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## **A comparative assessment of win-win and win-lose negotiation strategy use on supply chain relational outcomes**

### STRUCTURED ABSTRACT

Purpose: This research studies the relational impact of using win-win or win-lose negotiation strategies within different types of buyer-supplier relationships.

Design/methodology approach: A multi-method approach is used. Qualitative interviews with supply chain managers reveal that relationship specific assets and cooperation are important relational factors in buyer-supplier negotiations. Framing interview insights within Social Exchange Theory (SET), hypotheses are tested using a scenario-based behavioral experiment.

Findings: Experimental results suggest that win-lose negotiators decrease their negotiating partner's commitment of relationship specific assets and levels of cooperation. In addition, the use of a win-lose negotiation strategy reduces levels of relationship specific assets and cooperation more in highly interdependent buyer-supplier relationships than relationships that are not as close.

Research implications (if applicable): Buyer-supplier relationships are complex interactions. Negotiation strategy choice decisions can have long term effects on the overall relationship. As demonstrated in this study, previous research focusing on one side "winning" a negotiation as a measure of success has oversimplified this complex phenomenon.

Practical implications (if applicable): The use of a win-lose negotiation strategy can have a negative impact on relational outcomes like cooperation and relationship specific assets. For companies interested in developing strong supply chain relationships, buyer and suppliers should choose their negotiation strategy carefully as the relational impact extends beyond the single negotiation encounter.

Originality/value: Previous research predominantly advocates for the use of a win-win negotiation strategy within interdependent relationships. This research offers evidence that the use of a win-lose strategy does have a long-term relational impact.

Keywords: Negotiation, Buyer-supplier relationships, Behavioral laboratory experiment, Relational outcomes, Negotiation strategies, Multi-method

Paper Type: Research paper

## **Introduction**

Buyer-seller relationships are at the heart of the supply chain (Mentzer *et al.*, 2001). These relationships can be based on either discrete, one time interactions, or ongoing, long-term, relational, interactions (Dwyer *et al.*, 1987). In recent years, researchers have noted that strong ongoing relationships should be considered a source of sustainable competitive advantage, and that these ongoing relationships may be essential for the long-term success of an organization's supply chain (Miguel *et al.*, 2014; Thornton *et al.*, 2013).

Given the recognized importance of the ongoing relational interaction, it is surprising to note that supply chain research has tended to empirically treat negotiations and buyer-supplier relationship research as discrete transactions (Atkins and Rinehart, 2006; Daugherty, 2011; Patton and Balakrishnan, 2010). However, more recently, researchers have begun to note the need for a more relational research focus (Gelfand *et al.*, 2006; Herbst *et al.*, 2011; Thomas *et al.*, 2013; Thomas *et al.*, 2015) in supply chain research. In this study we will begin the process

of addressing this research gap by examining relational negotiation outcomes in the context of ongoing buyer-supplier relationships.

Negotiation research has been popular for over fifty years and has been influenced by a variety of different fields such as economics (Nash, 1950; 1953), social psychology (Barry & Oliver, 1996; Rubin & Brown, 1975), organizational behavior (Thompson et al., 2010), marketing (Herbst et al., 2011), operations management (Ribbink & Grimm, 2014), and supply chain management (Zachariassen, 2008). This research will focus on the important relationship between negotiation strategy use and negotiation outcomes. The study includes two negotiation strategies, win-win and win-lose, that are common in today's supply chain (Ramsay, 2004; Thomas *et al.*, 2015).

Win-win negotiators are characterized as desiring to learn information about their partner's goals, focusing on realizing joint benefits, and strengthening long-term relationships (Mintu-Wimsatt and Graham, 2004; Zachariassen, 2008). Win-lose negotiators typically exhibit a more self-serving focus and often refrain from exchanging information (Calhoun and Smith, 1999). Given the supply chain management focus on relationship building, use of a win-win negotiation strategy has been strongly encouraged for buyers and suppliers (Zachariassen, 2008). However, the frequency of win-win negotiation strategy use has been challenged. Some research indicates that a win-lose negotiation strategy is actually more common in supply chain negotiations than research has suggested (Ramsay, 2004).

While the relative success of various negotiation strategies have long been studied in a variety of disciplines, notable gaps remain in understanding when it comes to incorporating the

real-life complexity inherent in supply chain negotiations (Zachariassen, 2008; Herbst *et al.*, 2011). Based on the gaps identified from studying previous research, the following research question was developed: how are supply chain relationships effected by the use of different types of negotiation strategies? This research seeks to make three contributions: the use of a relational context instead of a discrete transaction approach, the identification of supply chain specific relational negotiation outcomes, and the relational impact of win-win versus win-lose negotiation strategies.

Building on an emerging research stream focused on the impact of different types of negotiation strategies on the ongoing, relational aspect of supply chain negotiations (Thomas *et al.*, 2013; Thomas *et al.*, 2015), this study utilizes an initiation multi-method research approach as suggested by Davis *et al.* (2011). An initiation research design uses multiple studies and methods, but they are weighted differently (Davis *et al.*, 2011). The first study initiates the research and informs the second study. While results from both studies are reported, the majority of the discussion is on the second study. For this research the first study involves exploratory in-depth interviews with experienced supply chain professionals from diverse industry backgrounds. The findings from this study are used to identify and infuse relevant and important relational variables into the main study. The, second, main study is a scenario-based experiment with dependent variables (relational negotiation outcomes) drawn from the first study combined with literature on supply chain relationships, negotiation strategies, and Social Exchange Theory. Research hypotheses are presented and discussed. The study concludes with a statement regarding research limitations and directions for further study.

## Research background

Buyers and suppliers negotiate essential activities like product selection, pricing, payment terms, shelf space, volume discounts, carrier selection, and markdown allowances. During negotiations, buyers and suppliers utilize different negotiation strategies. This section begins by briefly discussing Social Exchange Theory (SET) as the theoretical foundation for the study. Next, interview data and literature are combined to justify the inclusion of the dependent and independent variables. A priori hypotheses are also presented.

### *Social exchange theory as the theoretical foundation*

Theoretically, game theory has been a popular foundation for a large quantity of negotiation studies (Herbst *et al.*, 2011). Game theory provides insights for optimization models, but a reliance on “all-knowing” negotiators in supply chain negotiations has been faulted as being too abstract and unrealistic to be useful (Gelfand *et al.*, 2006; Thompson *et al.*, 2010). Many game theory experiments utilize subjects with no prior history and focus primarily on the economic outcomes of the single negotiation encounter. To develop research hypotheses that offer insights into the relational impact and potential negative effects on a source of competitive advantage, Social Exchange Theory (SET) is used to examine negotiation strategies and relational outcomes in ongoing buyer-supplier relationships. SET focuses on the social rather than the economic nature of exchanges (Blau, 1968) and emphasizes the “relationship between the exchange parties as the governance mechanism of exchange” (Lambe *et al.*, 2001, p.3). Thus, social outcomes are an important part of exchanges and may precipitate greater benefits

than economic outcomes (Thibaut and Kelley, 1959). Despite its lengthy history and roots in a wide variety of disciplines, SET has a relatively short history as a theoretical foundation in supply chain relationship research (Narasimhan *et al.*, 2009). Some supply chain researchers have employed SET to study phenomenon such as supply chain justice (Griffith *et al.*, 2006), lock-in situations (Narasimhan *et al.*, 2009), and time pressure in buyer-supplier relationships (Thomas *et al.*, 2010).

Lambe and colleagues (2001) identify four foundational premises of SET: “(1) exchange interactions result in economic and/or social outcomes, (2) these outcomes are compared over time to other exchange alternatives to determine dependence on the exchange relationship, (3) positive outcomes over time increases firms’ trust of their trading partner, and (4) positive exchange interactions over time produce relational exchange norms that govern the exchange relationship” (2001, p.6). Buyers and suppliers assess the value of factors, such as relational negotiation outcomes, that are an important part of buyer-supplier negotiations. Both have to analyze the costs and benefits of reaching different outcomes, and incorporate the goals of each participant (Mintu-Wimsatt *et al.*, 2005). For example, a buyer who is looking for a long-term supplier that can keep up his business’s growth is likely to select the supplier with a well-established distribution network and proven supply chain capabilities instead of a low-cost supplier that struggles with consistent quality.

