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CONTRACT NEGOTIATION IN NEW ZEALAND

by

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ABSTRACT

To date, in vivo studies of the process involved in the negotiation of industry contracts has been scarce. This research was an attempt to rectify this point. As such, the research aims were three fold. Firstly, to provide an integration of the many negotiation elements purported to influence negotiation success. Secondly, to develop a set of scales based on the negotiation literature, that would effectively discriminate between negotiators. Thirdly, to validate the derived scales against reality based information.

Seventy-five Managers involved in the negotiation of contracts in industry, from twenty-three of New Zealand's top Companies, comprised the research sample. Each subject completed a 50 item questionnaire, based on current negotiation literature relating to the negotiation of contracts in industry.

Information obtained from the completed questionnaires was factor analysed to 10 factors. These 10 factors were used in two discriminant analyses. The first discriminant analysis related to company size, with each participating company classified, via a composite criterion of Net Profit, Ordinary Shareholders Funds, and Total Tangible Assets into groupings of Top, Middle and Bottom companies. The relevant information pertaining to this classification was drawn from the 1979 Edition of the New Zealand Economist. The second discriminant analysis was conducted between the four Managerial functions of Production, Purchasing, Marketing and Chief Executives. Information relating to this classification was drawn from the completed questionnaires. The results demonstrated that the 10 derived factors effectively discriminated between companies of various sizes and between managerial functions in terms of negotiation style and orientations adopted toward negotiation.

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CHAPTER ONE

INTRODUCTION

The twentieth century has been a period of rapid and divergent technological, economic, and political growth. This acceleration of growth and change has brought in its path numerous and increasing societal problems, placing new demands on all aspects of life, including personal relationships, work and ideas. Each of these facets of life has shifted from a relatively permanent stance to a transient dynamic stance.

These increasing pressures can be seen to have accelerated the likelihood and predominance of conflict. Conflict between nations, between management and unions, and between husband and wife. Traditional authority and bureaucracy are becoming less effective in handling and providing viable solutions to these conflicts (Pedler 1977a).

As these conflicts accelerate in number and kind, the process of negotiation continues to establish itself as an effective means of conflict resolution.

The increasing demand to negotiate settlements and agreements has drawn considerable attention to the study of the negotiation process. A cursory review of the literature reveals a great preponderance of studies, books and reviews devoted to the area of union - management disputes, and aspects of the negotiation process involved in their settlement. Little work appears to have been carried out directly in the area of Contract Negotiations in Industry.

This is indeed an area in need of research and feedback on both the negotiation process and the skills involved. Every year, millions

of dollars of Industrial contracts are negotiated in New Zealand alone. The success of such negotiations has ramifications not only for the organisations involved, but also for employees and the economy as a whole. With the continued unprecedented expansion of transnationals and multi-national organisations, the area of Contract Negotiation in Industry takes on increasing significance.

This review of the Negotiation literature will define and expound the term 'Negotiation'. Important aspects of the Negotiation process, as highlighted by the Social Psychological literature, will be reviewed in depth. These aspects are viewed as contributing significantly to the effectiveness and success of negotiation.

A specific, all inclusive definition of the term 'Negotiation' remains illusive. Two factors may contribute to this situation. Firstly, the inherent complexity of the Negotiation process. Research in the area takes into account, both independently, and in combination, the influence of cognitive, behavioural, and situational factors which influence the outcomes of negotiation. Secondly, a clear distinction has not yet been drawn between the loosely interchanged terms of 'Bargaining' and 'Negotiation'. As the respective definitions of the terms will indicate, there is a significant difference implied between the two meanings.

The Concise Oxford Dictionary defines 'Bargain' as: Agreement on terms of give and take. To haggle with someone over terms of give and take (Concise Oxford Dictionary p. 94).

The definitional emphasis implies that something is given in return for something received. Personal survival and gain appear to be paramount.

'Negotiation' is defined as: Confer with another with a view to compromise or agreement. Arrange, bring about desired object by negotiating. Transfer to another for a consideration. Clear, get over, dispose of obstacle. (Concise Oxford Dictionary, p. 807).

Thus, the dictionary definition of 'Negotiation' implies a wider, more encompassing term. A situation, in which creative problem solving aspects are emphasised, rather than the haggling and trade-off's associated and implied in a bargaining situation.

Pedlar (1977a) views the two terms - Bargaining and Negotiation as representing a continuum. The Bargaining definition represents the Industrial Relations approach to negotiation, characterised by hard nosed, protective survival aspects. The Negotiation definition, placed at the opposite end of the continuum, is viewed as representing optimistic, problem-solving aspects. However, to view the two terms as mutually exclusive, may not be realistic, as many negotiations may be seen to involve aspects from both ends of the continuum.

The review concentrates on the following areas extracted from the Social Psychological literature on Negotiation:

Social Components of Negotiation

Accountability

Audience Effects

Multiparty Negotiations

Coalition Formation

Physical Components of Negotiation

Method of Negotiation

- (a) Negotiation by telephone
- (b) Negotiation in a face to face situation
- (c) Negotiation by letter

The Site for Negotiation

Physical Arrangements of the Negotiation Site

Time Limits

Issue Components of Negotiation

Issue Format and Presentation

- (a) Logrolling and Compromise
- (b) Major - Minor Issues

Interdependence

Motivational Orientation

Intangibles

Social Influence and Influence Strategies

Opening Moves - Initial Offers

Concession Making

Threats

Preplanning for Negotiations

Two factors, Negotiators as Individuals, and Power, which have been discussed throughout the literature as influencing the outcomes of Negotiation, will not be discussed.

Many studies have been conducted attempting to demonstrate a positive relationship between various aspects of personality, background

and negotiator effectiveness. Individual difference variables such as age, race, nationality, intelligence, religion, social background, social status, and sex have been investigated. No unequivocal positive relationships have been found. Studies of individual differences in personality have been both fewer in number and more diverse. Such variables as risk-taking propensity, perceived focus of control, cognitive complexity, intolerance of ambiguity, self-concept, motives, generalised trust, co-operativeness, authoritarianism, internationalism, flexible ethicality, and machiavellianism, have been studied to try to relate the various personality variables to negotiation effectiveness. On the whole, the area has proved to be complex and conclusive results have yet to emerge.

Power presents a similar problem due to its complexity. It is a term that of itself lacks a clear definition, thus the results obtained in research appear to be dependent on the operational definition of the experimenter. This tends to make generalisation difficult.

1.1 SOCIAL COMPONENTS OF NEGOTIATION

The social components of negotiation refer largely to the 'people' variables, and the influence of these variables on the process and outcome of negotiations. Included for discussion within this context are the aspects of Accountability and Audience Effects, Multi-party negotiations, and extrapolating from the latter, the likelihood and effects of Coalition Formation.

1.1.1 Accountability

As it is often inappropriate for two or more complete groups to be physically present at a negotiation, a negotiator or a team of negotiators frequently act as representatives of the group. This

interaction of at least two parties, leads to a complex system of rules and relationships both between and within parties to the negotiation. Looking at the relationship within parties, i.e. between a representative and his constituents, the role of negotiator becomes one of a Boundary Role Person (McGrath, 1966). That is, the negotiator as representative serves as a contact point, "chanelling information, attitudes, and beliefs in and out of the organisation or group represented." (Haccoun & Klimoski, 1975, p. 342).

Haccoun and Klimoski's description of the negotiator as representative aptly portrays the negotiator as a focus point, a dual representative and a dual influence agent whose role is frequently defined by those represented. This situation leads a negotiator to be exposed to multiple pressures, not only from the opposing party, but also from the constituency represented. "He (the negotiator) must represent to the outsider his constituents preferences, needs, beliefs, etc., and concomitantly reflect the outsiders characteristics to his constituents. Similarly, he must attempt to alter the outsider's preference orderings so that they are more in line with those of his constituent and also modify the constituents preferences so they are more consistent with those of the outsider." (Wall, 1975, p. 245).

In fulfilling these dualistic roles, the negotiator becomes what Adams (cited in Haccoun and Klimoski, 1975) refers to as a 'crunode' in a dual conflict in which, "the outcomes of negotiation between himself and the constituents become inputs to the negotiation between himself and the outsider, the outcomes of which then become new inputs to the first negotiation." (p. 245).

Clearly, the outcomes obtained by the constituency are in some degree dependent upon their representative as negotiator.

The constituency may generate pressures of loyalty and advocacy of its own position, holding the negotiator accountable for the process of negotiation and the outcomes obtained.

The literature suggests that the greater a constituency's pressure or influence on its representative, the less potent are pressures toward concession making and the longer the time period required to reach agreement. "Therefore in situations involving all or nothing disputes, representatives may be easily induced to become advocates of their own group position even when the superiority of opposing points of view may be perfectly obvious to those who are less involved." (Rubin & Brown, 1975, p.50).

1.1.2 Audience Effects

A further influence on the process and outcome of negotiation may be what has been termed "Audience Effects". This refers to the influence a physically or psychologically present audience may generate in directing or controlling the behaviours of its representative. "Psychological presence pertains when it is supposed, by a negotiator, that, even though the proceedings may not actually be witnessed, the events that transpire and the performance of the negotiator/s will eventually become known to an audience". (Rubin & Brown, 1975, p. 43).

The factor that enables audience effects to be so potent, is the negotiator's need for positive evaluation, due to the fact that negative evaluation may carry with it implications of incompetency or weakness.

Two studies conducted by McKersie, Perry and Walton (1965) and Benton, Kelley and Liebling (1972) demonstrate this point. Negotiators representing both union and management were interviewed during the 1961 Auto Workers International Harvester Contract Negotiations. The interviews demonstrated that constituency pressures both Union and Management, had the following results. "A good number of delegates perceived high costs in failing to advocate their constituents demands. Many of the delegates

faced serious challenges to their leadership from organised factions within the membership and could be said to have chosen their orientation in response to implicit political sanctions". (McKersie et al. 1965, p. 465).

Benton et al. conducted research designed to manipulate accountability by varying the manner in which money was to be distributed among negotiators and constituents after negotiation. Four treatment conditions were postulated:

1. High accountability condition in which the constituents alone decided on allocation.
2. Medium accountability condition in which both the negotiator and the constituents participated equally in the allocation.
3. Low accountability condition in which negotiators alone decided their share.
4. Representing Self condition in which no accountability to a constituency was present.

Results indicated that the behaviour of the high and medium accountability groups differed significantly from the low accountability and representing self groups. The high and medium accountability treatments took longer, were less compromising and believed their constituents to hold greater win-lose orientations (Haccoun & Klimoski, 1975). It was concluded that accountability effects were attributed to the fear of sanctions that constituencies could bring to bear upon their representatives. Similar results have also been obtained in studies by Gruder and Rosen, 1971, Klimoski and Ash, 1974, Kogan, Lamm and Trommsdorff, 1972, and Vitz and Kite, 1970.

1.1.3 . Multiparty Negotiations

Multiparty negotiations refer to negotiations where more than two parties are represented. Although this situation frequently occurs, very little research has been carried out directly on multilateral negotiations perse.

Generally, however, the greater the number of parties to a negotiation, the more difficult is the process of agreement, and the more difficult it is to find or reach a solution that will be readily accepted by all parties concerned. The larger the negotiation, the more likely it is that an agreement, if concluded at all, will be partial in at least one of three ways:

- . covering only some of the agenda topics
- . leaving some disagreement latent in an ambiguous text
- . being signed and accepted by only some of the parties.

