

NEGOTIATION BEHAVIOUR AND THEIR OUTCOME
IN DYADIC BUSINESS NEGOTIATION SITUATION

by

SAW CHEE WAH

Research report submitted in partial fulfilment
of the requirements for the degree
of Master of Business Administration

November 1995

D. GEORGE

4564

ACKNOWLEDGEMENTS

First and foremost I wish to express my sincere thanks to my supervisor, Professor Dr. Mirza S. Saiyadain for his guidance, support and time. His assistance and advise have been most invaluable in the materialisation of this study.

I also wish to express my sincere gratitude to all the lecturers of Universiti Sains Malaysia who have taught me in this MBA programme. Special thanks to Priscilla for being my constant encouragement and inspiration.

TABLE OF CONTENTS

	Page
Title	i
Acknowledgements	ii
Table of Contents	iii
List of Tables	vi
Abstrak	vii
Abstract	viii
CHAPTER 1 - INTRODUCTION	1
1.1 Introduction To The Subject	1
1.2 Scope And Significance Of Study	4
1.2.1 Purposes Of The Study	5
1.2.2 Research Questions	5
1.2.3 Research Design	6
CHAPTER 2 - LITERATURE REVIEW	7
2.1 Definition	7
2.1.1 Negotiation	7
2.1.2 Negotiation Behaviour	8
2.1.3 Negotiation Outcome	10

2.2 Negotiation Analysis	11
2.3 Factors Of Negotiation	12
CHAPTER 3 - RESEARCH METHODOLOGY	19
3.1 Conceptual Model And Hypothesis	19
3.2 Research Methodology	22
3.2.1 Populations And Samples	22
3.2.2 Data Collection	23
3.2.3 The Questionnaire	24
CHAPTER 4 - RESULTS	26
4.1 Sample Profile	26
4.2 Results	27
4.2.1 Negotiation Behaviour	27
4.2.2 Negotiation Planning	28
4.2.3 Negotiation Frequency	28
4.2.4 Negotiation Outcome	29
4.3 Testing Of Hypothesis	30
CHAPTER 5 - DISCUSSION	36
5.1 Difference Between Buyers And Sellers	36

5.2 The Behaviour Effects	38
5.3 The Planning Effects	39
5.4 The Frequency Effects	39
5.5 Implications	40
5.6 Limitation And Future Research	41
REFERENCES	43
APPENDICES	46

LIST OF TABLES

		Page
Table 4.1	Sample Profile	26
Table 4.2	Differences Between Buyers And Sellers	30
Table 4.3	Mean And Standard Deviation On Goal Achievement	32
Table 4.4	Analysis Of Variance On Goal Achievement	32
Table 4.5	Mean And Standard Deviation On Rate Of Settlement	33
Table 4.6	Analysis Of Variance On Rate Of Settlement	33
Table 4.7	Mean And Standard Deviation On Perceived Superior's Approval	34
Table 4.8	Analysis Of Variance On Perceived Superior's Approval	34

ABSTRAK

Kajian ini mengkaji perbezaan di antara pembeli dan penjual dari segi tingkah laku, perancangan, kekerapan perundingan perniagaan dan hasil rundingan, di samping mengkaji kesan kerjasama, tahap perancangan serta kekerapan dalam perundingan ke atas hasil rundingan. Hasil rundingan diukur dengan 3 faktor: pencapaian matlamat, kadar persetujuan dan pengesahan pegawai atasan. Data dikumpul daripada 55 orang penjual dan 68 orang pembeli yang bekerja di kilang-kilang elektrik dan elektronik di Pulau Pinang. Keputusan menunjukkan bahawa tiada perbezaan di antara pembeli dan penjual dari segi tingkah laku, perancangan, kekerapan dan hasil rundingan. Walau bagaimanapun, penjual perlu lebih bekerjasama demi mencapai kadar persetujuan yang tinggi. Sebaliknya, pembeli pula dijangka perlu lebih bekerjasama dan lebih terancang dalam perundingan perniagaan demi memperolehi pengesahan pegawai atasan. Kajian ini juga menunjukkan bahawa tingkah laku dan perancangan ialah faktor penting mempengaruhi hasil rundingan perniagaan, manakala kekerapan rundingan tidak membawa kesan ke atas hasil rundingan.