As long as buyers and suppliers perceive that the rewards of the exchange relationship exceed the costs, SET suggests that the involved parties will remain in the relationship (Blau, 1968; Homans, 1958). Thibaut and Kelley (1959) offered one way to compare exchange alternatives through their conceptualization of comparison level (CL) and comparison level of alternatives (CL<sub>alt</sub>). For example, a supplier might have worked exclusively with a buyer for

years, and during that span, the costs of the relationship may have increased more rapidly than the benefits. The supplier may evaluate alternatives to determine if a different buyer offers more benefits with fewer costs than the current buyer. When the economic and social costs exceed the benefits, the other party is likely to make different business decisions to loosen the relationship ties or start looking for a new supply chain partner (Wangenheim, 2003).

The reciprocity principle is another tenet of SET (Larson, 1998). This principle indicates that parties in exchange relationships will mimic the actions, behaviors, and communication style of the initiator (Brett *et al.*, 1998; Gouldner, 1960). This has been reported in a variety of studies. Per the norm of reciprocity, buyers and suppliers are likely to adjust their negotiation strategies or behaviors to match those of their negotiation partner (Westbrook, 1996).

### *Relational negotiation outcomes*

Negotiation outcomes are “the point in the process when the parties reach some form of agreement on the total set of issues that have been discussed” (Rinehart and Page, 1992, p.21). Outcomes are reached when the involved parties perceive it to be more beneficial to agree than disagree (Rinehart and Closs, 1991). In buyer-supplier negotiation research, negotiation outcome measures are commonly dependent variables and have been measured both individually and jointly (Neu *et al.*, 1988). From the literature, three types of negotiation outcomes are identified: economic, social-psychological, and relational.

Economic outcomes, typically profit, are the most frequent negotiation outcome dependent variable as it is an objective result of the negotiation interaction between a buyer and supplier (Mintu-Wimsatt and Graham, 2004; Calhoun and Smith, 1999). Theoretically,



economic negotiation outcomes have been influenced by game theory (Herbst *et al.*, 2011).

Game theory research uses optimization models to determine what negotiators would do if they were omniscient (Thompson *et al.*, 2010). Social Exchange Theory suggests that outcomes of social encounters, like negotiations, include other relational factors and are not purely economic ones (Thibaut and Kelley, 1959).

To add more explanatory power to negotiation outcomes, satisfaction is included as a dependent variable. Satisfaction is the second most common dependent variable in negotiation strategy research. Satisfaction represents a subjective assessment of the social-psychological outcome and is often measured from the buyer's perspective (Graham *et al.*, 1994; Mintu-Wimsatt and Graham, 2004). In negotiation strategy research, satisfaction has been used as an assessment of the mental and emotional impact of a negotiation partner's strategy (Oliver *et al.*, 1994). If satisfied with a specific negotiation outcome, a buyer or supplier is likely to want to negotiate again in the future and may be interested in developing a long-term business relationship (Dabholkar *et al.*, 1994).

Relational outcomes are a third type of dependent variable in negotiation outcome research. As the competitive business environment has evolved under the influence of supply chain relationships and initiatives (Herbst *et al.*, 2011), researchers have expressed concern for negotiation research's "arelational bias – emphasizing autonomy, competition, and rationality over dependence, coordination, and relationality" (Gelfand *et al.* 2006, p.428). While there is a need for a more relational perspective in negotiation research, most research is at the abstract, conceptual level (King and Hinson, 1994; Gelfand *et al.*, 2006). Relational negotiation outcomes

are defined as the combination of negotiated resources that contribute to a more efficient and effective buyer-supplier relationship (adapted from Lacey, 2009). Relational variables that represent knowledge sharing intentions have been explored previously in buyer-supplier negotiation research (Thomas *et al.*, 2013), and the relational outcomes of trust, credibility, and relationship effectiveness have been studied in collaboration research (Zacharia *et al.*, 2009; Arora *et al.*, 2016). Relational negotiation outcomes have been identified as an important component that feeds into relationship history (Thomas *et al.*, 2015), but specific outcomes from actual supply chain negotiators were not identified in those studies.

This research presents two studies highlighting the relational effects of negotiation strategy use. Study One consists of exploratory interviews that are then used to inform Study Two. Study Two consists of a scenario based experiment designed to address questions resulting from both Study One and the literature review.

### **Study One:**

Exploratory interviews were conducted with buyers and suppliers currently involved in ongoing supply chain relationships. Using an initiation research design, the initial study was designed to inform a following experimental study, which is the primary focus of the analysis (Davis *et al.*, 2011). The interviews were conducted to aid in generating research hypotheses and to contribute content validity and realism that is often lacking in experimental research (Davis *et al.*, 2011; McGrath, 1982). Twelve managers employed by 9 different organizations in industries such as retail, manufacturing, transportation, and insurance were interviewed. Six

were in buying roles, and six were in selling roles. Several participants had previous experience on both sides of the buying relationship. The participants' experience ranged from 5 to 24 years. Similar to the manner utilized by Hada *et al.* (2013), the interview findings in concert with the negotiation and relationship literature were used to justify the selection and use of the independent and dependent variables used in the scenario-based experiment.

Participants were selected based on purposive and theoretical sampling techniques (Corbin and Strauss, 2008). The interviews were conducted either in person or via phone. Participants granted permission for the interviews to be taped. Transcripts of the interviews were analyzed and coded by multiple researchers. The coding enabled the researchers to identify specific relational factors important to the participants in their negotiations. In the following section, relevant and guiding quotes from the exploratory interviews are integrated with the extant literature to provide context for the study.

During the initiation study, the interviews identified relational negotiation outcomes that participants indicate are important in buyer-supplier negotiations and ongoing relationships. Two relational outcome variables that emerged from the interview data were relationship specific assets and cooperation. These two relational outcome variables were the dependent variables in the behavioral experiment that follows.

### *Relationship specific assets*

Relationship specific assets are “investments specific to a buyer-supplier relationship” (Anderson and Weitz, 1992, p.20). When building a buyer-supplier relationship, one or both of the parties determine they need to invest in assets that will be specific to that particular

relationship (Anderson and Weitz, 1992). These investments are coded as relationship specific assets.

Mark, a retail merchandising director, discussed how relational investments made by a specific supplier allowed them to retain the business with his organization, despite their products having a higher cost than competing suppliers:

*“It really came down to; when we talk about flexibility, their willingness to go out on this commodity, move upstream in the supply chain in terms of how they procure their own raw materials. We actually pay more to ensure that our long term supply is never disrupted, that they own their own raw materials, that they can control pricing better and that kind of thing.”*

Mark discussed how the supplier purchased an upstream company to control their access to certain raw materials that often suffered from supply issues. The relational efforts of the supplier are valuable to the retailer (Mark’s company) and important for long-term growth in the buyer-supplier relationship. The literature supports that investments made by the supplier into assets that are of importance to the buyer sends a strong message about the importance of this relationship to the supplier (Anderson and Weitz, 1992).

Joe, an automotive parts sales manager, discussed his company’s willingness to purchase new equipment if it will help them meet the product needs of one of their customers:

*“We aren’t limiting ourselves to the products that we may have developed at this point in time. We are open to similar products and have put in equipment to supply those.”*

Further discussion in the interview indicated that this willingness to listen to their customers’ needs has enabled them to expand their product offering and increase the amount of business with their customer base. Joe discussed how he identified potential opportunities to grow specific relationships. He would work with members within his organization to see if they could alter existing equipment or if they needed to purchase new equipment. While initially the equipment

investment may be relationship specific, his organization has found that the investment opens up additional opportunities with other customers.