This is due in part to the increasing number of different values, interests and perceptions to be integrated or accommodated, thus making it more difficult to decide on own moves and countermoves. This situation may produce an increase in individual powerlessness, and an experience of increased situational complexity. It could therefore be expected, that under such conditions co-operative behaviour in multilateral negotiations may decrease, due to uncertainty about the motives of others.

The research studies that have been conducted on multi-lateral negotiations suggest that such negotiations possess three distinctive features. These are the necessity to formalise rules, the frequent necessity to introduce a mediator or third party to aid in reaching a satisfactory agreement, and the frequent formation of coalitions.

Under conditions of multilateral negotiation it becomes necessary to formalise the process of negotiation by the introduction of rules. The greater the number of parties to the negotiation, the greater is the need for rule formalisation. Ikle (1964) conducted research on the formalisation of rules in multilateral negotiations, and suggested that once a rule is adopted, and the greater the number of parties involved, the harder is the rule to change, and perhaps the riskier to violate.

Due to the multidimensionality of multilateral negotiations, it is frequently necessary to introduce a third party or mediator. The objective of the mediator is to assist conflicting parties to converge on a viable, satisfactory agreement. Rubin and Brown (1975) have provided a comprehensive coverage of the role and value of mediation in negotiation. The presence of such a party is frequently encountered in Industrial Relations negotiations and appears to be more pertinent to that field. The role of Mediator in the negotiation of Industry contracts is considered rare, and as such will not be covered in this review.

Coalition Formation is considered an important aspect of multi-party negotiations, with ramifications for both process and outcome. As such it will be covered in the following section.

1.1.4 Coalition Formation

Coalition Formation is generally considered to be used during negotiation by two or more low power parties to attempt to create power equally between the actual or perceived high and low power parties. As such, Deutsch (cited in Thomas & Bennis, 1972) views it as a legitimate and relatively non-threatening balancing process, to offset weakness, disadvantage or resource insufficiency.

Formal theory concerning coalition behaviour has been studied at least since 1944 by Game Theorists (von Neuman & Morgenstern), since 1956 by Social Psychologists (Caplow), and since 1962 by Political Scientists (Riker).

Milgaard and Underdal (1978) suggests that these theories are unable to deal adequately with the formation of coalitions in negotiations. This is in line with Murnighan (1978) who comments that the three philosophical areas have made little progress in their pursuit of knowledge.

Generally research has been concerned with two questions:

1. Which coalitions will form?
2. How is the payoff of the coalition to be divided amongst its members?

Research into these two questions has generally been carried out under contrived conditions, using a captive University Student population as subjects. Scant attention has been paid to the application of these theories to actual human behaviour in a negotiating situation.

Further, considering that these theories may contribute to a greater understanding of the area, much of the data resulting from studies attempting to validate the theories may in fact be of uncertain value. This is due to the fact that various investigators have used a variety of coalition games as well as a variety of procedures. The relative validity of a given theory, may therefore be contingent on the procedure used to test the theory (Komorita & Meek, 1978).

Thus, the area of multiparty negotiations and the formation of coalitions is an area that could be of considerable value to the negotiation of contracts in industry. To date little emphasis has been applied to generalise research to this area.

Fundamental to the negotiation process is the interaction of people. Therefore, the social components of negotiation discussed in this review are applicable and of importance to the study of Contract Negotiation in Industry.

Many of the findings have emerged through studies using experimental games as the method of analysis. Nevertheless, insight is given into behaviour and the principles that have been derived have gained support from other areas of Social Psychology.

Insight into the behavioural and cognitive processes that are evident when parties meet, i.e. audience effects, accountability, factors involved in multiparty negotiations and coalition formation - aid in understanding the negotiation process, and give insight into factors that will influence negotiation effectiveness.

1.2 PHYSICAL COMPONENTS

The physical components of a negotiation are concerned with the influence of such factors as method of negotiation, time limits, physical arrangements at the site and the site location. Increasing importance is being placed on the physical aspects of negotiation, as studies have demonstrated that the manipulation of one or more of these factors, independently or in combination, may influence both the process and outcome of a negotiation.

1.2.1 Method Of Negotiation

There are three commonly acknowledged methods of negotiation: negotiation by telephone; negotiation by letter; and negotiation in a face to face situation.

1.2.1(a): Negotiation by Telephone: Karrass (1970) in his Negotiation Skills Training Courses, advises participants to never use the telephone as a medium of negotiation. An exception is however stated. Unless thoroughly prepared.

Telephone negotiations have been found to suffer the following disadvantages:

- . Face to face commitment is lacking. It is easier to resist or to say 'no' over the telephone than in a face to face situation. This may be due to the fact that communication via telephone deprives the participants of non-verbal information, and thus decreases the involvement of negotiators. Telephone negotiations therefore, increase anonymity and decrease the intimacy of communication.
- . Telephone negotiations lack documentation. It is thus easier for misconceptions about agreements to arise.
- . Telephone negotiations are susceptible to continued or frequent interruptions which may throw the negotiator off balance.
- . Due to the expense associated with phoning, telephone negotiations may force premature closure.
- . Wilson (cited in Morely and Stephenson, 1977) has shown that telephone negotiations frequently exhibit a greater number of disagreements than are evident in face to face negotiations.

If negotiating by telephone is the only means available at a particular point in time, Karrass lists the following factors to be taken into consideration:

- . Be prepared
- . Be the caller
- . Make a check list of key points
- . Don't talk. Listen. Use the effectiveness of silence
- . Keep notes on the conversation.

In line with Karrass's thinking, Morley and Stephenson (1969, 1970, 1977) and Short (1974) have demonstrated that the party with the stronger case is more likely to win in the telephone negotiation than in the face to face condition. Hence, if a negotiator is well prepared, aware of the strength of his case, and initiates the call, then the telephone negotiation has a high probability of being successful for the caller.

Further work by Short (cited in Morley and Stephenson, 1977) has demonstrated that argument between people leads to greater opinion change in audio encounters than in face to face encounters. The reason appears to be that Negotiators are not distracted from detailed argument by irrelevant information of a personal kind. Further in telephone negotiations, status differences between parties tends to be lessened. This is demonstrated in a study by Stephenson, Ayling and Rutler (1976) who sought to investigate the importance of visual communication in the creation and maintenance of role differences. Using management and union representatives as subjects, the researchers varied the degree of nonverbal information exchanged, by varying the method of confrontation, i.e. face to face versus telephone. Results indicated that there was a marked interaction between medium of communication and role, such that union subjects were less likely to take the initiative face to face than by telephone. From these findings, the researchers suggested that in face to face negotiations, visible differences in social background impinge on the interaction.

1.2.1(b): Negotiation in a Face to Face Situation: Generally, the most commonly accepted form of Negotiation involves the physical presence of negotiators interacting in a face to face situation. Morley and Stephenson (1977) conducted experiments varying the method of communication. Both face to face negotiation

and telephone negotiations served as the means of communication. The results demonstrated that face to face negotiation groups:

- . Manifested relatively less disagreement than telephone groups
- . Manifested relatively more praise for the opponent
- . Manifested relatively less blame to the opponent
- . Manifested relatively more explicit references to self/and or other
- . Manifested relatively fewer references to party and/or opponents.

1.2.1(c): Negotiation by Letter: Studies of Negotiations conducted by letter would seem to be very rare in the Social Psychological literature. They are the least effective method of negotiation, and suffer primarily from time delays (Karrass, 1970)

1.2.2 The Site for Negotiation:

The literature supports the view that the site chosen for negotiation should be neutral. If negotiations are conducted on either parties "home ground", they may in effect have a very real psychological advantage.

Rubin and Brown (1975) view this as an intangible status advantage, in that the party may attempt to manipulate and seek control over the negotiation site to arrange it in a manner that affirms his superiority and induces deference from the other party.

There is very little research evidence to support these generalisations, although observation of international negotiations reinforces the valued properties of site neutrality.

I.2.3 Physical Arrangements at the Negotiation Site

Social Psychological literature has contributed a great deal to the understanding of the effects of various seating arrangements. Research supports the proposition that the physical arrangements that exist at a given time tend to be expressive of the relational bonds between the parties.

Sommer (1965) conducted naturalistic observational studies of seating preferences in several different social contexts, and established five generalisations.

1. People engaging in casual conversation normally prefer to sit at right angles to one another, if seated at square or rectangular tables, or besides one another in many cases with a vacant seat separating them when seated at a circular table.
2. Side by side seating was preferred in co-operative relationships regardless of the shape of the table.
3. In a competitive relationship the most preferred seating was found to be face to face seating with a moderate to distant space separating the parties.
4. When individuals did not wish to interact they sat as far apart as possible.
5. Less conversation was noted when people sat far apart than when seated side by side or opposite one another.

The two significant elements in Sommer's work are visual contact and functions of distance. In a competitive relationship, proximity and direct visual contact may be stressful and tends to be avoided. From this Sommer suggested that the face to face seating arrangements frequently encountered in competitive relationships revealed a desire to obtain information about the other without establishing a friendly relationship.

The importance of face to face seating in competitive relationships is further evidenced by Exline, Thibaut, Brannon and Gumpert (1961) who found that people have greater difficulty telling a convincing lie when being watched. This supports face to face seating during negotiations.

Stephenson and Kniveton (1978) experimentally manipulated seating arrangements in a negotiation. The effect of two seating arrangements - mixed and opposite - on the performance of negotiating teams in a role playing debate in which one team was given a markedly stronger case than the other was examined. In the opposite condition, two members of one team sat at one side of a table opposite the two members of the opposing team. In the mixed condition, the four persons sat at equal intervals around the table with each person having one member of the opposition on each side of him. Results demonstrated that increased eye contact between the teams in the opposite condition enhanced the interpersonal significance of the interaction, and hence militates against the interests of the side with the stronger case. The teams given the stronger case are less likely to exploit their advantage when they directly face their opponents (and hence are more likely to establish eye contact). In the mixed seating condition it is easier to avoid noticing or to ignore the discomfort of the opposition

I.2.4 Time Limits

The process of negotiation is generally carried out within, and limited by time constraints. As such 'time' becomes a very important variable and plays a critical role in the variability of the negotiation relationship. Time limits - the period in which the parties involved in the negotiation must act, (Torczyner, 1978) can be viewed in different terms by parties to the negotiation. Rubin and Brown (1975) note that time limits may be explicit or implicit, self-generated or imposed from without, and flexible or rigid. Regardless of the perceptions of the time constraints

held by various parties to the negotiation, it is generally agreed that time limitations are likely to have important effects on the negotiation process and outcome.

Walton and McKersie (1965) have argued that "a longer time over which negotiations are scheduled allows more time for study and discussion of agenda items with beneficial effects for integrative negotiation". (pp. 148-149).

Blau (1967) states similar findings with regards to the relationship of time to collaborative, consultative efforts.

The analysis of Walton and McKersie (1965) and Blau (1967) allows for time to be represented along a continuum. The higher the positive time value, the more time parties have before they must act. The higher the negative time value the less time available to parties to act and reach agreement. Research carried out on negative time value indicates some interesting implications for parties involved in negotiation. Pruitt and Drews (1969) make the following assumptions:

1. Heightened time pressure increases the importance of reaching agreement.
2. Since toughness requires increased time, it is likely to diminish as time pressures increase.
3. Under heightened time pressure a softer strategy is less likely to be seen as a sign of weakness by the opposing party.