ABSTRACT

This research examine the differences between buyers and sellers on business negotiation behaviour, planning, frequency and outcome, besides examine the effects of cooperative behaviour, level of planning and frequency involvement on negotiation outcome. The negotiation outcome was measured by 3 factors: goal achievement, rate of settlement and perceived superior's approval. Data was collected on 55 sellers and 68 buyers from the electronic and electrical manufacturers in Penang. The results show that there are no differences between buyers and sellers in negotiation behaviour, planning, frequency and outcome. However, sellers need to be more cooperative in order to achieve better rate of settlement. On the other hand, buyers need to be cooperative and involve more planning to achieve better superior's approval. The results also indicate that cooperative behaviour and negotiation planning contribute significantly to higher negotiation outcome. On the other hand negotiation frequency does not affect the negotiation outcome.

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION TO THE SUBJECT

There is nothing new about negotiation. Millions of people over the centuries have used it as a means of resolving the problems of their everyday lives. Back in ancient times, in barter system, human had began to recognize that there was more to gain from bargaining over a problem than there was from fighting over it. This simple recognition have had a significant impact on the development of civilization. The frequent and widespread use of negotiation from earliest times to present day is an indication of its enormous value as a problem-solving device. On a philosophical level, it could be argued that a free society cannot function without negotiation. It provides an escape route, immensely preferable to fisticuffs or warfare, for the resolution of disputes and conflicts.

Negotiations vary widely in their importance and significance. Perhaps the most important kind of negotiation is that taking place at the commercial level. Today business negotiation is much harder than ever before as the business itself is changing. More firms emerge in the market place, doing business among local companies and across borders. More competition means that the executives need negotiation skills and the ability to possess valuable resources at optimum cost as never before, if firms are to survive and stay competitive in the market place.

The multinational corporations (MNCs) are not only continuing their business, but they have also substantially increased their out-sourcing activities, an activity where a firm acquires the necessary material/services from outside suppliers for its operation. These activities which commonly carry out by the purchasing department in almost every manufacturing organisation, can significantly affect the bottom line. The purchase of goods and services may require a substantial percentage of the total budget or revenue of the organisation. Very few organisation, manufacturing or servicing, spend less than about 20 or 30 percent of their total budget or revenue on the acquisition of goods and services from outside suppliers. For manufacturers in United States the average is over 60% of total revenue (Leender and Blenkhorn, 1988). Moreover, saving achieved in acquisition of goods and services flow directly to the bottom line. For a typical manufacturer, a 5% overall saving in material cost of purchasing may cause increase of profits by 30 to 50%! (Leender and Blenkhorn, 1988).

The impact of purchasing on the bottom line can be both direct and indirect. The most obvious direct impact is in terms of price and terms of payments. If, without any change in specifications, quality, quantity or deliveries, the price or the laid-down cost for an acquired product or service can be lowered, the resulting saving goes directly to the bottom line. In many organization such savings are regularly reported. The indirect impact of the purchasing functions are a bit more difficult to trace. The improvements of quality (productivity and fall-off rate), deliveries (inventory, promptness), and services (response, flexibility and technical support)

performance of supplies besides the actual price paid and payment terms to supplier can significantly affect the bottom line of the whole organisation. Of course, it is difficult to estimate the amounts of indirect savings, but the total impact should normally exceed the direct savings.