When organizations invest in relationship specific assets, they signal a level of commitment to the supply chain relationship and a desire to continue the relationship (Williamson, 1975). While past research utilizing a transaction cost approach suggests asset specificity has a negative impact on long-term orientation due to reactance or resisting an inequitable supplier relationship (Joshi and Stump, 1999), our research utilizing a SET framework lends support that asset specificity may strengthen a relationship. Importantly, relationship specific assets are a relationship variable with both economic and social aspects. However, the economic aspect moves past the narrow purchase price/profit focus that has dominated negotiation research. Thus, relationship specific assets was identified as one of the dependent variables in this study.

### *Cooperation*

Cooperation is “mutual, coordinated activities performed by firms in a business relationship to produce superior outcomes mutually expected over time” (Min *et al.* 2007, p.511; Anderson and Narus, 1990). The literature supports the cooperative nature of ongoing buyer-supplier relationships (Jambulingam *et al.*, 2011). Given their mutual reliance on each other, buyers and suppliers need to work together to meet their individual goals (Daugherty, 2011). This need to work together was coded as cooperation.

The interviews suggest that cooperation is important in both negotiations and the overall supply chain relationship. Mark, a retail merchandising director, talks about cooperating with vendors to meet the needs of the end consumer:

*“...the vendor and the buyer literally together come up with the strategy for executing whatever that special buy opportunity may be or an upcoming promotional buy of some kind. It’s less about specking an item and literally just getting cost sheets on it versus collaborating and trying to do things that are going to be meaningful to customers in the marketplace.”*

Allie, also a retail merchandising director, identifies cooperation as an important way to reach relationship goals in a negotiation:

*“Knowing your goal and then the art of finding a way to get there that benefits everybody. The negotiation might be the science. But the art comes in when you can use your creativity and use what works for both companies to make it mutually beneficial.”*

Increasingly, buyers and suppliers attempt to work together cooperatively (Cannon and Perrault, 1999). Cooperation encompasses a long-term perspective, not limited to a specific buyer-supplier interaction or negotiation (Cooper *et al.*, 1997; Mentzer *et al.*, 2001). By cooperating, buyers and suppliers may reduce inventory levels and quality issues, and increase cost efficiencies and new product development opportunities (Treleven, 1987). Ultimately, cooperation among buyers and suppliers should lead to positive organizational performance outcomes (Min *et al.*, 2007).

## **Independent variables and hypotheses development**

### *Interdependence in buyer-supplier relationships*

Supply chains have been conceptualized as a series of mutually dependent, complex buyer-supplier relationships (Cooper *et al.*, 1997; Stern *et al.*, 2001). As companies look outside their organization to outsource functions and focus more on their core competencies, a relationship-oriented approach is preferred due to perceived business advantages (Daugherty, 2011). The perceived advantage of these supply chain relationships is to work across organizational boundaries to create win-win relationships to lower costs, improve quality,

achieve greater efficiencies, create value, and secure resources, with the ultimate goal the creation of sustainable competitive advantages (Dyer and Singh, 1998; Nyaga *et al.*, 2010; Rinehart *et al.*, 2004).

The interview participants in this study also support the importance of having close relationships. Allie, merchandising director for a retailer, described one of her suppliers, “*You know that the vendor gets the fact that there are boundaries but they are very blurry between us and them. We’re all in it together and we are all in it for our customers.*” The participants acknowledged that there are different types of relationships. Given the different relationship types supported in the literature and the interviews, interdependence was selected as a moderating influence in the choice and outcome of relationship type.

Interdependence is “the sum of both firm’s dependence” (Kumar *et al.*, 1995, p. 349). The interdependence concept acknowledges “a firm’s dependence on another is relative to the other firm’s dependence on it” (Jambulingam *et al.*, 2011, p. 42; Kumar *et al.*, 1995). Interdependence has been conceptualized with varying degrees of symmetry or asymmetry (Gundlach and Cadotte, 1994). Buyer-supplier relationships with an equal amount of dependence between the buyer and supplier have been classified as having mutually symmetric interdependence (Kumar *et al.*, 1995). Mutual interdependence increases the closeness of buyer-supplier relationships because neither supply chain member has more power.

Previous research suggests an inverse relationship between power and dependence and its effect on negotiation outcomes (Ganesan, 1993). The buyer or supplier with more power is likely to achieve more favorable economic outcomes with fewer concessions and be more

satisfied with the negotiation outcomes (Dwyer and Walker, 1981; Neslin and Greenhalgh, 1983). As interdependence levels become more asymmetric, power dominance requires the attention of involved parties and may influence the outcomes obtained in a buyer-supplier negotiation (Dwyer *et al.*, 1987; Habib *et al.*, 2015). This study incorporates levels of mutual symmetric interdependence with equally empowered participants, so the relational variables are examined free from the influence of power.

If a relationship exhibits high levels of mutual interdependence, buyers and suppliers approach the relationship from a long-term perspective and are cautious about behaving in a manner that could damage the relationship (Kumar *et al.*, 1995). If the relationship exhibits low levels of mutual interdependence, buyers and suppliers are more likely to explore other exchange options and to use opportunistic behaviors because of the low perceived switching costs (Jambulingam *et al.*, 2011). In terms of SET, buyers and suppliers with high levels of mutual interdependence are less likely to end the relationship because they do not have a comparable  $CL_{ALT}$  (Thibaut and Kelley, 1959). This is equivalent to Fisher and Ury's popular BATNA (best alternative to a negotiated agreement) concept (1981). This relationship was suggested in the exploratory interviews as the interview participants indicated that they cooperated and invested in relationship specific assets more in mutually beneficial interorganizational relationships and as they cooperated and invested more, the level of interdependence increased (Heide and John, 1990).

SET's reciprocity principle proposes that buyers and suppliers will mirror the exchange behaviors of each other (Gouldner, 1960). This principle predicts that buyers and suppliers engage in supply chain relationships with high levels of mutual interdependence and behave in a



manner that increases the levels of relational negotiation outcomes, such as investment in relationship specific assets and cooperation. If buyers and suppliers incorporate opportunistic behaviors into their negotiations, the supply chain partner will likely respond with a comparable negative response. These negative responses decrease the levels of relational negotiation outcomes and sometimes lead to the destruction of the relationship. Utilizing the tenets of SET, the following hypotheses addressing levels of interdependence in the context of ongoing buyer-supplier relationships are presented.

**H1a:** Increased interdependence will increase relationship specific assets.

**H1b:** Increased interdependence will increase cooperation.

#### *Win-win and win-lose negotiation strategies*

Negotiation strategies are “interaction patterns used by parties in conflict to achieve resolution” (Ganesan, 1993, p.184). Buyers and suppliers choose different negotiation strategies depending on the importance of the negotiated issues and the existing relationship with their negotiation partner (Dant and Schul, 1992; Lewicki and Stevenson, 1997). Literature supports that two common types of negotiation strategies traditionally utilized in buyer-supplier negotiations are win-win and win-lose (Krause *et al.*, 2006). These strategies have consistently been treated as a dichotomy meaning that negotiators choose to use one or the other (Thompson *et al.*, 2010).

A win-win negotiation strategy is known by many categorizations including collaborative, problem-solving, and integrative (Krause *et al.*, 2006). Negotiators who utilize a win-win negotiation strategy openly share information with their negotiation partner (Mintu-

Wimsatt and Graham, 2004). This information sharing enables a win-win negotiator to evaluate the priorities and needs of all parties. The goal is to resolve the parties' differing interests and deliver joint benefits for both as the desired outcome of the specific negotiation (Zachariassen, 2008).

Interview participants verify use of this strategy. Anna Kate, vice president of operations for a patio furniture manufacturer, says about a win-win strategy, "*it's weighing the pros and cons of both parties, what's the end result we want... it has to be a win-win for everybody and getting to that point so that they feel that it's a win for them and we get what we want on our end.*"

Alternatively, a win-lose negotiation strategy has been categorized as competitive, individualistic, and aggressive (Mintu-Wimsatt and Graham, 2004). A win-lose negotiation strategy is the "attempt to resolve conflicts through the implicit and explicit use of threats, persuasive arguments, and punishments" (Ganesan 1993, p.186). In contrast to the win-win negotiation strategy, win-lose negotiators are often focused on one-time or short-term agreements and communicate in a secretive or deceptive manner (Lewicki *et al.*, 2001). Win-lose negotiators are concerned with their outcome regardless of the goals/needs of the other party (Calhoun and Smith, 1999).