From these assumptions, Pruitt and Drews drew the following hypothesis:

- . Time pressure, defined as the mutual perception that negotiation will end, regardless of whether agreement is reached, will lead to a softening of demands, a reduction in aspirations and bluffing, and an increase in the magnitude of concessions.

When time pressure exists, a negotiator's behaviour will be a result of the strength of the pressure and the behaviour of the opposing party. When time pressure is mild, a soft stance by one party will lead to decreased toughness on the part of the other.

Experimental results revealed that as time pressures increased there was a softening of demands, a reduction in aspirations and a reduction in bluffing. Pruitt and Drew's results revealed that concession size did not increase as time elapsed. Subjects' perceptions of the other party indicated that large concession-making was viewed in terms of weakness. This has also been supported by Stevens (1963). Research pertaining to the relationship between time pressures and degree of concession-making have produced unequivocal results.

In contrast, studies by Kelley (cited in Rubin and Brown, 1975), Komorita and Brenner (1968) and Pruitt and Johnson (1970), did reveal that increasing time pressures did in fact produce greater or more frequent concessions.

Of familiarity to many negotiators are the frequently unavoidable and all too apparent 'eleventh hour' agreements. This phrase simply refers to agreements made literally at the last minute before the expiration of negotiation time.

Considering that negotiation is essentially an information gathering process involving parties operating on information exchanged to obtain satisfactory agreements, research indicates that in general this need for information will be met slowly, grudgingly and perhaps never completely. This ensures that a party will not be prematurely committed to a specific, intractable position or agreement. There is a necessity to appear strong, to beat the other fellow, and obtain a good deal. However, as often demonstrated this approach may result in deadlines approaching and no imminent solution or agreement pending. Hence, the eleventh

hour syndrome comes into operation.

In many instances parties to a negotiation may be penalised in some way if agreement is not reached within the specified time limits. Pressures inexorably come to bear, many ritual acts and behaviours are temporarily disregarded and parties actively work toward agreement. As Walton and McKersie (1965) state: "The announcement of a party's final position has to be late enough to be believed and yet not too late to be heard ... The timing of the final concession usually takes place within the shadow of the deadline. It is the deadline which gives the final phases of negotiation a characteristic quality of urgency". (p. 91-92).

Kelley (cited in Rubin and Brown, 1975) believes that negotiations without deadlines lead to extensively protracted interchanges. Deadlines in effect force agreements.

Thus, research pertaining to the influence of physical components on the negotiation process and outcome may lead to the following conclusions:

1. Face to face negotiations are more effective than either telephone or letter negotiations.
2. Telephone negotiations may be a viable mode of negotiation for the caller, if he is well prepared.
3. The site chosen for a negotiation should preferably be neutral to offset any real or apparent advantages to the company negotiating on home ground.
4. Seating arrangements at the site should be considered. The preferred seating arrangements for competitive interchanges such as contract negotiations have been found to be face to face seating, with a moderate distance separating negotiators.
5. The presence or absence of time limits in a negotiation will significantly influence the process of negotiation. The higher the negative time value, the greater will be the softening of demands, and the reduction

in aspirations and bluffing. These behaviours are also characteristic of the 'eleventh hour' syndrome.

The method of negotiation, site location, arrangements at the site, and time limits, are factors that are frequently taken for granted during pre-negotiation preparations. Many of the factors associated with the physical components of negotiation, have taken on ritualised significance. Rarely are such matters questioned, if indeed negotiators are consciously aware of their existence, and the subtle influence of these factors on behaviour during negotiation.

1.3 ISSUE COMPONENTS OF A NEGOTIATION

Negotiation Issue components deal predominantly with the structure of negotiation. What is considered is the format of the negotiation, and the presentation of issues. The influence of both factors may increasingly need to be taken into consideration as the importance and value - in terms of dollar outcomes - of a negotiation increase.

1.3.1 Issue Format and Presentation

Negotiations center around the issues involved. Of interest to researchers are the number of issues involved, the type of issues, and the relative importance of these issues to parties involved in the negotiation. Issue format is concerned primarily with Logrolling and Compromise. Issue presentation deals primarily with Major and Minor issues.

1.3.1(a): Logrolling and Compromise: Where negotiations involve multiple issues, two potential forms of issue format are available - logrolling or compromise. Compromise refers to a state of negotiation where issues are negotiated sequentially. There are no trade-offs

between or amongst issues. Each issue, therefore, is dealt with as a distinct entity. Logrolling refers to a state of negotiation whereby issues are dealt with simultaneously. The situation implies trade-offs or concessions on various issues in return for concessions on these or other issues by the opposing party.

Research into the relative importance and frequency of these two forms of issue format has been scant. Kelley (cited in Rubin and Brown, 1975) and Froman and Cohen (1970) have conducted experiments using negotiation games to test the relative merits of both logrolling and compromise. In both studies, logrolling led to more equitable solutions, with higher joint outcomes, requiring fewer overall moves for negotiation completion.

Rubin and Brown (1975) quote Froman and Cohen as stating that conflicting interests may be narrowed by logrolling. This occurs because the resources to be distributed at a given time are increased. Pruitt and Lewis (1977) are in accordance with Froman and Cohen's views of negotiation, and conjecture that compromise may lead to less overall satisfaction than does logrolling.

Naturally, it would be difficult in a negotiation involving a great number of issues, to logroll all issues simultaneously. Rubin and Brown (1975) propose that "as the number of issues in a dispute grows, the pressures toward differentiating among them are likely to increase ... issues may be differentiated in terms of their importance or relatedness to one another, thereby forming subsets of related issues". (p.147). Research pertaining to the number of issues necessary before differentiation is lacking. Rubin and Brown believe the point of differentiation to be dynamic and influenced by the types of issues involved, the negotiators personalities and the situational factors.

Rubin and Brown's differentiation of issues into subsets ties into Ikle's (1964) studies of international negotiations and Fisher's (1964) studies. Fisher proposed that it is "often better to separate or fractionate large issues into smaller, more workable ones, in order to alleviate the negative effects of excessive commitment that are often associated with attempting to resolve large or all encompassing issues." (p. 148)

There may, however, also be negotiations where sequential agendas are unavoidable. The issues involved in the negotiation may be too complex to be resolved simultaneously, or they arise and must be resolved at different times.

I.3.I (b): Major and Minor Issues: Within the format of the negotiation, the negotiators must also decide the order of presentation of issues. Broadly speaking, there are two types of issues, major and minor. Very little research has been conducted into the most effective issue presentation, and a review of the literature highlights two schools of thought.

The 'major' point of view contends that major issues in a negotiation should be considered first, because, agreement on such issues would lead to less problematic negotiations on the minor issues.

However, it has been contended by the minor school that to deal with major issues first may lead to failure to agree on the most important issues which in turn will taint the remainder of the negotiation, and very little agreement will be reached at all.

Dealing firstly and successfully with the major issues will increase the likelihood of successful conflict resolution and co-operation, which in turn may facilitate a recognition of common interest.

Both Kelley (cited in Rubin and Brown, 1975) and Ikle (1964) have outlined a problem associated with the minor issues first school of thought.

To deal with these issues first may force parties to commit themselves to options that could have been used as trade-off's on the larger or more important issues. In addition, "if negotiators experience a sense of failure in dealing with relatively simple issues, their confidence in their ability to settle the more difficult ones may be seriously undermined." (Rubin & Brown, 1975, p. 148).

To date little attention has been paid to issue format and presentation within negotiation. Each negotiation must be treated as a separate entity, thus the negotiation situation issue characteristics and strategic objectives will influence both issue format and presentation.

However, as Fisher (1964) contends, "if increasingly complex, multi-faced disputes are to be resolved more effectively via negotiations, negotiators must begin to exercise issue control - they must begin to consider more consciously the formulation as well as the substance of the issues with which they deal." (p. 149).

I.4 INTERDEPENDENCE

Parties to a negotiation are said to be interdependent. This means that the outcomes received by a party are partially dependent on the behaviour of the other party/parties to the negotiation. Two factors are paramount in influencing the outcomes of the negotiation interdependence. Firstly, the Motivational Orientation adopted by parties, and second the Intangible Issues that frequently arise.

I.4.I Motivational Orientation

Kelley and Thibaut (1969) have referred to the basis of negotiation as a mixed motive situation. Each party brings to the negotiation both points that are convergent with those of the other party (i.e. points that are in agreement) and points that are divergent from those of the

other party (i.e. points that are in disagreement). It is this mixed motive situation that provides the need for negotiation and settlement.

It follows that if both parties to a negotiation are either totally convergent or totally divergent, negotiation will not take place. Deutsch and Krauss (1962) add that parties who find themselves in a mixed motive situation, will have more to gain from negotiation, on both an individual and collective basis, than they would by its absence.

Extrapolating on Kelley and Thibaut's work and on that of Deutsch and Krauss, it can be said that the very nature of negotiation, i.e. to bring about desired object by negotiation - places parties in a situation of interdependence. That is, each party is dependent on the other for information and for the state of the final outcome. As such, the effectiveness of negotiation will be greatly dependent on the participants approach to negotiation. This is referred to as Motivational Orientation.

McClintock (1977) diagrammatically represents Motivational Orientation as a set of motivational vectors. These are shown in Figure 1.

McClintock however, gives no indication of how he has developed his diagrammatic representation of Motivational Orientation. It appears to be his own subjective interpretation, and therefore, open to semantic ambiguity. This is demonstrated by the Altruism/Aggression vector. Altruism need not be regarded as an opposite to the term 'aggression', as portrayed by McClintock's figure. In terms of the negotiation process, the word 'compliance' may be a more suitable opposite.

Such diagrammatic representation as that displayed by McClintock, would be more feasible if based on Factor Analysis rather than an author's subjective interpretation.

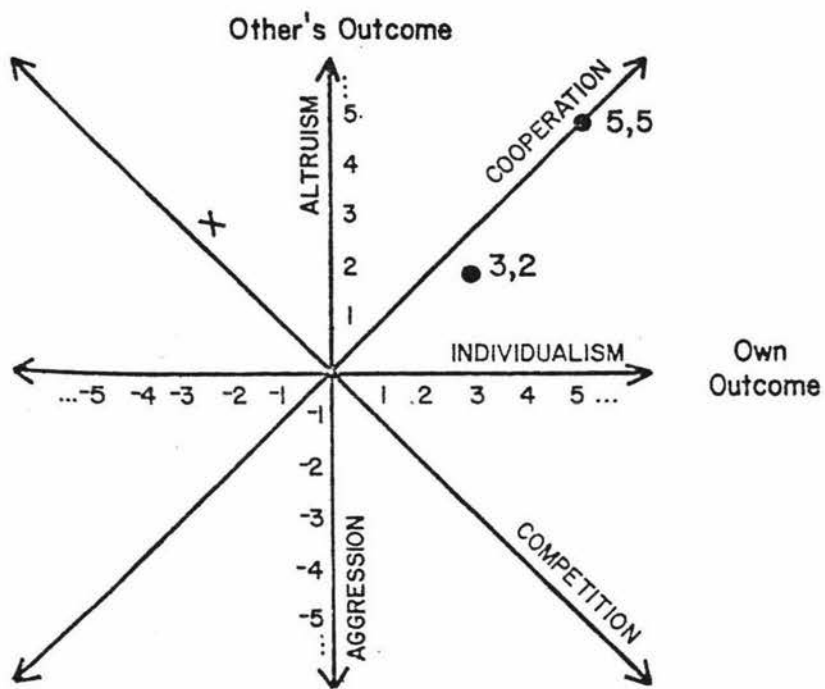


FIGURE I: Motivational Orientation as a Set of Motivational Vectors (McClintock, p. 58).