The purchasing function has been changing from a cost center to a profit center, as purchasers show they can add millions of ringgit to the bottom line of their firm. It is therefore extremely important to understand the interaction which mainly involves negotiation between the buyers and the suppliers on the agreedable prices, deliveries, payments, quality and services. On the other hand, the outcome of the negotiation is highly affected by the behaviour, the level of planning and frequent involvement in negotiation of the purchaser and his or her opponents which mainly the sales personnel or vendors to the firm. Different negotiation factors of the buyers and sellers might result in different levels of satisfactory negotiation outcomes which affect not only the performance and profitability of the firms of the purchasers, but also the firms of the sellers. Traditionally, the sellers are the sole bread winner for their organizations. Therefore, understanding the negotiation behaviour, planning and frequency between buyer and seller can improve the result of negotiation, effectiveness of sales and purchasing department and efficiency of resource consumptions of both firms, thus maximizing company's profitability.

1.2 SCOPE AND SIGNIFICANCE OF THE STUDY

Despite the importance and the growing significance of buyer-seller interaction on the organisation performance and profitability, there is a lack of empirical research in Malaysia on negotiation. Traditionally, the focus of empirical studies has been on management effectiveness, organizational behaviour, sales generation, operational efficiency and more recently, on relationship with suppliers. However, the other process, the meeting point - the negotiation/communication between internal and external that conclude the supply and demand and eventually the cost and profit margin to the bottom line of the organisation is not widely explored.

Malaysia is moving towards an industrialized nation in the year 2020. To achieve this mission, the manufacturing industry has to play the lead role. Many firms, especially the multinational corporations are now looking to gain a competitive advantage by creating an understanding relationship with suppliers, through exchange of ideas, proposals, and concessions. These activities are commonly carried out and led by the purchasing personnel. It is indeed the effectiveness of the purchasing department in performing such activities and then securing the "right" material and services are crucial factors for a manufacturer to maintain its product competitiveness either in domestic or international markets. Therefore to understand the buyer-seller negotiation factors as they affect on the ultimate customer-supplier's relationship objectives (correct pricing, better quality, service, payment and deliveries) is one way to improve organization competitiveness.

1.2.1. Purpose Of Study

This study seeks to tie the negotiation behaviour of buyers and sellers to their perceived success in achieving the desired results. It also examine the effect of negotiation planning and frequency of negotiation on the outcome of negotiation.

Specifically, the purpose of this study is to :-

- (1) explore the type of negotiation behaviour, planning and frequency of sellers and buyers.
- (2) examine the negotiation achievement between buyers and sellers.
- (3) explore the type of negotiation behaviour that produces satisfactory outcome.
- (4) investigate the effect of negotiation planning on negotiation outcome,
- (5) examine the relationship between the frequency of negotiation and the outcome of negotiation.

1.2.2. Research Questions

The research questions in this study can be broadly categorized into the following:-

- (a) Is there a differences between buyers and sellers in negotiation behaviour, planning and frequency ?
- (b) Is there a differences between buyers and sellers in achieving negotiation outcome ?
- (c) Is negotiation planning an important factor in achieving negotiation goals?

(d) Does negotiation behaviour significantly affect the result of negotiation?

(e) Does frequent involvement in negotiation ensure satisfactory negotiation result?

1.2.3. Research Design

The conceptual framework used to investigate the negotiation behaviour among buyers and sellers in Penang's electrical and electronics industries is based on the theory of negotiation styles (Kennedy, 1992), Strategic Choice Model (Pruitt, 1981), and communication theory (Angelman & Stern, 1978). This study divides the negotiation into cooperative and competitive behaviour. While most of the negotiation research tends to study the reason for cooperative behaviour, relationship between buyers and sellers, the balance of power between negotiators, rate of concession and phase development in negotiation, this study is less ambitious. It concentrates on the relationship between negotiation behaviour of buyer/seller and their outcome in dyadic business negotiation situations.

CHAPTER 2

LITERATURE REVIEW

2.1 DEFINITION

2.1.1 Negotiation

Negotiation, although similar to decision making or joint problem solving, is a special type of social interaction. Negotiation is distinguished by goals, relationships, and normative practices that differ from other types of communication (Donohue, et. al., 1983). Bargaining entails two or more to reach a mutually satisfactory outcome. Each party in the relationship must cooperate to reach his or her objective and each party can block the other one from attaining his or her goal (Putnam , 1989). This interdependence, combined with potentially antithetical goals and demands, sets up a mixed-motive relationship in which both parties cooperate by competing for divergent ends. Rules and normative practices of bargaining include specifying preferred outcomes prior to negotiation, exchanging proposals and counterproposals, and engaging in dynamic movement through social interaction (Zartman, 1988).