Empirical research suggests that win-lose negotiators realize more profitable individual outcomes, while win-win negotiators reach more favorable joint outcomes (Graham *et al.*, 1994). Use of a win-lose negotiation strategy is perceived to be most suitable for a one-time buy or arms-length, transactional relationships (Krause *et al.* 2006). For organizations seeking to build strong supply chain relationships, use of a win-lose strategy may be a type of supply chain

counterproductive work behavior (SCCWB) that is damaging to the overall relationship (Thornton *et al.*, 2013). SCCWBs are “behaviors that harm the effectiveness of the supply chain by impeding the performance of other organizations and/or exchange relationships within the supply chain” (Thornton *et al.*, 2013, p.788).

The interview participants report frequent encounters with the win-lose negotiation strategy. Mark, a retail buyer, talks about how his company tries to avoid this type of strategy when conducting annual product line reviews:

*“We try to avoid the late night in the hotel room shoot-out where we go back and forth with all the different suppliers squeezing them for their lowest cost until we finally give it to the incumbent [supplier] because we believe it has long term impacts to our current supplier relationships that are negative – extraordinarily negative... and if I’m a non-incumbent supplier, why would I come give you my lowest cost? Why would I show up at all?”*

The use of a win-lose negotiation strategy is encouraged in more transactional buyer-supplier relationships that possess low levels of interdependence, but as literature and the interview participants identify, ongoing relationships exist where one or both organizations employ win-lose strategies (Ramsay, 2004; Zachariassen, 2008). Thus, the use of a win-lose negotiation strategy serves as the second independent variable. The tenets of SET suggest that employing a win-lose negotiation strategy has relational costs in ongoing buyer-supplier relationships. Negotiators will perceive a viable  $CL_{ALT}$  if the use of the win-lose negotiation strategy leads to the decline of the relationship (Thibaut and Kelley, 1959). Buyers and suppliers who have invested in relationship specific assets are more likely to use a win-win negotiation strategy because of the potential economic consequences if the relationship does not continue (Anderson and Weitz, 1992). A win-win negotiation strategy is necessary for buyers and suppliers to cooperate. While a win-lose strategy has a negative impact that makes cooperation virtually

impossible, it may be selected as a more appropriate strategy if one side does not uphold the win-win commitment, demonstrating the influence of the reciprocity principle.

If a buyer utilizes a win-lose negotiation strategy, a supplier is likely to respond with a win-lose negotiation strategy, which will negatively impact relational negotiation outcomes and future negotiation interactions (Frazier and Rody, 1991). The interviews highlight the challenges of continuing a relationship characterized by the use of win-lose negotiation strategies. The following hypotheses are presented in the context of ongoing buyer-supplier relationships:

**H2a:** A win-lose negotiation strategy will decrease relationship specific assets.

**H2b:** A win-lose negotiation strategy will decrease cooperation.

A win-lose negotiation strategy may be viewed as less costly in buyer-supplier relationships with low levels of interdependence since the nature of this type of relationship is likely more transactional with a number of viable alternatives to help achieve organizational goals (Thibaut and Kelley, 1959). Thus, a win-lose negotiation strategy is not likely to have a substantial impact on the relational outcomes given the low level of interdependence between the buyers and suppliers and the likely existence of a viable  $CL_{ALT}$  or BATNA. Alternately, a win-lose negotiation strategy may be damaging to the ongoing buyer-supplier relationship and the potential for a relational competitive advantage if the buyers and suppliers have high levels of interdependence, especially given the challenge of finding a comparable  $CL_{ALT}$  (Dyer and Singh, 1998; Thomas *et al.*, 2013). For example, if a supplier utilizes a win-lose negotiation strategy in a highly interdependent supply chain relationship, the buyer may perceive this as a violation of the mutually beneficial nature of the overall relationship. SET proposes that the buyer would perceive the win-lose negotiation strategy as an increase in the relational costs of the relationship (Lambe *et al.*, 2001). Ultimately, this may lead to an analysis that the relationship benefits no

longer outweigh the costs, and the buyer begins to pursue their BATNA with another supply chain partner willing to invest in a relationship with increased levels of cooperation and relationship specific assets. Thus, the following hypotheses are proposed based on the reviewed literature and SET:

**H3a:** A win-lose negotiation strategy decreases relationship specific assets more in highly interdependent relationships than in lower interdependent relationships.

**H3b:** A win-lose negotiation strategy decreases cooperation more in highly interdependent relationships than in lower interdependent relationships.

In summary, the preliminary interviews and literature stress that buyer-supplier relationships are interdependent in varying degrees. Negotiation strategy choice (win-win or win-lose) influences relational negotiation outcomes in terms of relationship specific assets and cooperation between buyers and suppliers. A visual representation of the relationships between the variables of study is shown in Figure 1. The following experiment identifies the impact of these independent variables on two relational negotiation outcomes, relationship specific assets and cooperation. Previous research has largely overlooked relational variables in favor of economic and psychological negotiation outcomes (King and Hinson, 1994).

\*\*\*\*\*Please Insert Figure 1 Here\*\*\*\*\*

### **Study two experimental research methodology**

Utilizing the two dependent relational outcome variables of relationship specific assets and cooperation, the main study tested negotiation strategy and interdependent buyer-supplier

relationships hypotheses using a behavioral, scenario based experiment. A 2 x 2 factorial design led to the development of four different treatment conditions. There are two levels of negotiation strategy (win-win and win-lose) and two levels of interdependence (high and low).

### *Sample*

The study participants were senior undergraduate logistics majors in a capstone course at a large southeastern university. During the course, the students received the same training on negotiations, buyer-supplier relationships, and supply chain management. While arguments have been made regarding the appropriateness of using a student sample (Stevens, 2011; Thomas, 2011), this sample is justified for several reasons. First, student samples are widely accepted and frequently used in behavioral experiments in both negotiation (Krause *et al.*, 2006; Thomas *et al.*, 2013) and buyer-supplier relationship research (Thomas *et al.*, 2010; Tokar *et al.*, 2011). Second, studies also show no significant differences in experimental results between undergraduate student samples and professional managerial samples (Croson and Donohue, 2006; Ganesan *et al.*, 2010; Machuca and Barajas, 2004). Third, more than 96% of existing negotiation research utilizes student samples (Buelens *et al.*, 2008). Fourth, given the experimental nature of this research, undergraduate participants serve a desirable control mechanism due to the consistent classroom delivery setting and training and the relative homogeneity of the sample (Thomas *et al.*, 2010). Fifth, students are included within the theoretical boundary scope conditions of SET that informs this study and are therefore subject to theoretically derived hypotheses. Finally, students that participated in this study were able to understand and respond to the experimental treatment conditions given their prior experiences

and/or formal educational training on negotiations, relationship management, and supply chain management. For these reasons, the sample utilized in this experiment is believed to be appropriate and meets guidelines for the appropriate use of student samples in buyer-supplier research (Thomas, 2011).

While use of a student sample provides control within the classroom setting and sample homogeneity, there are tradeoffs with low generalizability and low realism. Incorporating the buyer and supplier interviews, however, brings realism into the research. Generalizability remains a limitation of the experimental design method (McGrath, 1982). As undergraduate students often lack actual buying or selling negotiation experience, this can be a limitation of this sample (Herbst and Schwarz, 2011). However, this sample was composed of logistics students in their final semester in a capstone course. All students experienced the same training on buyer-supplier relationships and negotiations and many had internship experience in marketing, logistics, or supply chain roles.

The total sample size was 86. This study exceeded the recommended minimum requirements per cell with more than 20 participants per cell and the cell sample sizes being close to equal (Hair *et al.*, 2010). The sample was 81% male. The mean age of the participants was 23.74 years. The mean number of years of work experience was self-reported by the participants as 4.3 years and more than 81% of the participants self-reported at least one year of work experience.