Altruism refers to the maximisation of the other parties outcomes. Co-operation refers to the maximising of joint outcomes. Individualistic orientation is seen as maximising own outcome irrespective of the outcomes of the other party. A competitive orientation refers to maximising own gain relative to that of others. Aggression refers to minimising others gains.

It is commonly agreed in the literature that the Motivational Orientation adopted by parties reflects the desired combination of own and others outcomes. As an example: If a negotiation situation provides an actor with an outcome of 5, and the other party also with an outcome of 5, or an outcome of 3, and the other party with an outcome of 2, then theoretically, if the individual has a Motivational Orientation of co-operation, altruism, or individualism, he should choose or prefer 5, 5. If the Motivational Orientation reflects a competitive or aggressive orientation the preferred outcome will be 3, 2.

Walton and McKersie (1965) have also listed a number of behaviours from which to choose in a negotiation situation. For convenience, the behaviours are listed in the form of a continuum as shown in Figure 2.

The behaviours range from 'accommodating' at the top, where one party gives in to the other, to 'avoiding' at the bottom, where contact is avoided.

The remaining behaviours form a continuum from 'cooperation' to 'conflict'. The negotiating behaviours of 'integration' and 'distribution' are considered by Walton and McKersie (1966) to be ever present, and are manifestly dissimilar in form,

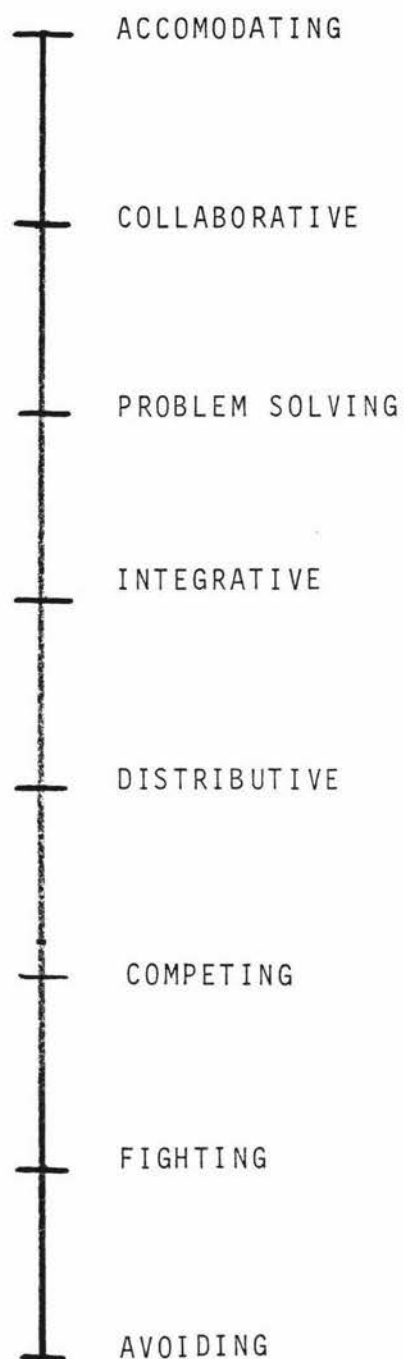


Figure 2: Behaviours from which to choose in a Negotiation Situation

Integrative negotiation is tentative, exploratory, and involves open communication processes, whereby distributive negotiation is just the opposite and involves adamant, directive, and controlled information processes.

Integrative negotiating is akin to co-operative behaviour and is in effect an effort to increase the size of the cake to be divided between parties. Distributive negotiating is akin to a competitive orientation whereby one party attempts to acquire a disproportionate share of the cake. However, the writer feels it is unrealistic to present a fixed number of behaviours, either in the form of motivational vectors or a continuum. Most negotiations will exhibit a number of these behaviours in combination at different times throughout the negotiation.

Rubin and Brown (1975) have reviewed 51 studies relating Motivational Orientation to the effectiveness of negotiation. The effects of Motivational Orientation on negotiation had been studied in several ways:

- . by manipulation of the experimental reward structure
- . by pre-measurement of subject attitudes
- . by manipulation of payoff matrices.

The findings overall, conclude that a co-operative Motivational Orientation, leads to more effective negotiation than an individualistic and especially than a competitive motivational orientation.

Once again, the validity of generalising these results to the Contract Negotiation area is questioned. The vast majority of studies used University students as subjects, playing contrived negotiation games such as The Prisoner's Dilemma Game. The writer knows of only one reported attempt to remedy this situation. Rackham and Carlisle (1978a) conducted an "in vivo" study of Contract Negotiation using behaviour

analysis methods. Their aim was direct measurement of the real life interaction process. However, problems were encountered, as in upwards of 20 instances, the investigators were asked to withdraw from their observation of the negotiation.

However, the general view held by writers in the area of Negotiation, is that Co-operation begets Co-operation, and Competitiveness begets Competitiveness. In the later case, negotiations may find themselves in a conflict spiral which leaves little room for agreement and considerably enhances the probability of deadlock.

I.4.2 Intangible Issues

Intangible issues are considered by some researchers in the area of negotiation to be as significant and important to parties involved in a negotiation as are tangible issues.

Both Ikle (1964) and Schelling (1960) have discussed the importance of intangible issues such as honour, face, reputation and status. These issues may be brought to the fore when factors such as threats, suspected lies and untrustworthiness become apparent in a negotiation.

Two other intangible issues, self-respect, and self-esteem in negotiation have received considerable attention from Karrass (1970). In research studies carried out by Karrass, self-respect/self-esteem has continually reappeared as a trait required by successful negotiators.

Conscious misrepresentation has also received considerable attention. Conscious misrepresentation by one or other party to a negotiation may not only arouse intangible issues but may also have detrimental effects on outcomes and future negotiations, if the misrepresentation is discovered.

Kelley, Beckman and Fisher (1967) have found a positive correlation between frequency of lying and negotiation success. The conclusion from

these researchers was that undiscovered lies are effective. However, if the lie is discovered Chertkoff, Sherman, Till and Hammerle (1977) believe that "the negative reaction by the recipient of the lie would be so adverse that a negotiator might be well advised to refrain from lying if there were some fair probability that the recipient would discover it". (p. 22)

Deutsch (1969) discusses the integrity of communication as a social norm and suggests that, it is a norm for controlling competitive conflict, and that violation of that norm will result in a competitive orientation in the other party to the conflict.

This is reinforced by three experiments carried out by Chertkoff et al. (1977) who concluded that lying begets lying. Problems may arise as the original liar could very well be duped by a lie from the other party which his own lie had caused. Even if he were not completely deceived, the result could be a "Spiralling of misinformation leading to greater uncertainty and miscalculation". (Walton and McKersie, 1965, p. 72).

Thus, the Motivational Orientation adopted by a party may have considerable influence on the process of negotiation, and the quality of outcome received. A co-operative orientation has been hailed by the literature as the most effective orientation. However, the writer suspects that real life negotiations would probably exhibit a number of orientations used both independently and in combination.

Directly tied to the issue of Motivational Orientation are the influences of both the Social and Physical components of negotiation. The importance of these factors in subtly influencing a negotiators behaviour have already been discussed. As Motivational Orientation is of primary importance to the successful completion of negotiation and to obtaining desired end results, the manipulation of these factors will most certainly contribute in a significant fashion.

Intangible issues, when brought to the fore, may have considerable impact on a negotiation. This is especially the case when a negotiator feels the need to 'save face'. This will usually result in a change in orientation, leading frequently to a conflict spiral and deadlock.

Both factors then, Motivational Orientation and the presence of Intangible Issues, could considerably influence the effectiveness and success of a negotiation. As such, they are issues of which negotiators should be aware. In many instances this awareness is only brought to light during Negotiation Skills Training Courses, when negotiators learn, not only of their existence and their importance, but more appropriately, how to manipulate and control these factors to avoid deadlock.

I.5 SOCIAL INFLUENCE AND INFLUENCE STRATEGIES

Central to the interpersonal exchange process of negotiation are the tactics and strategies employed by negotiators to move parties from an initial preference stance that is mutually unacceptable, through a series of offers and counteroffers, to a mutually satisfactory outcome.

A negotiation tactic is defined by Hamner and Yukl (1977) as "a position to be taken or a manoeuvre to be made at a specific point in the negotiation process." (p. 138).

A negotiation strategy consists "of a series of negotiation tactics to be used throughout the negotiation process. It implies a commitment to a long range position to be taken with the negotiating opponent from initial contact." (p. 138).

I.5.1 Opening Moves - Initial Offers

A great deal of attention has been paid to the extremity of initial offers. This attention to this negotiation tactic appears justified when

it is considered that the initial offers of parties sets the stage to negotiation. This may, in turn, influence the motivational orientation adopted by negotiators and the subsequent success of the interpersonal process that follows.

Research supports the proposition that it is advantageous to open the negotiation with an extreme or hard initial offer Bartos, 1977, Chertkoff and Conley (1967), Hamner and Yukl (1977), and Karrass (1970), and in fact a tactic of making an initial offer at the expected level of settlement is indeed an ineffective means of reaching agreement. (Komorita & Brenner 1968).

In line with the above research, Bartos (1977) suggests that the initial offer should be one that is accepted by the other party only with the greatest reluctance. Chertkoff and Conley (1967), however, warn of the dangers in making an initial offer that is obviously too extreme and beyond the subjective bounds of reason.

Rubin and Brown (1975) suggest three reasons why negotiators tend to fare better when they begin with extreme rather than moderate initial offers:

1. By making an extreme initial offer a negotiator avoids the pit fall of adopting an opening stance that is a smaller division of the resources than the other is willing to offer.
2. By making extreme initial offers the negotiator often gives himself more time to assemble information about the others preferences and intentions.
3. The negotiator, by making extreme initial demands communicates his expectations of how he should be treated. "This tactic indicates to the other party that you are not going to retreat from your position easily and that therefore he or she should not expect or aspire to get the better of you in the exchange". (Hamner & Yukl, 1977, p. 138).

Research therefore indicates that making an extreme initial offer paves the way for more acceptable outcomes.

I.5.2 Concession Making

Hamner and Yukl (1977) stress the importance of examining negotiation strategies. Of great importance to a negotiator is deciding on the most effective type of concession making strategy.

Four major theories deal with the strategy of concession making.

- Siegel and Fouraker's (1960) 'tough' strategy, or level of aspiration.,
- Bartos (1967) and Komorita's (cited in Hamner and Yukl, 1977) 'moderately tough' or 'intermediate' strategy,
- Osgood's (1962) 'soft' strategy, or graduated reciprocation in tension reduction and
- Schelling's (1960) 'fair' strategy.

Siegel and Fouraker's 'tough' strategy suggests principles for a negotiator who wishes to make a relatively higher payoff than his opponent. These are to open the negotiation with an extreme initial offer, have a small rate of concession, have a high minimum level of expectation, and be unyielding. Siegal and Fouraker do not believe that concession making will be reciprocated. They view it as raising the opponents level of aspiration leading to increased demands.