These characteristics distinguish negotiation from group decision making and persuasion. In group decision making, participants do not necessarily develop preset preferences nor do they engage in ritualized proposal exchanges (Zartman, 1977). Negotiation goes beyond persuasion or getting the opponent to do something that he or she would not ordinarily do. That is, negotiation employs

problem solving activities and persuasion to reach mutually acceptable ~~agreements~~. ~~but these activities do not depict the nature of social interaction in~~ negotiation. Negotiation centering on perceived incompatibilities and employing strategies and tactics aim at reaching a mutually acceptable agreement.

2.1.2 Negotiation Behaviour

Negotiation's behaviour refers to the style of a negotiator treating, responding and communicating with the opponent during the process of negotiation. Kennedy (1992) in his book "The Perfect Negotiation", describe the styles of negotiation as RED stylist and BLUE stylist. The RED stylists are those who want to take something for nothing and the BLUE stylists are those who prefer to trade something for something. The style dimension is a continuum, with aggressive RED stylist at one end and assertive BLUE stylist at the other. In between the extremes there are varying shades of red, purple and blue. RED stylists believe that negotiation works best for them by winning through domination, believing that more for them means less for others, using bluffs, ploys, "dirty tricks" and coercion to get their own way, and taking something for nothing. BLUE stylists believe that negotiation works best for both parties by avoiding manipulative techniques, addressing each party's interests, using negotiable tradable and succeeding through cooperation.

Another theory describing negotiator's behaviour, Strategic Choice Model, holds that a negotiator must at every point in time, chose among three basic strategies

for moving towards agreement (Pruitt, 1981). One strategy is to concede unilaterally. This has the goal of reducing the distance between the demands of two parties. The second strategy is to stand firm and employ pressure tactics (e.g. persuasive arguments, threats, etc.) in an effort to persuade the other party to concede and thus also to reduce the distance between demands. The elements of this strategy is called competitive behaviour, since they seek to gain an advantage for self at the other's expense. The third strategy is to collaborate with the other party in search of mutually acceptable solution. This strategy requires negotiators coordination and uses the term coordinative behaviour to describe participation in coordinative activity and efforts to achieve coordination. Examples of coordinative behaviour are a proposal for possible compromise, participation in a problem solving discussion, or a tension reducing initiative by both parties.

Negotiation strategies can be conceived to fall along a representational - instrumental continuum. Communication theorists have identified two modes of communication, representational and instrumental (Angelmar & Stern, 1978). Representational communication behaviours involve the transmission of information, while instrumental communication behaviours involve influencing another party. Angelmar & Stern (1978) have investigated the influence of cooperative-individualistic orientation, a psychological state, on the outcome of negotiations. Their study shows a close relationship between psychological state on behaviours, suggesting that cooperative bargainers tend to use representational

communications and individualistic bargainers tend to use instrumental communications.

Based on the above theories, it can be summarized that at one end is the red stylist with competitive behaviour who uses an instrumental communication. On the other extreme, is a blue stylist with coordinative behaviour who prefers a representational communication.

2.1.3 Negotiation Outcome

In practice, researchers often find outcome of business negotiations difficult to measure and compare. Sales versus no sales, is one measure of negotiation effectiveness used in a field study of buyer-seller interactions (Pennington, 1968). However researchers have sought richer measures that make comparisons possible with a variety of effectiveness criteria. Different studies have operationalised negotiation outcome in number of ways. In the hundreds of bargaining experiments conducted by social psychologists, an often used measure is profit attained by bargainers in negotiation simulations (Rubin & Brown, 1975).