### *Procedure*

One researcher introduced the study and provided an overview of the process for the participants. Participants were randomly assigned to one of the four treatment conditions in the 2 x 2 factorial experimental design. The participants received a paper copy of the scenario based experiment and read a set of instructions followed by a scenario that describes a buyer-supplier negotiation in an interdependent relationship. The independent variables (negotiation strategy and interdependence) were manipulated through the scenario. Written scenarios are often used in experimental designs to operationalize the independent variables and to facilitate role-playing (Pilling *et al.*, 1994; Dabholkar and Bagozzi, 2002). This projective method invites participants to cast themselves into the hypothetical situation presented to them and respond in a manner that reflects how they believe a buyer or supplier would actually respond in the given situation (Fisher, 1993). Due to the anonymous nature of this projective technique, the participants may feel free to respond in a way that is inconsistent with socially desirable responses (Fisher, 1993; Haire, 1950).

### *Pretest*

The readability, reliability, validity, and experimental manipulation treatments were checked via a pretest. Four experienced buyers and suppliers, four academic subject matter experts on buyer-supplier relationships and negotiations, and two experimental methodological experts were asked to evaluate the face validity, readability, and realism of the scenarios and the



questionnaire. Based on suggestions from the diverse set of experts, some edits were made to the wording to ensure consistency with prior academic research while also incorporating language that is common in supply chain negotiations. Twelve doctoral students at a southeastern university were used for the pretest of scales and experimental manipulations. The results of the pretest demonstrated that participants were perceiving differences in the experimental manipulations. A copy of the scenario manipulations can be found in Appendix A.

### *Instrument and measures*

The questionnaire consisted of a short overview, directions, and a brief scenario presenting a buyer-supplier negotiation situation. Participants then responded to scale items, manipulation check items, realism check items, and finally demographic questions. The scenario that the participants read describes a fictitious buyer and supplier negotiation. The relationship was portrayed as exhibiting high or low levels of mutual symmetric interdependence. The researcher manipulated, through the scenario description, the participant's perception of the level of dependence of the buyers and suppliers. Relationships with mutual symmetric interdependence have an equal amount of dependence between a buyer and supplier (Kumar *et al.*, 1995). As previously stated, symmetric interdependence was utilized in an effort to control for the effects of power that often occur when levels of interdependence are asymmetric. Supply chain relationships with higher levels of interdependence rely on each other much more than relationships with low levels of interdependence. The second paragraph of the scenario described the type of negotiation strategy that the buyer employed when interacting with the supplier, either win-win or win-lose.

Existing scales were modified for the independent variables manipulated in this experiment. Subject/verb modifications were made so that the items would be consistent with the scenarios used in the experimental treatment, while keeping the item's original intent. Interdependence item measures were adapted from Golicic and Mentzer (2006). Items to measure negotiation strategy were adapted from Graham (1985) and Graham, Mintu, and Rodgers (1994). The questionnaire items were measured on a 7-point Likert scale ranging from "strongly disagree" to "strongly agree." These modified scales were analyzed in this study to reconfirm reliability and validity and to determine if the scenario manipulations worked as planned. The researcher also performed a manipulation check to see if there were statistically significant differences in the treatment cells of the independent variables. The dependent variable item scales were also modified from existing scales. The relationship specific assets measure was adapted from Anderson and Weitz (1992). The cooperation measure was adapted from Min, Mentzer, and Ladd (2007). As before, all items were measured on a 7-point Likert scale ranging from "strongly disagree" to "strongly agree." A copy of the measures is shown in Appendix B.

### *Scale purification*

Following the guidelines of Garver and Mentzer (1999), the researcher used scale purification techniques to determine unidimensionality, reliability, and validity. Principal components analysis was used to determine convergent validity and unidimensionality. The factor loadings are not cross-loaded and exceed the 0.50 value that is generally necessary for both statistical and practical significance (Hair *et al.* 2010). The range for factor loadings for each of the variables is as follows: relationship specific assets – 0.77-0.81, cooperation – 0.65-

0.87, interdependence – 0.86-0.91, negotiation strategy – 0.80-0.94. Cronbach's coefficient alpha was utilized to examine internal consistency reliability and indicate that the items portray the constructs studied (Churchill, 1979). All of the study constructs exceeded the recommended 0.70 threshold value for alpha (see Appendix B) (Nunnally and Bernstein, 1994). The measures used in the experiment were deemed acceptable based on the results of the scale purification procedures.

### *Manipulation checks and realism checks*

Experimental research must assess the participant responses for the manipulation in each of the experimental treatment conditions. Manipulation checks are used to determine that the research participants responded the way the researcher planned. The results of the manipulation checks suggest that the experimental manipulations were successful. The interdependence manipulation exhibited a significant effect ( $F = 127.14$ ;  $M_{\text{high interdependence}} = 5.28 > M_{\text{low interdependence}} = 1.94$ ;  $p < 0.001$ ). The manipulation for negotiation strategy was also significant ( $F = 157.30$ ;  $M_{\text{win-win strategy}} = 5.60 > M_{\text{win-lose strategy}} = 2.17$ ;  $p < 0.001$ ). These significant results indicate that the study participants did identify differences between the treatment conditions for the independent variable manipulations.

It is important that the scenarios and treatment conditions are perceived to be realistic in behavioral experiments. Several approaches were used to ensure this experimental study was seen as realistic. First, the scenarios were developed from definitions and descriptions in the negotiation and relationship literature. Second, academic experts reviewed the scenarios on criteria such as length, readability, realism, and credibility (Thomas *et al.*, 2013). Revisions

were made based on their feedback. Third, purchasing and sales professionals were asked to review each of the scenarios. Based on literature insights and expert feedback, the scenarios were believed to be readable and realistic.

For behavioral experiments to be deemed successful, the participants must understand and react to the treatment conditions as they would in a real situation (Colquitt, 2008; Rungtusanatham *et al.*, 2011). One method used to assess if this happens is a quantitative realism check. Dabholkar's (1994) two-item realism check measure was included at the end of the questionnaire. The first item asked if the participants believed that the "situation described in the scenario was realistic," and the mean response was 5.86 on a 7-point Likert scale. The second item asked if the participants could "imagine [themselves] in the described situation," and the mean response was 5.47 on a 7-point Likert scale. These results illustrate that participants perceived the experimental scenarios to be realistic.

### *Experimental results*

A MANOVA was used to determine if a statistically significant main effect of each of the independent variables exists on the dependent variables. As predicted, a main effect of interdependence was observed (Wilks' lambda = 0.671;  $F = 19.82$ ;  $p < 0.001$ ). To yield additional insight, ANOVA tests were conducted to test H1a-b. These univariate tests support that interdependence leads to an increase in relationship specific assets ( $F = 39.67$ ;  $p < 0.001$ ) and cooperation ( $F = 8.61$ ;  $p < 0.01$ ). Thus, H1a and H1b were supported.

The MANOVA results also highlighted a main effect of negotiation strategy (Wilks' lambda = 0.896;  $F = 4.69$ ;  $p = 0.012$ ). ANOVA tests were then run to analyze H2a-b. These

univariate tests support that a win-lose negotiation strategy leads to a decrease in relationship specific assets ( $F=8.47$ ;  $p<.05$ ) and cooperation ( $F=12.71$ ;  $p<.01$ ). Therefore, H2a and H2b were supported.

The hypothesized interaction between interdependence and negotiation strategy was statistically significant with the overall main effects (Wilks' lambda = 0.923;  $F = 3.40$ ;  $p < 0.05$ ). Univariate tests supported that a win-lose negotiation strategy leads to a greater decrease in relationship specific assets ( $F= 6.02$ ;  $p<.05$ ) and cooperation ( $F=4.55$ ;  $p<.05$ ) in highly interdependent relationships. These findings offer support for H3a and H3b. Table 1 presents the overall ANOVA results. Table 2 presents the dependent variable cell means. The interaction effects of interdependence and negotiation strategy on relationship specific assets and cooperation are shown in Figures 2-3.