Osgood's 'soft' strategy appears to be located at the opposite end of the continuum, and suggests the following guidelines;

- . Unilateral initiatives must not reduce the capacity to inflict retaliation on an opponent,
- . Unilateral initiatives must be graduated in risk according to the degree of reciprocation obtained from the opponent,

- . Unilateral initiatives should expect and invite reciprocation in some form, and
- . Unilateral initiatives must be continued over a considerable period.

Osgood's principles rest on the view that a party will fail to make concessions because they distrust the other party. Therefore, by one party initiating concession making the main obstacle to concession making will be removed.

Hamner and Yukl view the main differences between the approaches of the two theories as the motive for concession making, i.e. winning versus agreement, and the prediction of the rivals reaction to the negotiators concession.

Bartos (1967) and Komorita (cited in Hamner and Yukl , 1977) hold a stance mid-way between the views of Osgood and Siegel and Fourakers. They operate on the basic principle that it pays to be tough in negotiation but draw limits to the principle. They suggest that a position somewhere between a tough and a soft strategy may prove to be an optimal strategy in terms of the payoff it produces. A moderately tough strategy, they contend, will induce opponent concessions and at the same time increase the chances of reaching an agreement.

Schelling's (1960) 'fair' strategy operates on an equity principle - the solution or settlement that is fair to both parties. However, there are many different standards or perceptions as to what is fair and equitable.

Hamner and Yukl (1977) reviewed 'game' studies that test the four principle theories. The review covered studies with real opponents, studies on noncontingent offers by a programmed opponent, and studies on contingent offers by a programmed opponent.

They concluded that "the large variety of negotiation simulations that were used and the differences in choice of offer parameters and dependent variables, make comparison and integration of the results of research on offer tactics and strategies difficult... Some general consistency of findings were evident:

1. Negotiators usually conceded when the opponent conceded, but the frequency of opponent concessions did not affect the size of a negotiators concessions, his final offer, or the location of the settlement.
2. A hard initial offer by the opponent usually resulted in a more favourable final offer by negotiators who did not have information about the opponents payoffs.
3. Small contingent or noncontingent concessions by the opponent usually resulted in a more favourable final offer by a negotiator, especially if he did not have information about the opponents payoffs and was under substantial time pressure.
4. The probability of a settlement was greater when the opponent used a soft or intermediate offer strategy rather than a hard offer strategy." (p. 155).

Rubin and Brown (1975) have tied the area of concession making back to negotiation co-operation. They have concluded that concession making, both rate of and degree, influences the overall co-operativeness of negotiation and influences outcomes and effectiveness. They draw attention to studies indicating that when a negotiator makes positive concessions, the opponent is likely to reciprocate with positive concessions. If, however, a negotiator makes negative concessions or none at all, then positive concessions will not be reciprocated.

Rubin and Brown tie their explanation back to perceptions; "Concessions convey important information about a negotiator's perceptions of his adversary. They allow each party to find out how he looks in the others eyes. And to the extent that a negotiator believes he is seen as capable and effective, we may expect him to behave in increasingly co-operative fashion". (p. 276).

In Rubin and Brown's terms, a negotiator will view himself as capable and effective if his positive concessions are reciprocated. However, as is the case with much research into negotiation processes using games, the external validity of the results are dubious, and it is difficult to draw conclusions about the relative effectiveness of such strategies. However, these studies can provide reasonable hypothesis for further research.

1.5.3 Threats

Threat, "the expression of an intention to do something detrimental to the interests of another", (Deutsch & Krauss, 1960, p. 182) has received considerable attention from researchers in the area of negotiation.

One classic study in this area is the early work of Deutsch and Krauss (1960, 1962) who studied the effect of threat on profit. They contended that the availability of threat results in a decrease in joint profits obtained by parties to the negotiation.

Morley and Stephenson (1977) list three propositions that encompass Deutsch and Krauss' theory:

1. If threats are available, they will tend to be used.
2. This tendency will be stronger the more irreconcilable the conflict is perceived to be.
3. In an equal status relationship the subject who is threatened will feel intimidated, his motivation will change from

individualistic to competitive, and he will respond to threat with a threat of his own. Consequently, it will be harder for the subjects to reach agreement.

Deutsch and Krauss base their propositions on the works of Dollard, Doob, Miller, Mowrer and Sears (cited in Deutsch and Krauss, 1960) and Goffman (cited in Deutsch and Krauss, 1960). Dollard et. al. cited a variety of evidence to support the view that aggression (i.e. the use of threat) is a common reaction to a person who is seen as the agent of frustration. Deutsch and Krauss extrapolate by stating that the use of threat is a frequent reaction to interpersonal impasses. Threat is likely to occur:

- When the threatener has no positive interest in the other person's welfare,
- when the threatener believes that the other has no positive interest in his welfare,
- when the threatener anticipates either that his threat will be effective or if ineffective, will not worsen his situation because he expects the worse to happen if he does not use his threat.

Goffman stressed the importance of 'face' or self-esteem in the maintenance of the social order. Deutsch and Krauss incorporated a culture-specific concept of 'yielding' with Goffman's concept of face and deduced that yielding to a threat is perceived negatively and thus has negative implications for the self-image of the yielder. Thus the focus of causality is perceived to be outside the person's voluntary control. This situation is in contrast to yielding without duress (threat). There the focus of causality is perceived to be within the individual's control.

The work of Deutsch and Krauss has been extended by many

writers. One researcher to extend Deutsch and Krauss's concept of threat is Tedeschi (1970) who emphasises the importance of studying threat in relation to persuasion, attitude change and conformity. In this context it is of importance "who (source) says what (message) to whom (recipients) through which medium (channel) and with what effect". (Rosnow & Robinson, 1967, p. xvii). Reflected in this statement is the potential importance of source, message, and target characteristics.

Schelling (1960) also has enlarged the concept of threat and has drawn attention to the fact that there is more than one sort of threat that can be made. A distinction is made between compellence threats and deterrence threats. Compellence threats specify what must be done, i.e.

Unless you do X, I will do Y

and deterrence threats specify what must not be done, i.e.

If you do X, I will do Y.

The threat parameter has been further extrapolated by Smith and Leginski (1970) who contend that there is a clear distinction to be made between precise and imprecise power. "If A's power is such that he has available the potential for delivering a number of different outcomes to B, fairly evenly spread across the range which defines amount of power, A may be said to have precise power. If A has few responses, e.g. he can either deliver his most severe punishment or not punish at all, he may be said to have imprecise power". (p. 60). Smith and Leginski further predicted an interaction between magnitude and precision of power. "Threats and punishment would increase in frequency and strength with increasing magnitude of imprecise power". (p. 60).

To investigate the influence of threat Rubin and Brown (1975) have sought support from relevant research for the following

propositions:

- . Threats are likely to be used to the extent that a negotiator believes he cannot successfully exert influence in other ways.
- . Threats ... tend to increase the likelihood of immediate compliance and concession making by the other.
- the use of threats tends to elicit hostility.

From Rubin and Brown's review of the literature, the following generalisation was supported (Borah, 1963; Deutsch and Krauss, 1960, 1962; Deutsch and Lewicki, 1970; Froman and Cohen, 1969; Gallo, 1966; Grumpert, (cited in Rubin and Brown, 1975), Shomer, Davis and Kelley, 1966): Over the course of the negotiation...the use of threats tends to reduce the likelihood of a favourable agreement (p. 286).

The use and conceptualisation of negotiation strategies is a fundamental task facing each negotiator. The importance of such strategies is highlighted when the three factors of Initial Offers, Concession Making and Threat are considered in terms of their influence on outcomes. There are no hard and fast rules for the use of any of these tactics, but each fresh negotiation will necessitate a revisal of strategies, and the utmost consideration given to their possible outcomes.

1.6 PRE-PLANNING

Negotiation pre-planning has received scant attention throughout the negotiation literature. The writer, however, regards it as an important and necessary pre-requisite of negotiation.

Pre-planning can generally take two forms. Firstly, it may involve negotiation pre-planning within an organisation. Secondly, it may involve negotiation pre-planning between companies who will be involved in negotiation.

The first type of negotiation pre-planning must be a definite pre-requisite of any negotiation. The negotiator must be aware of his organisations required outcomes, and how much the organisation is willing to 'give' during negotiation. Depending on the experience of the negotiator, such pre-planning sessions may set limits to a negotiator's initiative during the negotiation, and may discourage deviation from pre-planned strategies and tactics. It is during these pre-planning sessions that a negotiator may explore such issues as motivational orientation, strategies, and tactics.

Clearly, the issues of audience effects and accountability are of paramount interest, and may result from pre-planning.

If the negotiation involves two or more negotiators acting as a team, priority must then be given to team discussions and teamwork. Each member of a negotiation team must be fully cognisant of what issues are considered to be of greater or lesser importance, and what strategies and tactics will be used during negotiation.

The second aspect of pre-planning involved pre-negotiation discussions between parties. Issues to be considered may cover location of negotiation site, seating arrangements and time limitations. Such discussions may also include preliminary discussions, where both parties make the other aware of what is considered the important issues and an attempt is made to gain an understanding of the opposing point of view.

A study has been conducted by Druckman (1968) comparing bilateral and unilateral pre-negotiation discussions. Four pre-negotiation conditions were employed.

- . Unilateral discussion where negotiating groups discussed the issues among themselves.
- . Unilateral position formation where the groups were instructed to formulate positions and strategies.

- . Bilateral study where members from both groups were instructed to try to gain an understanding of the opposing point of view.
- . 'Control' where subjects were familiarised with the issues, but did not discuss them.

Druckman found that pre-negotiation issue-formation tended to inhibit agreement. No evidence was found to suggest that bilateral study was superior to unilateral focus in producing agreements.

Druckman's study involved a complex labour-management simulation which may not be applicable to Contract Negotiation in Industry. As pre-planning is an area that may considerably influence negotiation process and outcome, it is therefore an area that warrants investigation in terms of industry.

1.7 SUMMARY

This review has demonstrated the extent of research into negotiation. As such, those elements of the negotiation process that are considered to influence negotiation success have been discussed.

The literature to date, views these elements as distinct entities. Such an approach tends to proliferate the variables and fails to take into consideration the necessary interdependence of the elements.

A further limitation of much of the current research is that it is based primarily on Labour-Management negotiations. Due to the problems associated with direct observation of such negotiations, researchers have tended to employ a captive population of University students as subjects. The subjects are frequently engaged in a series of contrived negotiation

games, often of questionable validity, with results being generalised to real world negotiation situations (Rubin and Brown, 1975).

There is a need to rectify the above problems, thus increasing the generalisability of research in the negotiation area specifically to Contract Negotiation in Industry.

This thesis attempts to synthesise the overall number of negotiation elements by means of factor analysis.

The validity and usefulness of the obtained factors will be ascertained by using the process of Discriminant Analysis to demonstrate differences in negotiation style. The Discriminant Analysis will be conducted:

- . Firstly, between Companies of various sizes
- . Secondly, between Managers from the functions of Production, Purchasing, Marketing and Chief Executives.

The sample for the research was drawn from New Zealand's top fifty companies as identified by the July, 1979, Edition of the New Zealand Economist. The research is therefore 'in vivo' allowing greater generalisability of results than has previously been allowed.

A further objective of the research will be to ascertain if the results obtained by the derived factors are in general accordance with the already existing negotiation principles drawn from the literature. If agreement is evident, then credence and generalisability of the latter are ascertained. If agreement is lacking, then further research needs to be conducted on the principles in question.