Negotiator satisfaction is an important measure of success of interorganizational transactions. Dwyer (1980) has developed and tested the reliability of a scale for measuring satisfaction of negotiations. The scale includes 3 dimensions of satisfaction :

- 1) satisfaction with rewards;
- 2) satisfaction with partner's rewards; and,
- 3) satisfaction with one's own performance.

2.2 NEGOTIATION ANALYSIS

Two types of empirical studies on negotiation can be distinguished: field studies and laboratory experimentation. Field research consists of case studies, sets of interviews with negotiators and statistical surveys involving samples of past negotiations. Most of negotiation research falls in experimental studies, involving simulations of formal and occasionally informal setting. Most of these studies were done by social psychologist, in the tradition of experimental gaming that earlier produced research on the Prisoner's Dilemma game.

Zartmann (1988) identifies five "families" of negotiation analysis : structural, strategic, process, behavioural and integrative. Structural analysis focuses on the distribution of power or the relative strength of the parties. Analysis in this perspective links power and rewards strategies to negotiated outcome.

Strategic analysis employs game theory approach to examine preset utilities and options. Game theorists assume that the player make independent decision, the player choosing between the options without knowledge of the opponents choices and vice versa.

Process analysis focuses on links between concession behaviour and negotiated outcomes. Communication studies that center on offers and counter-offers, rates of concession and variance between initial and final offers fall into this approach.

Most studies of negotiation interaction falls in the behavioural or the integrative approaches. Behavioural analysis focuses on the goals, personality traits and predispositions of negotiators. Research on cooperative-competitive orientations, levels of aspiration, and bargaining styles as a personality trait operate within behavioural analysis.

Integrative analysis centers on negotiation as a process that develops through changes in bargaining over time. Communication studies that examine phase development in negotiation, reciprocity in bargaining strategies and tactics, and escalating and de-escalating conflict work within this analytical approaches.

2.3 FACTORS OF NEGOTIATION

This section review the empirical study of negotiator-opponent's behaviour, experience, planning and their success/failure in business negotiation.

Working from a game-theory format, McClintock and McNeel (1967) report that the negotiators who have achieved success in prior negotiation are significantly more cooperative in their behaviours than either those experiencing failure or those with no prior bargaining experience. In a game-theory type of

negotiation, success is generally associated with some degree of trust so that win-win proposals can be exchanged between negotiators. In other words, negotiators who are cooperative are more successful than either negotiators who are less cooperative or have no past experience.

In a non-game-theory study in which participants could interact freely, Donohue (1978) confirms this finding by observing that individuals who expect to do well on subsequent negotiation trials are significantly more likely to be successful than those expecting failure. This study concludes success for a bargainer are correlated to the past performance on the same kind of tasks. In another study, Marlowe, et. al. (1966) discover that negotiator is less willing to exploit the other person when future interaction is anticipated. In general, the research indicates that expectation for future interaction increases cooperation. However, when the other person is perceived as egotistical and self-centered, the likelihood of exploitation increases, even when future interaction is anticipated.

Many researchers in negotiation seem fascinated with construct power. Most research indicates that balanced power generates the highest joint outcomes. Certainly, many trade books and popular training programs that advocate a high power approach to bargaining would object to this finding, but it appears consistent across a variety of studies. For example, research shows fairly consistently that balanced power increases cooperative behaviour of negotiators (Folger and Poole, 1984), improve outcome in international negotiations (Slusher,

et. al., 1978), increase agreement rates and creates better family outcomes in divorce negotiations (Kressel, 1985).

The rationale for this observation is fairly clear. Balanced power decreases each side's ability to be contentious because each side has the potential and resources to inflict penalties. This increased incentive to cooperate improves the climate for integrative problem solving. With both sides able to work together, they can help each other achieve their respective goals. Power imbalances facilitate oppression and ultimately the destruction of cooperative relations, which, in turn, discourages beneficial problem solving.

Most research reveals a positive relationship between the degree of negotiation trust and an increase in joint benefits. For example, Kimmel, et. al. (1980) observe that bargainer with high aspirations and high trust produce more cooperative behaviour and direct information exchange than do bargainer who do not trust one another.