A summary of the hypotheses is presented in Table 3. These results illustrate support for all hypotheses indicating that an increase in interdependence leads to both an increase in relationship specific assets and cooperation (H1a and H1b). Additionally, the results suggest that if managers utilize a win-lose negotiation strategy, rather than a win-win negotiation strategy, it will decrease investments in relationship specific assets (H2a) and cooperation (H2b). These decreases are greater in highly interdependent relationships. Thus, for managers considering a win-lose negotiation strategy, they need to recognize that levels of relationship specific assets and cooperation may decline, particularly when higher levels of interdependence exists.

**\*\*\*\*\*Insert Table 1: ANOVA Results for Main and Interaction Effects Here\*\*\*\*\***

\*\*\*\*\*Insert Table 2: Dependent Variable Cell Means Here\*\*\*\*\*

\*\*\*\*\*Insert Figures 2-3 Here\*\*\*\*\*

\*\*\*\*\*Insert Table 3: Summary Tests of Hypotheses Here\*\*\*\*\*

## Discussion

This study tests the effects of win-win and win-lose negotiation strategies on two managerially relevant relational negotiation outcome variables: investment in relationship specific assets and cooperation. The experimental results support the purposes of this research to continue to broaden the scope of negotiation research beyond discrete event outcomes and to examine the relational effects of different negotiation strategies in different types of buyer-supplier relationships. As predicted, negotiation strategy was shown to impact relational outcomes. SET suggests that the outcomes of individual negotiation encounters will influence the future of the ongoing buyer-supplier relationship (Thibaut and Kelley, 1959). The results demonstrate that SET's premise that social outcomes (such as cooperation tested in this experiment), are an important part of exchanges (Thomas *et al.*, 2013).

The experiment provides support that monetary negotiation outcomes (such as profit) and psychological negotiation outcomes (such as satisfaction) do not adequately capture the relational impact of different negotiation strategies. Discrete negotiation encounters seem to have a broader effect on the ongoing buyer-supplier relationship than is discussed in the literature. Buyers and suppliers have to consider both economic and relational factors when involved in negotiations.

The study findings indicate that choice of negotiation strategy and the closeness of the supply chain relationship are related to important relational negotiation outcomes. Per Hypothesis 1, as interdependence increases, relationship specific assets and cooperation also increase. Prior research supports this finding suggesting that buyers and suppliers view the relationship as more important as levels of interdependence increase (Gundlach and Cadotte, 1994). Thus, buyers and suppliers will behave in ways that build a long-term relationship (Kumar *et al.*, 1995). With higher levels of interdependence, buyers and suppliers are more willing to cooperate with the other party and to make financial decisions designed to impact the relationship.

In contrast, per Hypothesis 2, the use of a win-lose negotiation strategy decreases the amount of relationship specific assets and cooperation in buyer-supplier relationships. Prior research suggests that a win-lose negotiation strategy is appropriate in more transactional supply chain relationships (Zachariassen, 2008). Consistent with SET, the use of a win-lose strategy means the relational costs of this strategy are less than the perceived benefits (Thibaut and Kelley, 1959). Hypotheses 2's findings support the need to consider the goals of each participant as suggested by Mintu-Wimsatt *et al.* (2005).

The results also revealed a significant overall interaction (Hypothesis 3) between interdependence, negotiation strategy, and the relational outcome variables. In a highly interdependent buyer-supplier relationship, a win-lose negotiation strategy will lead to less investment in relationship specific assets (H3a) and less cooperation (H3b) than if negotiators use a win-win strategy. This suggests that a win-lose negotiation strategy has little or no effect on relationships that are less interdependent, where buyers and suppliers are not heavily relying on each other to meet their organizational needs. In close buyer-supplier relationships, however,

the use of a win-lose negotiation strategy drastically reduces the amount of investment and willingness to work together among supply chain members. If the long-term goal is to continue to grow a specific buyer-supplier relationship, these findings indicate that buyers and suppliers should use a win-win strategy if they desire their negotiation partner to be more cooperative and continue to invest in the relationship in the future. Consistent with SET, buyer-supplier relationships with different levels of interdependence will require different cost-benefit tradeoff evaluations for the selection and use of certain negotiation strategies (Griffith *et al.*, 2006). As long as a buyer or supplier is consistent with or exceeding the other party's comparison level (CL), they will most likely desire to continue the relationship and refrain from using a win-lose strategy to keep from damaging the relationship. This would be more likely in relationships with higher levels of interdependence. In buyer-supplier relationships with lower levels of interdependence, however, the existence of viable  $CL_{ALTS}$  are more likely and the use of a win-lose negotiation strategy may be perceived as less risky as the importance of the relationship to the success of the organization is less. Hypotheses 3's findings support the literature that buyers and suppliers alter their negotiation strategy and behaviors to match their negotiation partner (Westbrook, 1996). Thus, managers need to recognize the impact of their choice of negotiation strategy will have on their supply partner, particularly with more interdependent relationships.

## Conclusions

A review of negotiation literature from a variety of disciplines reveals that empirical negotiation outcome research has largely focused on discrete event variables like economic profitability or buyer satisfaction (Mintu-Wimsatt and Graham, 2004). This narrow focus fails to capture the complexity of negotiations in ongoing buyer-supplier relationships that many



organizations perceive as an important source of competitive advantage (Dyer and Singh, 1998). The qualitative data provides a level of realism that is often lacking in laboratory experiments by identifying relational outcome variables that are important to today's supply chain managers. The experimental results offer important insights regarding the potential positive or negative impact of different negotiation strategies on the overall ongoing supply chain relationship. Win-lose and win-win negotiation strategies seem to have distinct effects on relational outcome variables, specifically in highly interdependent relationships. Results emphasize important managerial and theoretical issues that are vital to understanding and managing negotiations in ongoing buyer-supplier relationships. As relationships are at the core of supply chains and given the importance of inter-organizational negotiations in achieving performance goals and a sustainable competitive advantage (Dyer and Singh, 1998; Herbst *et al.*, 2011; Mentzer *et al.*, 2001), the impact of this research is both practical and timely.

### *Theoretical implications*

The findings provide further support for the tenets of SET in supply chain relationships. As predicted, a win-lose negotiation strategy resulted in a reduction in relational outcome variables, and a win-win negotiation strategy did the opposite. Therefore, SET and its reciprocity principle prove to be appropriate theoretical lenses to use for negotiation and buyer-supplier relationship research. Furthermore, our results utilizing SET complements previous research examining the relationship between asset specificity and long-term orientation utilizing a TCA approach (Joshi and Stump, 1999), through illustrating that the type of negotiation strategy utilized impacts the level of relational specific assets and that this impact is stronger with a highly interdependent relationship. Behaviors likely to have a negative relational impact

and potentially affect competitive advantage opportunities have been researched less frequently than those believed to have a positive impact (Thornton *et al.*, 2013). SET and the results of this study offer support that more theoretical research is needed to yield additional insights relating to negative negotiation behaviors.

### *Managerial implications*

This research has significant managerial implications through illustrating the impact of interdependence on relationship specific assets and cooperation, especially given a firm's negotiation strategy. Buyers and suppliers use negotiations to reach agreement on activities such as pricing, product selection, carrier selection, and quality standards (Herbst *et al.*, 2011). They are constantly pressured to improve performance and successful negotiations are one way to positively impact their business (Herbst *et al.*, 2011). Buyers and suppliers inclined to adopt a win-lose negotiation strategy need to recognize the potential relational damage to relationship specific assets and cooperation. This finding is particularly important as some research has suggested that win-lose negotiators "win" by obtaining larger monetary benefits than their win-win counterparts (Graham *et al.*, 1994). While that might be true for an individual negotiation encounter, this research suggests that future encounters will be negatively impacted by outcomes of the previous encounter. Therefore, the use of a win-lose negotiation strategy may not be appropriate for any buyer-supplier relationship that desires to continue to work together in the future. Many buyers and suppliers develop complex relationships over the course of many years working together. Highlighting the importance of intentionally choosing certain types of negotiation strategies given the goals for the interaction is an angle that perhaps buyers and suppliers have often overlooked. Interestingly, these results suggest that in supply chain relationships where buyers and suppliers do not rely heavily on each other, using either type of

negotiation strategy will have a similar relational impact. Depending on the viability of alternative buyers or suppliers, a win-lose strategy might be more appropriate if there are not long-term intentions to grow the partnership between the organizations. Thus, managers should ponder the short and long-term impact of their negotiation strategy decisions. Given the reciprocity principle, buyers and suppliers should also recognize and prepare for the other party to use a similar negotiation strategy. Finally, for highly interdependent buyer-supplier relationships, a win-win negotiation strategy seems to be the more appropriate if the involved organizations wish to develop the relationship through enhanced cooperation and increased investment in relationship specific assets.