CHAPTER TWOMETHOD

CONTENTS

- 2.1 Subjects
- 2.2 Procedure
- 2.3 Method of Analysis

CHAPTER TWO

METHOD

2.1 SUBJECTS

New Zealand's top fifty companies, as identified by the July, 1979 Edition of the New Zealand Economist, Table I, were the sample for the research.

Twenty-three companies returned questionnaires within the specified time period. This provided a small but high quality sample of 74 Managers.

Within each company, one Manager from the areas of Production Purchasing, Marketing and Chief Executives were to be subjects.

Seventeen companies whose head offices were located in Auckland were approached personally.

The remaining 33 companies were initially contacted by telephone, to establish a contact within the company. A letter, Appendix I, outlining the research and inviting company participation was subsequently sent with four questionnaires to the established contact. The questionnaires were to be returned within three weeks of receipt.

2.2 PROCEDURE

A 50 item questionnaire titled 'Contract Negotiation in New Zealand' was devised (Appendix 2). The aim was to develop a set of negotiation scales that would be useful in future work in the contract negotiation area. The areas covered by the questionnaire and the relevant questions relating to the areas are outlined in Table 2.

COMPANY	MAIN ACTIVITIES	PLACE	ORD. S'HLDERS FUNDS \$m	ORD PAID CAPITAL \$m	TOTAL TANGIBLE ASSETS \$m	PLACE	NET PROFIT \$m	SALES TURN- OVER \$m	EARNING RATE TO S'HLDERS CAPITAL %	EARNING RATE TO S'HLDERS FUNDS %	NUMBER OF ORD. SHARES
N.Z. Forest Prod.	Forests, paper & board	1	240.0	68.9	477	1	20.33	284	29.0	8.3	68,908
Lion Breweries	Brewers & hoteliers	2	178.3	35.6	286	11	8.24	253	20.2	4.0	18,336
Fletcher Holdings	Construction, timber eng.	3	140.9	32.4	279	2	15.25	364	47.1	10.8	13,750
Challenge Corp	Stock & Station, motor, mfg.	4	123.3	27.7	365	7	10.25	906	37.1	8.3	14,070
Wattie Industries	Food processors	5	109.3	28.5	201	6	12.92	280	44.4	11.6	24,920
Tasman Pulp	Forest, pulp and paper	6	107.5	19.4	239	4	13.48	151	68.9	12.4	2,201
Alex Harvey	Glass, paper & plastic man.	7	98.4	32.6	171	3	14.54	220	44.7	14.8	5,628
Feltex, N.Z.	Textiles, rubber & plastics mfg.	8	91.4	21.5	189	12	7.38	199	34.2	8.1	12,209
Waitaki NSR	Meat processors	9	83.2	22.1	181	10	8.53	-	35.2	9.4	n.a.
Dominion Breweries	Brewers & hoteliers	10	80.1	15.0	171	14	6.52	-	41.1	7.7	18,817
Dalgety N.Z.	Stock & station agents	11	79.7	24.7	181	17	6.09	544	24.6	7.6	5,428
South British	Insurance, trustees, financiers	12	76.1	23.3	370	5	13.47	197	57.9	17.7	n.a.
Winstones	Building materials & cement mfg.	13	70.0	23.1	158	13	6.71	157	27.9	9.2	14,463
N.Z. Refining	Oil refinery	14	69.0	24.0	73	46	1.73	-	7.2	2.4	3,976
U.E.B. Industries	Carpets, textiles, packaging	15	58.7	21.2	132	16	6.35	159	26.5	9.5	25,090
Carter Holt Hold.	Timber, bldrs merchs, pulp	16	50.4	12.9	109	15	6.44	103	50.1	12.8	5,848
N.Z. Steel	Steel manufacturing	17	48.0	21.1	130	8	9.54	134	43.2	19.0	11,462
N.Z. Insurance	Insurance, trustees, financiers	18	46.0	15.5	324	9	9.27	132	56.7	19.2	10,315
N.Z. Motor Corp	Motor assembly & distribution	19	45.2	15.0	107	23	4.50	145	30.0	10.0	6,164
Cable Price Downer	Engineers & contractors	20	43.3	13.9	108	18	5.47	186	36.7	11.8	6,911
ICI New Zealand	Chemical paint, plasters mfg.	21	40.4	17.5	85	21	5.15	117	29.4	12.8	4,074

TABLE I: NEW ZEALAND'S TOP FIFTY COMPANIES

(Cont'd)

COMPANY	MAIN ACTIVITIES	PLACE	ORD. S'HLDRS FUNDS \$m	ORD. PAID CAPITAL \$m	TOTAL TANGIBLE ASSETS \$m	PLACE	NET PROFIT \$m	SALES TURN- OVER \$m	EARNING RATE TO S'HLDRS CAPITAL %	EARNING RATE TO S'HLDRS FUNDS %	NUMBER OF ORD. SHARES
Steel and Tube	Steel & hardware mfg.	22	40.1	12.9	73	22	4.77	106	37.0	11.9	3,575
N.Z. Cement Hold.	Cement and lime mfg.	23	36.1	9.7	53	50	1.18	24.0	14.0	3.4	3,415
Odlins	Timber & construction supplies	24	34.6	13.1	72	27	3.47	99	14.0	3.4	7,816
Sthland Frozen Meat	Meat processors	25	32.8	9.2	65	31	3.16	-	34.2	9.6	3,846
Rothmans Ind.	Cigarettes & tobacco mfg.	26	32.1	11.0	56	20	5.35	137	48.6	16.7	n.a.
L.D. Nathan	Merchants & hoteliers	27	30.2	7.8	89	29	3.32	234	42.7	11.0	3,759
Farmers' Trading	Merchants & hoteliers	28	29.3	8.4	64	30	3.22	106	35.9	10.2	n.a.
NZ Farmers Fertiliser	Fertiliser mfg.	29	28.8	11.9	56	25	3.70	64	30.0	12.0	5,047
Skellerup	Rubber goods mfg.	30	27.8	3.51	41	24	4.09	78	115.8	14.6	1,804
R. & W. Hellaby	Meat processors & retailers	31	27.3	6.0	64	26	3.62	-	60.6	13.3	n.a.
Cant. Frozen Meat	Meat processors	32	26.9	6.6	51	32	2.97	-	42.7	10.4	3,100
National Insurance	Insurance	33	26.0	6.3	103	19	5.37	50	85.8	20.7	4,400
TNL Group	Transport, constructor, farming	34	24.7	11.5	49	37	2.62	46	19.5	9.1	7,722
NZ Industrial Gases	Medical gases, welding mfg.	35	23.0	4.8	35	44	2.01	34	41.4	8.6	837
Smith & Brown Maple	Furniture retailers	36	22.5	3.6	44	42	2.21	-	60.2	9.8	n.a.
Pr. & Packaging Cor.	Printing & packaging	37	22.3	5.8	41	45	1.94	58	30.9	8.0	3,885
Dunlop N.Z.	Rubber pro., sportgoods mfg	38	22.2	6.5	42	28	3.46	63	52.6	15.4	2,075
Ceramco	Ceramics, construction, eng.	39	21.4	7.5	50	38	2.56	55	32.2	11.3	5,378
Lane Walker Rudkin	Clothing & textiles	40	21.3	4.9	36	36	2.65	45	52.2	12.1	2,593
N.Z. News	Printers & newspapers pub.	41	19.8	8.6	31	40	2.46	44	28.6	12.4	3,578
MSI Corporation	Automatic parts	42	19.7	5.0	40	35	2.70	51	52.9	13.4	3,975

TABLE I: NEW ZEALAND'S TOP FIFTY COMPANIES (cont'd)

COMPANY	MAIN ACTIVITIES	PLACE	ORD. S'HLDERS FUNDS \$m	ORD. PAID CAPITAL \$m	TOTAL TANGIBLE ASSETS \$m	PLACE	NET PROFIT \$m	SALES TURN- OVER \$m	EARNING RATE TO S'HLDERS CAPITAL %	EARNING RATE TO S'HLDERS FUNDS %	NUMBER OF ORD; SHARES
Golden Bay Cement	Cement mfg.	43	19.4	11.1	29	47	1.72	n.a	15.4	8.8	6,369
Broadlands	Financier	44	19.4	11.7	194	39	2.49	-	19.0	11.5	8,675
Marac Holdings	Finance company	45	19.3	10.0	181	33	2.84	-	28.4	14.7	4,618
Neil Holdings	Home, land developers	46	18.5	5.0	43	48	1.61	-	31.9	8.7	2,373
Indep. Newspapers	Printers & newspapers publishers	47	17.7	7.6	31	49	1.38	40	18.0	7.8	1,638
Ballins Industries	Wine, spirit & cordial merchants	48	17.7	6.9	44	43	2.19	-	29.0	11.2	4,672
Wilson & Horton	Printers & newspaper publishers	49	17.6	4.6	27	41	2.40	35	51.7	13.7	2,338
Brierley Investments	Investment company	50	16.9	3.0	200	34	2.74	-	86.5	15.6	n.a.

TABLE I: NEW ZEALAND'S TOP FIFTY COMPANIES (cont'd)

AREA COVERED	QUESTIONS
I Biographical	I, 2, 3, 4, 5
2 Self-rate	39, 42, 47
3 Training courses	48, 50
4 Pre-planning	24, 29, 38, 44
5 Site location and arrangements	6, 9, 10, 18
6 Time limits	13, 14, 17, 26, 34, 41
7 Motivational Orientation	8, 11, 22, 27, 28, 32, 36, 46
8 Intangibles	19, 20, 40
9 Issue format and presentation	30, 31
10 Concessions	25, 35
11 Initial offers	43, 45
12 Threats	21
13 Audience effects/Accountability	16, 24, 44
14 Multi-party negotiations	33
15 Coalition formation	37

TABLE 2: Areas covered by questionnaire and questions relating to each area.

Areas 4 to 15 were drawn from the Social Psychological literature on negotiation and formed the basis for the questions. Area 1 covered factual socio-economic information. Area 2 was designed to elicit participants' views as to how they see themselves in terms of knowledge of negotiation, ability to negotiate, and amount of forethought given to a negotiation, in relation to other negotiators. Area 3 sought factual information on the number of negotiators who had undergone Negotiation Skills Training Courses and the number who felt such a course would be of benefit to them in negotiation.

In terms of response categories, questions 1, 2, 3 and 50 sought factual information.

Questions 4, 5, 18, 30, 33 and 34 response categories were in line with those used by the Department of Statistics in Official Yearbook Publications.

Response categories to questions 6, 7, 9, 10 and 31 were drawn from information contained in the social psychological literature.

The majority of the questions utilised a 5 point Likert type scale with response categories ranging from Strongly Agree to Strongly Disagree. These categories were used by Flay, Bull and Tamahori (1976).

The response categories for questions 39, 42, 47, 15, 20 and 49 were a modification of those utilised by Karrass (1970) in a negotiation questionnaire.

2.3 METHOD OF ANALYSIS

As the first aim of the research was to develop a set of scales which would be useful for further research in the Contract Negotiation area the raw data obtained from the questionnaires was factor analysed.

The resulting 10 factors were then used in two separate

discriminant analyses, to demonstrate that derived constructs sensibly related to actual criteria.