Not only do balanced power and trust enhance negotiators cooperative relation and outcome, but also an understanding of other's values which enhances cooperative effects. Values in this context are evaluative dimensions that negotiators employ to interpret negotiation outcomes. Druchman, et. al. (1988) manipulate the extent to which negotiators discuss their values prior to negotiation and then ascertained the effects of this discussion on outcomes. They

found that when value discussions were open, participants reported an improved negotiation climate and the negotiation produced more resolutions than when values were not discussed prior to negotiation. In other words, this study concluded that an open discussion on the negotiation issue and each party's expectation of outcome were associated with cooperative behaviour.

In another study, Roth (1982) examined the fight or flight (competitive) phenomenon and its relation to negotiation performance. In general, these studies indicated that excessive stress, like that found during difficult conflict interaction, created an intense physiological reaction that motivated the individual to either fight back or to withdraw from the situation. When that threshold level is reached, the ability to process proposals, request, and other rational issues is often limited. As a result, trying to negotiate under these circumstances remains a futile activity.

In negotiation research, the concept of understanding, or having knowledge about the opponent, is examined primarily from two perspectives: prior experience with an unfamiliar opponent and bargaining with friends or intimates. In the first perspective, subjects that experience positive cooperative interaction prior to bargaining carry that cooperation with them into the negotiation (Oskamp and Perlman, 1966). Gruder (1971) also observed that positive prior interaction produces higher levels of cooperation.

However, other studies revealed that any kind of prior experience enhances cooperation during bargaining. Harrison and McClintock (1965) report that dyads who experience task success immediately prior to negotiation are much more likely to cooperate than dyads who experience task failure to negotiation. But, after one week delay in performing the task, both the success and failure groups were more cooperative and successful in negotiation tasks than were dyads with no prior experiences. This study concluded that negotiators with previous experience in negotiation are likely to be more successful in performing the task than negotiators with less experience.

Intimacy, generally in the form of friendship, also emerges as a significant predictor of outcomes. In Swingle's (1966) research, bargainers are more likely to retaliate against good friends or complete strangers after experiencing harm in negotiation than they are against disliked or neutral partners. However, Morgan and Sawyer (1967) note that negotiators who are friends cooperate more readily, are less likely to harm one another, and are more likely to be altruistic toward their partners than are negotiators who are strangers.

Considerable research in negotiation focuses on how negotiators use various strategies and tactics to manipulate power and solidarity. For example, establishing power and solidarity in negotiation surfaces in the distributive-integrative theory. The distributive focuses on individually oriented goals at the other's expenses reflects a desire to establish dominance in the negotiation (Putnam and Poole,

1987). Tactics that are common in this orientation are threats that are used to punish and coerce opponents or to induce compliance (Bonoma and Tedeschi, 1974). Threats, of course, according to Bonoma and Tedeschi seldom work and can be characterized as "measures of last resort". In summary, offensive negotiation tactics leads to less satisfactory result or even an impasse.

In contrast, integrative strategies that emphasize joint gains send message of solidarity. For example, Pruitt's (1981) list of integrative strategies stem from helping each other overcome the cost that might incur from a jointly selected outcome or building a third alternative that bridges the goals of both individuals. Messages of solidarity are also sent through demands and concessions. Research on opening bids reveals that even extreme opening bids given in a cooperative tone lead to more satisfactory joint settlements than opening bids that communicate mutual suspicion and defensive communication (Micheline, 1971).

Negotiation plans are the action that negotiator devise to overcome obstacles to goal achievement. Lewicki and Litterer (1985) observed that preparation and planning are the most important parts of negotiation in achieving the goals. Indeed, professional negotiators from the United States report that planning skills are the most important traits bargainer can have and the manner in which bargainer plan affects their outcomes (Morley 1982).

In another study, Graham (1983) reports that the role of the business bargainer (seller or buyer) is the crucial determinants of goals achievement. In his study on negotiator's achievement in Japan and USA, buyer always do better in negotiation than a seller. This is due to the vertical nature of buyer-seller relationship in Japan, where sellers defer to the wishes of buyers in order to secure business communication and relation.