### *Limitations*

All research methods have strengths and limitations relative to internal and external validity. McGrath (1982) named this the three-horned dilemma. Researchers select methods that maximize one of the following: generalizability, precision/control, or realism (McGrath, 1982). By utilizing a mixed methods approach, this research was able to address precision and control using the behavioral experiment and realism using qualitative interviews. This offers a more holistic view (Creswell, 2008) of the impact of negotiations and strategies used on ongoing buyer-supplier relationships than a single method. However, both methods are limited with regards to generalizability. This limitation provides an opportunity for future research using a method, such as a broad industry-wide survey, for more generalizable results.

### *Future research*

This research provides a fertile foundation for future studies. Relational negotiation outcomes were the primary negotiation outcome focus of this study as the purpose was to isolate

the impact of relationship type and negotiation strategy on managerially identified relational negotiation outcomes. Future experiments could incorporate other types of negotiation outcomes, such as economic and social-psychological outcomes, with relational outcomes to help present a more comprehensive integration of all the types of outcomes that are important in supply chain negotiations. Another interesting avenue of study would be to examine the impact of cultural differences on the impact of the two negotiation strategies, building on Rinehart et al.'s study (2008) of perceived relational perception differences between supply chain members in the U.S. and Taiwan, and collecting data relevant to this study outside the U.S. Still another idea for future study could integrate negotiation strategy research with the personal relationship in supply chains research by Gligor and Holcomb (2013).

Further study on the use and impact of win-lose negotiation strategies is warranted. Few researchers focus on behaviors that have a likely negative impact on competitive advantage opportunities (Thornton *et al.*, 2013). This research is important in helping managers learn more about the potentially negative and long-standing relational consequences associated with using a win-lose strategy. While the results suggest harm to relational variables like relationship specific assets and cooperation, little is known about how this progresses over time. A longitudinal study might offer insight as to how previous uses of a win-lose strategy could impact future negotiations. Future research could also incorporate the influences of power asymmetry (Hoppner *et al.*, 2014; Ganegoda and Folger, 2015) in these long-term relationships. By understanding the relationship between negotiation strategy use and relational negotiation outcomes, buyers and suppliers can better analyze the impact and appropriateness of different strategy choices and match them with their future goals for the current supply chain relationship.

While Social Exchange Theory (SET) (Emerson, 1976; Thibaut and Kelley, 1959) and its reciprocity principle (Gouldner, 1960) were used as the theoretical lens for this research given the individual level focus, a combination of macro and micro level theories could yield interesting insights given the complex nature of buyer-supplier relationships. Two theories that might be incorporated are the relational view of the firm (RV) and the resource dependence theory (RDT) (Dyer and Singh, 1998; Pfeffer and Salancik, 1978). If buyer-supplier relationships continue to be viewed as a source of competitive advantage and value creation, future studies that further explore how negotiation behaviors and interorganizational communication impact overall value creation, firm performance, and competitive advantage will be timely and relevant (Dyer and Singh, 1998; Hillman *et al.*, 2009; Paulraj *et al.*, 2008; Pfeffer and Salancik, 1978).

Thus, both managers and researchers need to consider the future goals of current relationships prior to using a win-lose negotiation strategy to maximize economic negotiation outcomes. Current win-lose strategy buyers and suppliers may use these insights to better understand why their relationships may not be reaching relational goals given the negative impact the win-lose negotiation strategy has on cooperation and relationship specific assets in ongoing supply chain relationships. It is hoped that these insights will open new avenues of research and stimulate more research attention to the buyer/supplier interface that lies at the heart of the supply chain (Mentzer *et al.*, 2001). These insights are certain to prove useful as organizations strive to use their supply chain relationships as a sustainable source of competitive advantage.

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**Table 1: ANOVA results for main and interaction effects**

Effects	Relationship Specific Assets	Cooperation
	<i>F</i> -statistic	<i>F</i> -statistic
H1: Interdependence	39.67 ( $p < .001$ )	8.61 ( $p = .004$ )
H2: Win-lose strategy	5.33 ( $p = .023$ )	8.87 ( $p = .004$ )
H3: Interdependence x Win-lose strategy	6.02 ( $p = .016$ )	4.55 ( $p = .036$ )

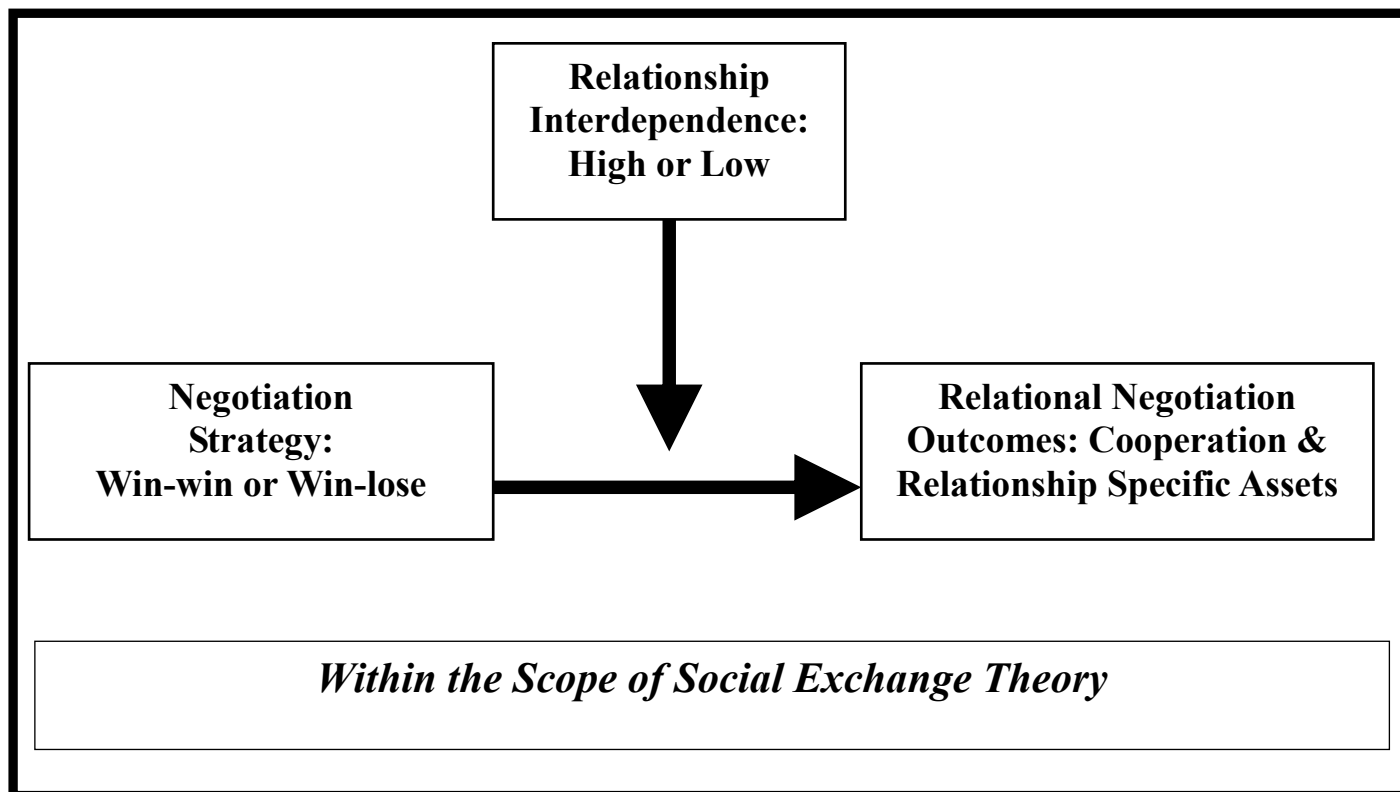
**Table 2: Means of the dependent variables**