The first discriminant analysis involved the 10 factors forming two discriminant function equations which were to discriminate between Top, Middle and Bottom companies. Categories for the Size of Company criterion were derived by classifying participating companies via a composite criterion of Net Profit, Ordinary Shareholders Funds, and Total Tangible Assets. The information required for classification was obtained from the July 1979 Edition of the New Zealand Economist (Table I).

The second discriminant analysis involved the 10 factors forming three discriminant function equations which were to discriminate between the functions of Production, Purchasing, Marketing and Chief Executive. The data for these classifications were contained in the returned questionnaires.

As both discriminant analysis were significant, the data were cross tabulated to assist in identifying the actual differences in terms of question responses between the three company groupings and between the four managerial functions.

There was discussion as to the use of factor scores or raw scores in the discriminant analysis. The writer is aware of the arguments advocating the use of raw scores, however, it was decided to use factor scores. The factor scores smooth the data, and by adding weighted raw scores together, it is possible to increase the reliability of a set of questions (Stanley, 1970).

CHAPTER THREE
THE FACTOR ANALYSIS

CONTENTS

- 3.1 Factor 1: Calculation
- 3.2 Factor 2: Winning
- 3.3 Factor 3: Conflict
- 3.4 Factor 4: Pre-planning
- 3.5 Factor 5: Control
- 3.6 Factor 6: Hard Bargaining
- 3.7 Factor 7: Mode of Negotiation
- 3.8 Factor 8: Time Control
- 3.9 Factor 9: Fixed Priorities
- 3.10 Factor 10: Cooperation/Competition

CHAPTER THREE

THE FACTOR ANALYSIS

FACTOR ANALYSIS

Raw data obtained from the completed questionnaires were factor analysed using SPSS PA₂: Principle Factoring with Iteration (Nie, Hull, Jenkins, Steinbrenner, & Bent, 1975). The relationship between the 44 negotiation factors and the associated eigenvalues was plotted to determine the number of factors to be rotated. The cut-off point was to be 10 factors determined by using the Scree test advocated by Cattell (1966). These 10 factors were then rotated to a varimax solution. The final factor matrix is shown in Appendix 3. For ease of interpretation, Table 3 lists the variables that load at a level of at least .3.

3.1 Factor 1: Calculation

Factor 1 has been labelled 'Calculation'. This term takes into account a negotiator's own opinion as to his knowledge of negotiation, the amount of forethought given to a negotiation and his ability as a negotiator, in relation to his peers. A negotiator who considers himself effective is likely to have high self-respect, and would view the benefits of a negotiation skills training course as increasing this effectiveness, relative to others. The calculation of effectiveness would influence a negotiator's view as to the desirability of pre-negotiation discussions. Rackham and Carlisle (1978) have found from research pertaining to skilled versus average negotiators, that skilled negotiators consider a wide range of outcomes or options. The negotiator's calculation of effectiveness may also influence the desirability of face to face

rather than telephone negotiations. The latter are subject to a great many limitations, but conversely may be used by a skilled negotiator to advantage.

3.2 Factor 2: Winning

Factor 2 has been labelled 'Winning'. The approach taken to a negotiation involves winning at all costs, to give in as little as possible, regardless of how the other party fares. Further aspects of this approach may include a 'take it as it comes' attitude, leaving little room for the necessities of pre-negotiation discussions or document preparation. Both in fact may be viewed as a restrictive and unnecessary hindrance. 'Winning' is viewed by the negotiation literature, as a very poor orientation, leading in some circumstances to less effective outcomes than could have been achieved with a more co-operative approach.

3.3 Factor 3: Conflict

Factor 3, Conflict, demonstrates a power aspect of negotiation that is all too frequently observed. The view of negotiation as a fight, includes the using of threats and misrepresentations as a form of strength. The use of conflict, in the form of threats or misrepresentations may, in some instances, lead to the felt necessity of weaker parties to gain strength through the formation of coalitions, or in some instances to the necessity for parties to reach agreement outside formal negotiations hours. The use of conflict as a recognised strength, a determinant of success, may frequently lead to the attitude that negotiation documents in themselves are relatively unimportant, thus not a great deal of time is spent on their preparation. The party with the strength through the use of conflict, may indeed dictate its terms. The use of conflict to achieve desired

negotiation objectives is discouraged throughout the negotiation literature. For all intents and purposes it is viewed as the antithesis of co-operation and fairness, and its use may induce a competitive stance from the other party.

Both Factors 2 and 3 - Winning and Conflict - are considered by the social psychological literature to be an exploitive approach to negotiation. Generally both factors tend to be used hand in hand. The use of conflict, in terms of threats, misrepresentation and a fighting attitude, tends to introduce an emotive element to negotiation, from which parties find it difficult to withdraw. Face saving becomes paramount, and negotiators may use value-loaded behaviours, leading to a spiralling of conflict and disagreements. The probable outcome of the attacking/defending spiral is deadlock. Rackham and Carlisle (1978b) found that average negotiators used more than three times as much defending/attacking behaviour as skilled negotiators. Interestingly, if a skilled negotiator did decide to attack it was done without warning and the attack was hard. An aim of the negotiation skills training courses is to make negotiators aware of the limitations involved in a purely 'winning' orientation and the inherent drawbacks of conflict and its emotive aspects.

3.4 Factor 4: Pre-planning

Pre-planning is an aspect of negotiation that becomes increasingly necessary as more people become involved in the negotiation. The use of pre-planning and pre-determined strategies lends cohesion to a negotiation team. The objectives of the negotiation can be made clear and team members become aware of the role they and others are to play. In face to face negotiations, a major aspect of the pre-planning may be the

determination to delay decisions on agreements until the last minute, to ensure achieving as much as possible. It is therefore necessary that strategies to achieve such a desired end state are at hand and all team members are familiar with them. Pre-planning is an essential element in any telephone negotiations. Karrass (1970) stresses this point. Such a form of negotiation is generally discouraged, yet it can be extremely effective and profitable for the negotiator who instigates the call, and who has covered all contingencies that may arise, through careful and thorough planning.

3.5 Factor 5: Control

Factor 5 is concerned with Control over the process of negotiation in terms of the use of pre-determined strategies, the specification, or non-specification of negotiation time limits, and the determination as to whether issues will be negotiated as separate entities or logrolled, i.e. trade concessions on some issues for concessions on other issues. The degree of control associated with a negotiation may be a function of the number of people or groups involved in the negotiation. It is generally acknowledged that the greater the number of participants to the negotiation, the greater the necessity to establish certain controls or guidelines within which to operate.

3.6 Factor 6: Hard Bargaining

The approach of Hard Bargaining generally involves getting the best deal regardless of how the other party fares without the necessity of prior planning or preparation, to begin tough but to get to the point of settlement quickly. The hard bargaining approach tends to be a mixture of what is considered as good and not so good negotiating. The attitude

of winning regardless, may lead to conflict and deadlock. The failure to plan or prepare in association with large concessions may lead to more effective outcomes being disregarded or overlooked. The extreme initial offer strategy is advocated by the literature, but the effectiveness of this strategy may be reduced by the other aspects associated with a hard bargaining approach.

3.7 Factor 7: Mode of Negotiation

The Mode of Negotiation adopted, whether it be face to face or by letter, could influence the outcomes of the negotiation. Face to face is assumed to be the most effective mode of negotiation, although factors such as site location and arrangements may influence this. Letter negotiations are accredited as the most inefficient mode of negotiation, suffering particularly from inherent time delays. Variables that will contribute to the success or otherwise of a particular mode of negotiation will be the specification of time schedules, and whether or not adherence to these is observed or in any way limits the negotiation process. The concession strategies adopted by parties and the potential for conflict and its immediate resolution will influence the effectiveness of the mode of negotiation.

3.8 Factor 8: Time Control

Factor 8 deals with the influence of time on the negotiation process and outcome. If time schedules and limits have been set, the desire to obtain the best deal may lead to what is commonly referred to as 'eleventh hour' agreements - that is, agreements made at the last minute. Failure to reach agreements within specified time limits may lead to the closing of negotiations, or to the necessity for agreements to be reached outside of formal negotiation hours. The format and strategies advocated by pre-negotiation discussions may in fact restrict a negotiator who is running out of time. Working within the

constraints of time limits may lead to the formality of negotiation continuing by making large concessions. It is always possible that a particular party to a negotiation is operating within time limits imposed by his own company. Thus, the other party to the negotiation is not so affected and constrained. Failure to reach a specified agreement within specified time limits may result in some form of negative evaluation for the negotiator. These effects of company imposed time pressures may lead a negotiator to be restricted by company demands, thus achieving less effective outcomes.

3.9 Factor 9: Fixed Priorities

Factor 9 deals with Fixed Priorities with regard to a company's negotiations. It is advisable for negotiators to discuss, within their company, the priorities and objectives of negotiation, before the actual event. This then allows the negotiator, or team of negotiators to consider various strategies, orientations and concession rates. Unfortunately, negotiations do not always run to expected or anticipated formats, and it may be necessary for a negotiator to deviate from pre-planned strategies and to use initiative on certain points. If such initiative and deviation from a pre-planned format is discouraged by the company, the negotiator, due to his accountability, must ensure he wins to avoid negative evaluation. Strictly following pre-planned strategies, such as an orientation of giving as little as possible, or offering the expected level of settlement first, tends to leave little room for the problem solving, give and take aspects of negotiation.

3.10 Factor 10: Co-operation/Competition

Factor 10 deals with two basic aspects of any negotiation - Co-

operation and Competition. Outright competition may lead to intensified conflict and possible withdrawal, whilst too much co-operation could lead to exploitation by one or other party. A balance of both approaches to negotiation may lead to the exploration of alternatives not previously considered.

TABLE 3: Factor Loadings of Variables

FACTOR 1 - CALCULATION	
Question Stem	Factor Loading
How much do you know about negotiation	.74365
How much ability as a negotiator do you have	.64957
How much forethought do you give to a negotiation	.46754
Negotiation skills training courses would increase your effectiveness as a negotiator	.44753
A negotiator to be effective must have high self-respect	.49576
In your organisation, what percentage of contract negotiation is undertaken face to face	-.63087
In your organisation, what percentage of contract negotiation is undertaken by telephone	.48521
In the main, pre-negotiation discussions allow you to consider various options during negotiation	.33810
FACTOR 2 - WINNING	
Negotiation involves getting the best deal for your company regardless of how the other party fares	.68457
The aim of negotiation is to give the other side as little as possible	.56806
Winning is all important in a negotiation situation	.51656
Too little time is set aside for most negotiations	.63160
Usually negotiation documents are hastily prepared at the last minute	.41078
Pre-negotiation discussions restrict you to pre-determined strategies and decisions	.41988
A most effective negotiation strategy is to give in very slowly if at all	.46555
Have you been involved in a negotiation skills training course	-.31546

TABLE 3 (Cont'd): Factor Loadings of Variables

FACTOR 3 - CONFLICT	
Question Stem	Factor Loading
Conscious misrepresentation occur frequently in a negotiation	.71507
Threats are commonly used in your company's negotiations	.46812
To achieve a successful outcome a certain amount of conflict is necessary	.54179
Negotiating is a fight	.63948
Usually negotiation documents are hastily prepared at the last minute	.44193
Many negotiation agreements are reached outside of formal negotiation hours	.37572
In multi-party negotiations coalitions often form	.34738
FACTOR 4 - PRE-PLANNING	
Pre-negotiation discussions between parties is necessary	-.55702
Pre-determined negotiation strategies are necessary when working in a team	.35090
In your organisation, how many people are usually involved in a large contract negotiation	.41587
In your organisation, what percentage of contract negotiation is undertaken by telephone	-.46989
In your organisation, what percentage of contract negotiation is undertaken face to face	.30523
What percentage of major issues do you estimate are agreed upon in the last 10% of negotiation time	-.53813
FACTOR 5 - CONTROL	
In your organisation, how many people are usually involved in a large contract negotiation	.39854
Pre-determined negotiation strategies are necessary when working in a team	-.34429
Negotiation time should be pre-specified rather than not specified	.50999