Based on above empirical studies as guideline, this study attempt to examine the relationship of buyers/sellers negotiation behaviour, planning, frequency and their outcome in a manufacturing environment in Malaysia context.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter describe the conceptual model, hypothesis, population, samples, measuring instruments, research questions, methodology of data collection and statistical data analysis.

3.1 CONCEPTUAL MODEL AND HYPOTHESIS

Based on literature review, it could be hypothesized that the outcome of a negotiation (dependent variables) of buyers and sellers is determined by the primary factor, negotiator's behaviour (independent variable) which is competitive or cooperative at the other. The effects of this independence variable on the dependence variable, outcome of negotiation is hypothesized to be intervened by :

- 1) frequency of negotiation
- 2) pre negotiation planning

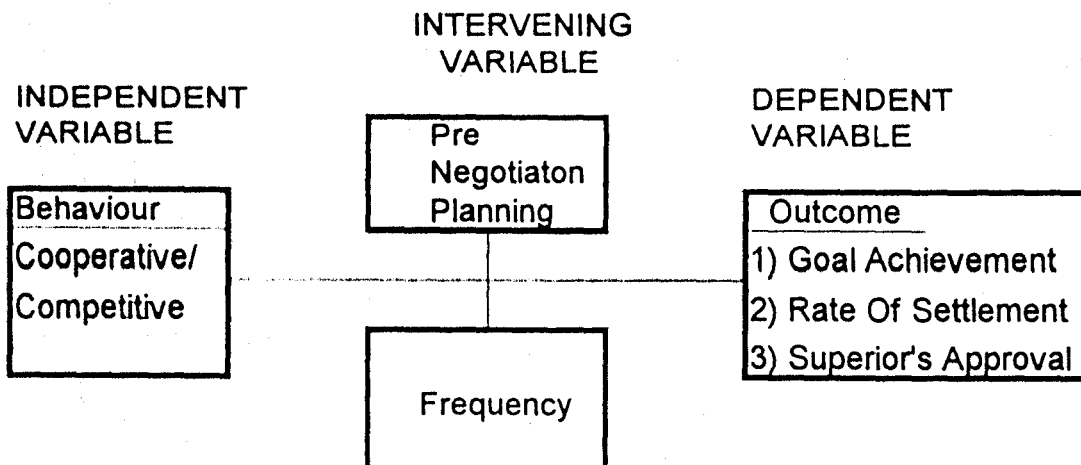


Figure 1 Conceptual Model Of Buyer/Seller's Negotiation Factors

In order to simplify our understanding of proposed model, the relationships among the variables can be categorized into 7 areas of hypothesis :-

- 1) The behaviour between buyer-seller.
- 2) The planning between buyers and sellers.
- 3) The frequent involvement in negotiation by buyers and sellers.
- 4) The outcome achievement between buyers and sellers.
- 5) The impact of the buyers/sellers behaviour on negotiation outcome
- 6) The effect of buyers/sellers negotiation planning on negotiation outcome.
- 7) The effect of buyers/sellers negotiation frequency on negotiation outcome.

Because the buyers are the dominant factor in the business, their negotiation behaviour are presumed to be competitive. On the other hand, the sellers that are trading something for something and mostly depend on the buyer to close the deal are presumed to be cooperative in negotiation. Moreover, traditionally sellers which compete among themselves to close a deal need more planning to be successful. As negotiation opponents of sellers are the buyers and the other way round, an increased in numbers of negotiation of one party will increase the numbers of negotiation of the other party. Since the data was collected based on their perceptions, the hypotheses have be seen in the perceptual context. Thus in this study, the first three hypotheses are:-

Hypothesis 1 : Seller's negotiation behaviour is more cooperative than buyer's negotiation behaviour.

Hypothesis 2 : Sellers have carried out more pre negotiation planning than buyers.

Hypothesis 3 : Seller's negotiation frequency is same to buyer's negotiation frequency.