Dependent Variable	Interdependence	Negotiation Strategy	Mean	Std Error
Relationship Specific Assets	Low	Win-lose	2.464	0.275
		Win-win	2.425	0.282
	High	Win-lose	3.511	0.263
		Win-win	4.807	0.269
Cooperation	Low	Win-lose	3.869	0.261
		Win-win	4.088	0.268
	High	Win-lose	4.076	0.250
		Win-win	5.398	0.255

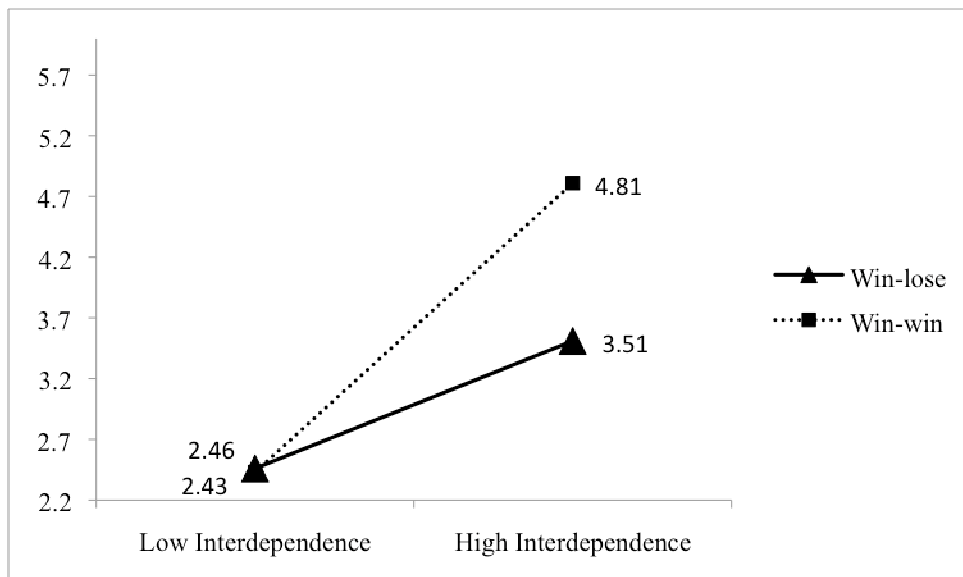
**Table 3: Hypotheses summary**

<b>Hypothesis</b>	<b>Prediction</b>	<b>Finding</b>
H1	An increase in interdependence leads to an increase in: (a) investment in relationship specific assets ( $p < .001$ ) (b) cooperation ( $p < .01$ )	Supported Supported
H2	A win-lose negotiation strategy leads to a decrease in: (a) investment in relationship specific assets ( $p < .05$ ) (b) cooperation ( $p < .01$ )	Supported Supported
H3	A win-lose negotiation strategy decreases: (a) investment in relationship specific assets ( $p < .05$ ) (b) cooperation ( $p < .05$ ) ...more in highly interdependent relationships than in lower interdependent relationships.	Supported Supported

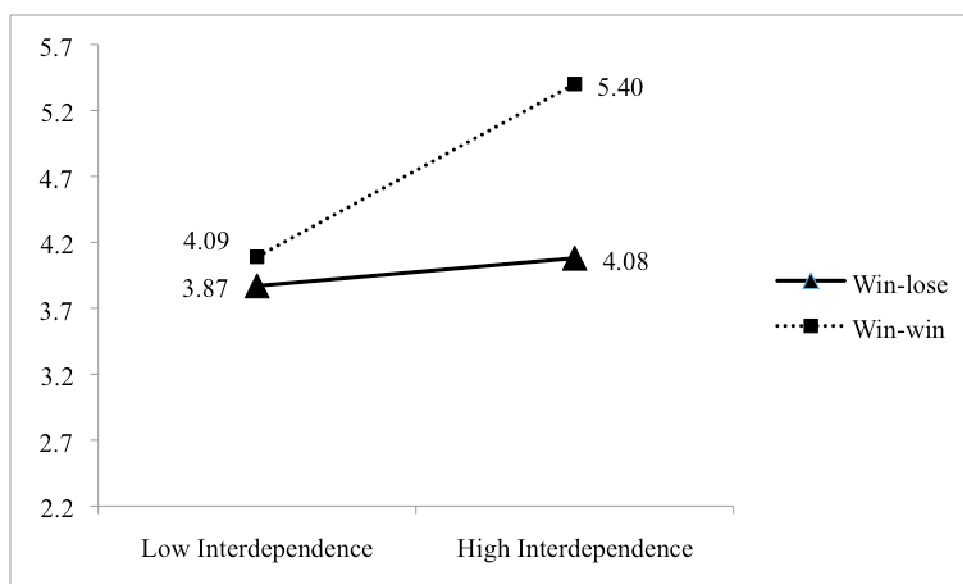




**Figure 1: Negotiation Strategy and Negotiation Outcomes Relationship**



**Figure 2. Relationship Specific Assets**



**Figure 3. Cooperation**

**APPENDIX A:**

**Study Two Experimental Manipulations**

*Interdependence Manipulations (High/Low differences in italics below)*

The Eagle Company (TEC) and the retailer have been doing business with each other *for several years/for less than a year*. The retailer is one of TEC's *larger/smaller* customers and represents a *meaningful/insignificant* portion of TEC's overall sales volume. Likewise, TEC is one of the retailer's *larger/smaller* suppliers and a *meaningful/insignificant* portion of the retailer's overall revenue comes from selling TEC products. Obtaining TEC's products from another supplier would be *somewhat/not* difficult for the retailer. Replacing the retailer's sales volume would also be *somewhat/not* difficult for TEC.

*Negotiation Strategy Manipulations (Win-win/Win-lose differences in italics below)*

The retailer and TEC recently conducted their annual negotiation in order to determine what TEC products the retailer would carry in their stores over the next year. During these negotiations, the retailers *shared/did not share* information, communicated *clearly/deceptively*, and focused on achieving *mutually acceptable goals/their own goals*. The retailer *was not/was* aggressive and *did not attempt/attempted* to threaten *or/and* intimidate TEC. The retailer was also *open/not open* to making concessions in order to solve problems.

## APPENDIX B:

### Study Two Dependent and Manipulation Check Variable Measures

#### *Relationship Specific Assets (Anderson and Weitz 1992)*

$\alpha=0.926$

- TEC\* would be willing to make substantial investments in personnel dedicated to the relationship with the retailer.
- TEC would be willing to make significant investments in capital assets dedicated to the relationship with the retailer.
- TEC would be willing to tailor their operating processes to meet retailer's requirements.
- TEC would be willing to spend substantial time and money to train the retailer.

#### *Cooperation (Min, Mentzer, and Ladd 2007)*

$\alpha=0.881$

- TEC would share the results of performance measures with the retailer to improve the efficiency and effectiveness of their joint supply chain processes.
- TEC would collaborate with the retailer to improve the quality of products and services for consumers.
- TEC would actively propose and implement cost reduction ideas with the retailer.
- TEC would jointly manage logistics and inventory with the retailer.

#### *Negotiation Strategy (Graham 1985; Graham, Mintu and Rodgers 1994)*

$\alpha=0.874$

- The retailer had a "winner take all" approach to their negotiation with TEC and focused only on their own self interests.
- The retailer utilized a "win-win" negotiation style with TEC and focused on joint problem solving.

#### *Interdependence (Golicic and Mentzer 2006)*

$\alpha=0.962$

- TEC and the retailer could not easily replace each other.
- TEC and the retailer are dependent upon each other.
- TEC and the retailer believe they are crucial to each other's success.

#### *Realism Checks (Dabholkar 1994)*

- The situation described in the scenario was realistic.
- I can imagine myself in the described situation.

(\*TEC is the acronym for the fictitious company, The Eagle Company, used in the scenarios.)

