addresses: cpatton1@andromeda.rutgers.edu (C. Patton), sundar@u.washington.edu (P.V.(S.) Balakrishnan).

¹ Tel.: +1 425 352 5384; fax: +1 425 352 5277.

short-term gain and long-term relationships with customers (Mantrala et al., 2010; Palmatier, Scheer, Houston, Evans, & Gopalakrishna, 2007).

To better understand which agenda strategies may be most advantageous, we examine the changes that occur in pre-negotiation dispositions and bargaining behaviors when a single seller bargains with a buying team compared to a situation in which a single seller bargains with a single buyer. We find that salespeople should eschew the conventional wisdom that suggests that teams have an advantage (Thompson, 2011). Our research indicates that bargaining with multiple buyers does not necessarily lead to lower profits. Rather, this setting is likely to lead to more integrative agreements, i.e., higher joint profits. Further, we find that bargaining multiple issues simultaneously with all buyers, rather than each issue separately with a single buyer, is likely to increase a salesperson's profits, buyers' satisfaction, and the likelihood of reaching an agreement.

We begin by developing a framework to structure the factors salient to agenda setting for negotiation situations in which a single seller must bargain with multiple members of a buying team. Next, we develop two sets of hypotheses related to selecting an agenda under likely buying team negotiation scenarios. We use single-seller vs. single-buyer negotiations as a benchmark to gauge how the team buying scenarios have altered buyers' and sellers' perceptions, behaviors, and outcomes. We also conduct a replication of two simultaneous negotiation scenarios and undertake a survey of sales professionals to gain their perspectives. Finally, we provide suggestions for structuring agendas when bargaining with buying teams.

2. Research framework and hypotheses

Our framework comprises four progressive stages and describes the linkages between the key agenda strategies and their negotiated

outcomes. Fig. 1 illustrates the framework and depicts the associated hypotheses.

The initial stage, Negotiation Agenda Strategies, depicts two basic strategic agenda decisions regarding multi-issue negotiations. Our research focuses on these two strategic agenda decisions that make up the foundation of a sales agenda. The first strategic decision involves choosing between a simultaneous and a sequential agenda. In a simultaneous agenda, negotiators may bargain all of the issues contemporaneously. In a sequential agenda, negotiators consider the issues singularly and do not reintroduce an issue once they have reached agreement on that issue and have begun to address the next issue (Thompson, Mannix, & Bazerman, 1988). Negotiations under each of these agenda scenarios become more complex when one of the parties is composed of more than a single individual, such as when a single seller bargains not merely with one buyer but with a buying team. In a simultaneous agenda, all members of the buying team and the seller meet together and freely bargain over all issues. In a sequential agenda, a seller meets in succession with each individual buyer to bargain only over those issues that the particular buyer represents.

The second strategic agenda decision arises within sequential negotiations and involves selecting the order in which to discuss multiple issues. While any ordering of the issues is possible in a sequential agenda, two issue orders merit particular attention. As Dobler, Lee, and Burt (1984, p. 223) observe: "most authorities feel that the issues should be discussed in the order of their probable ease of solution" as a means of promoting the overall negotiation process. Therefore, we believe that examining issues in an increasing order of importance may provide insight into factors that promote the negotiation process. Conversely, we believe that examining issues in a decreasing order of importance offers a high probability of uncovering factors that retard the negotiation process.

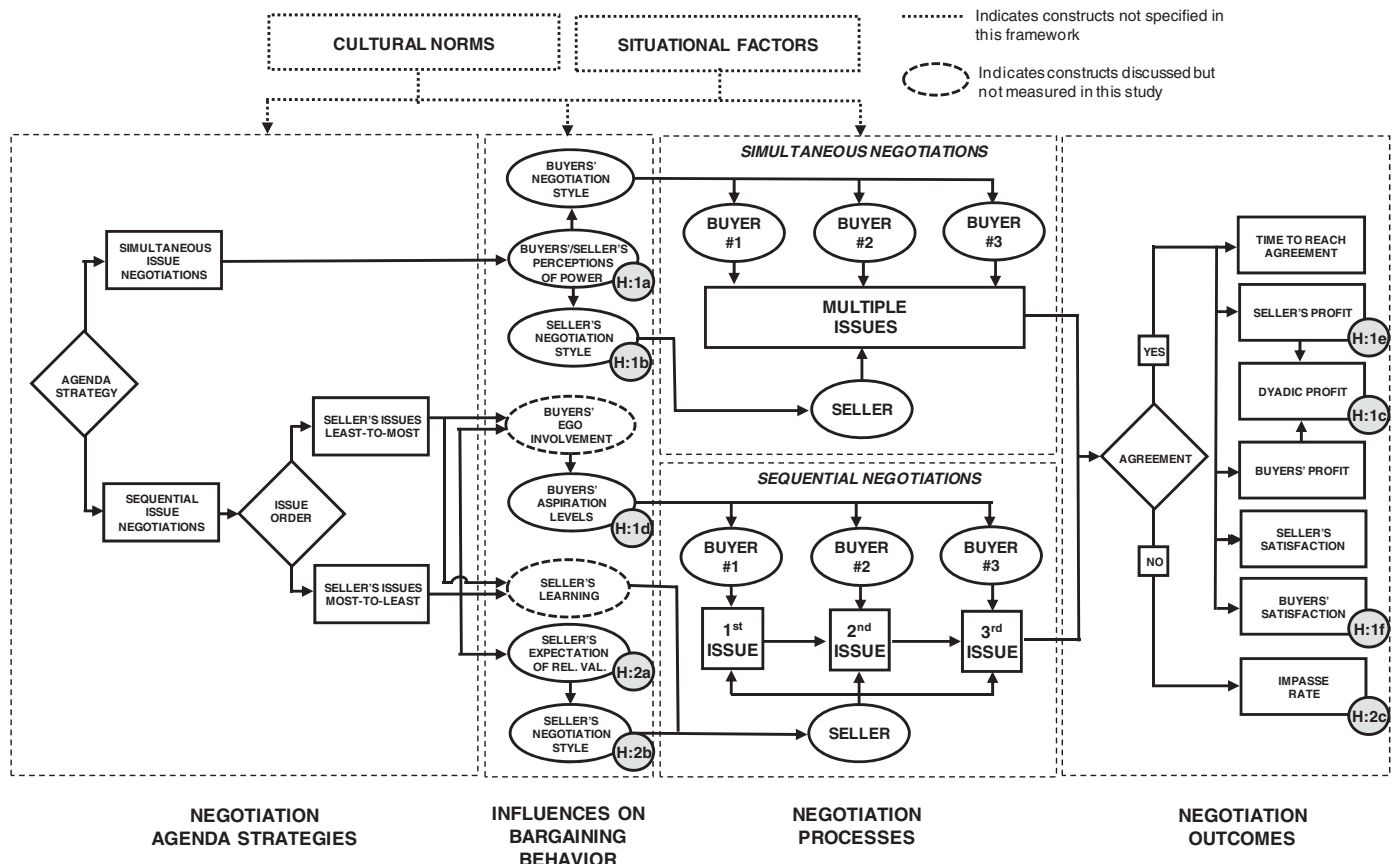


Fig. 1. Single seller, multiple buyers, multi-issue negotiation process.

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