According to the study of Graham (1983), the role of the business bargainer is the crucial determinants of negotiation outcome. In his study, buyers were expected to achieve better negotiation result than sellers. The reason is that buyers are playing decisive role in concluding a business deal and sellers usually defer to the wishes of buyers to secure the deal. It is therefore, hypothesized that :-

Hypothesis 4 : The buyer's negotiation outcome is better than the seller's negotiation outcome.

As the literature review in previous chapter shows cooperative negotiation behaviour produced better outcome and is highly recommended by most of the researchers, it is therefore hypothesized that :-

Hypothesis 5 : The more the cooperative behaviour of buyers/sellers the better the negotiation outcome.

As Lewichi and Litterer (1985) observed that preparation and planning are the most important parts of negotiation in achieving the goals and Morley (1982)

reported that planning skills are the most important traits for a professional bargainer, it could be hypothesized that :-

Hypothesis 6 : The greater the pre negotiation planning of buyers/sellers the better negotiation outcome.

Generally one is accepted to be more successful in carrying out a task which he or she has prior experience with compared to one who have no past experience. As reported by Donohue (1978) and Harrison and McClintock (1965), both the success and failure groups in performing previous negotiation task are more successful than groups with no prior experience. Therefore it is hypothesized that:-

Hypothesis 7 : The greater the frequency of negotiation of buyers/sellers the better the negotiation outcome.

3.2 RESEARCH METHODOLOGY

3.2.1 Population And Sample

The population of this study are the buyers and their suppliers (sellers) working in the 140 electronics and electrical factories which are listed in the Factory Directory published by Penang Development Corporation (PDC, 1994).

The respondents for this study comprised the buyers or those who are responsible to negotiate a business deal with their suppliers/vendors/contractors and the

sellers who in return are the negotiation opponent to those buyers. The respondents official destination range from Purchasing Manager, Material Manager, General Manager, Marketing/ Sales Manager to Purchasing Officer/Executive, Marketing/Sales Executive, Sales and Customer Engineers.

3.2.2 Data Collection

The data collection for this study was by survey questionnaire. A total of 170 survey questionnaires were distributed to 8 manufacturing companies located in Penang. The purchasing departmental head of each company was contacted in advance before the survey questionnaire were mailed or handed over to them. The purchasing departmental head was requested to distribute half of the survey questionnaire to their purchasing personnel and the other half to their existing local vendors (sale personnel) who visited them. One week after survey questionnaire was sent out, a telephone reminder was made. A final follow-up was carried out two weeks later to check the convenient time for collecting the completed survey questionnaires.

A total of 136 (79 from buyer group and 57 from seller group) useful survey questionnaire were collected. They represented a 80% return rate. According to some of the purchasing departmental head, the main reasons for non-returning survey questionnaire were lack of time and lost track of whom, especially the sales personnel, they have distributed the questionnaire.

3.2.3 The Questionnaire

The data for the study was collected through a structured questionnaire which consisted of 3 sections :-

Section I :

The dependent variable of interest in this study was negotiation behaviour. 14 statements which were extracted from "Negotiation: Readings, Exercises and Cases" (Lewicki and Litterer, 1985) were used to measure the negotiator's behaviour in bargaining and negotiation planning. Each statement was measured on a 6-point Likert scale anchored by 1 (Strong Disagree) and 6 (Strongly Agree). These statements represented competitive or cooperative behaviour. Statements (1), (2), (3), (6), (8), (9) and (12) measured competitive and statements (4), (5), (7), (10), (11), (13) and (14) measured cooperative behaviour. The last two statements in this section measured the negotiation planning of the respondents.

Section II :

The questions in section II represented the measures of the dependent variables, negotiation outcome of the respondents. Question no. 1 and no. 2 measured numbers of business negotiation done in past one month and numbers of deals closed or settlements. The goal achievement of the respondents was assessed by questions no. 3, evaluating the frequency of achieving the most important goal (goal that one wanted to get) and the less important goal (goal that one preferred to attain) out of 10 settlements.