TABLE 3 (Cont'd): Factor Loadings of Variables

FACTOR 5 - CONTROL (cont'd)	
Negotiation time should not be pre-specified	.50214
When negotiating multiple issues what percentage of the time do you negotiate each issue separately	.36644
When negotiating multiple issues what percentage of the time do you make concessions on some issues in return for concessions on others	.42718
What percentage of the time are you involved in multi-party negotiations	.34503
FACTOR 6 - HARD BARGAINING	
The best approach to negotiation is to give in by large increments	.46069
In your experience, making extreme initial offers leads to better results	.74450
Negotiation involves getting the best deal for your company regardless of how the other party fares	.31414
It is not necessary to plan or prepare for a negotiation	.50951
FACTOR 7 - MODE OF NEGOTIATION	
Time schedules in negotiation are generally adhered to	-.32877
In your organisation, what percentage of contract negotiation is undertaken face to face	-.52616
In your organisation, what percentage of contract negotiation is undertaken by letter	.58804
When negotiating multiple issues what percentage of the time do you make concessions on some issues in return for concessions on others	-.38196
Do you enjoy a fight in negotiation	.33440

TABLE 3(Cont'd): Factor Loading of Variables

FACTOR 8 - TIME CONTROL	
Question Stem	Factor Loading
Time schedules in negotiation are generally adhered to	-.33617
Many negotiation agreements are reached outside of formal negotiation hours	.53483
Pre-negotiation discussions restrict you to pre-determined strategies and decisions	-.43634
The aim of negotiation is to get the best deal for both parties	.56425
The best approach to negotiation is to give in by large increments	-.44096
FACTOR 9 - FIXED PRIORITIES	
Deviation from pre-determined negotiation strategies is discouraged	.51339
Do you discuss negotiation priorities and objectives within your own organisation before negotiation commencement	.60819
It is best to make the initial offer at the expected level of settlement	-.46278
The aim of negotiation is to give the other side as little as possible	.30359
FACTOR 10 - CO-OPERATION/COMPETITION	
Successful negotiations involve both co-operation and competition	.49208
Co-operation between parties is the key to successful negotiation	-.35064

CHAPTER FOURDISCRIMINANT ANALYSIS - SIZE OF COMPANY

CONTENTS

- 4.1 Factor 1: Calculation
- 4.2 Factor 2: Winning
- 4.3 Factor 3: Conflict
- 4.4 Factor 4: Pre-planning
- 4.5 Factor 5: Control
- 4.6 Factor 6: Hard Bargaining
- 4.7 Factor 8: Time Control
- 4.8 Factor 10: Cooperation/Competition
- 4.9 Summary to Chapter 4

CHAPTER FOUR

DISCRIMINANT ANALYSIS - SIZE OF COMPANY

The twenty-three participating companies were divided into the criterion groups of Top, Middle or Bottom companies on the basis of the following composite criterion extracted from the July 1979 Edition of the New Zealand Economist (Table I):

- Net Profit
- Ordinary Shareholders Funds
- Total Tangible Assets.

The three criterion groups produced two discriminant functions. Discriminant Function 1 accounted for 61.3% of the total discriminative power of the 10 factors. Discriminant Function 2 accounted for 38.7% of the total discriminant power.

Table 4 indicates the adequacy of the discriminant functions that were derived by observing the proportion of correct classifications, in terms of actual and predicted group membership. 67.57% of cases were correctly classified as belonging to Top, Middle or Bottom company groupings. The only information used for this classification process was the companies values on the discriminating variables.

The Chi-square test used to determine whether there was a significant difference between the observed number and the expected number of cases in each group was Chi-square = 45.2 , df = 4, $p < .01$.

The discriminant functions are further extrapolated by reference to Table 5 which presents the co-efficients of the 10 factors in the discriminant equations.

These co-efficients represent the relative contributions of the variables to the respective functions. That is, they indicate which factors are the most effective predictors within the context of the discriminant function.

In discriminant function 1, the order of relative importance of the factors was Control, Pre-planning, Time Control, Conflict and Calculation. Calculation, Pre-planning and Control can be seen to have made positive contributions to the dimensions, whilst Conflict and Time Control made negative contributions.

In discriminant function 2, Control again contributed the greatest to the dimension, followed by Conflict and Cooperation/Competition. Control again made a positive contribution, whilst Conflict and Cooperation/Competition made negative contributions.

The discriminant ability of the two derived functions can be observed in Figure 3. The information for this graph is contained in Table 6: Centroids of Groups in Reduced Space.

Function 1 can be seen to be distinguishing the Bottom companies from the Top and Middle companies.

Function 2 draws the Top companies away from the Middle and Bottom companies.

To further interpret the discriminative ability of the factors, a table of group means was derived. This is Table 7, and allows observation of company differences on the 10 factors. t -tests, with $df = 72$ were conducted on the means to determine the significance of the scores. Those scores with two asterix are significant at the .01 level. Those with one asterix are significant at the .05 level.

The significant means were then related to Cross Tabulations to obtain specific distinguishing information relating to the three company groupings.

TABLE 4: Actual and Predicted Group Membership.

ACTUAL GROUP	NUMBER OF CASES	TOP	MIDDLE	BOTTOM
Group 1 - Top Percentage	31	18 58.1%	8 25.8%	5 16.1%
Group 2 - Middle Percentage	28	5 17.9%	22 78.6%	1 3.6%
Group 3 - Bottom Percentage	15	2 13.3%	3 20.0%	10 66.7%

Chi-square = 45.21, df = 4: $p < .01$

TABLE 5: Standardised Co-efficients for
Discriminant Functions 1 & 2 on 10 Factors

		STANDARDISED DISCRIMINANT FUNCTION CO-EFFICIENTS	
FACTORS		1	2
1	Calculation	0.304	-0.294
2	Winning	-0.164	-0.051
3	Conflict	-0.407	0.519
4	Pre-planning	0.458	-0.057
5	Control	0.475	0.654
6	Hard Bargaining	-0.224	0.036
7	Mode of Negotiation	-0.068	-0.094
8	Time Control	-0.436	-0.163
9	Fixed Priorities	-0.004	0.143
10	Cooperation/ Competition	0.130	-0.437

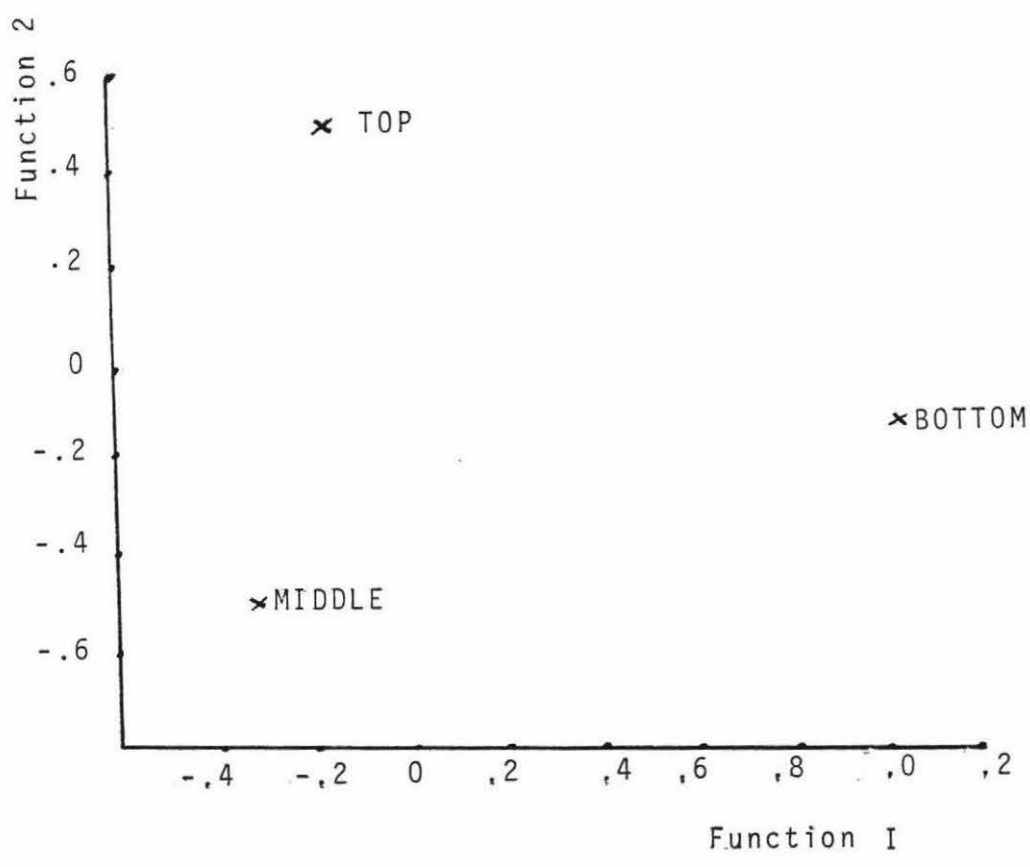


FIGURE 3: Centroids of Groups in Reduced Space

TABLE 6: Centroids of Groups in Reduced Space

	FUNCTION 1	FUNCTION 2
TOP	-0.191	0.497
MIDDLE	-0.344	-0.489
BOTTOM	1.039	-0.114

TABLE 7: Table of Group Means on 10 Predictor Factors

FACTORS	CRITERION GROUPS		
	Group 1 Top	Group 2 Middle	Group 3 Bottom
1 - Calculation	-0.161	0.015	0.305**
2 - Winning	0.014	0.066	-0.152*
3 - Conflict	0.302**	-0.085	-0.464**
4 - Pre-planning	-0.113	-0.099	0.419**
5 - Control	0.196	-0.416**	0.371**
6 - Hard Bargaining	0.057	0.062	-0.235*
7 - Mode of Negotiation	-0.018	0.048	-0.054
8 - Time Control	0.007	0.208*	-0.403**
9 - Fixed Priorities	0.050	-0.044	-0.021
10 - Cooperation/ Competition	-0.213*	0.154	0.153

** significant at .01

* significant at .05

4.1 FACTOR : CALCULATION

Calculation - appears to distinguish between Bottom and Top Companies.

	TOP	MIDDLE	BOTTOM
Factor I	.161	.015	.305

The questions that comprise the factor and the percentage of responses for Top, Middle and Bottom Companies appear in Table 8.

The questions that tend to draw out differences between the respective companies are the self-rate questions referring to forethought, knowledge, ability and the perceived effectiveness of negotiation skills training courses.

The importance of forethought or pre-planning negotiations is strongly advocated by the literature. The more people in a negotiation team, and the greater the number of parties to the negotiation, the greater and more necessary is the pre-planning component.

Many factors must be considered in the preparatory stages, including size of initial offers, the strategy and tactics to be used and the motivational orientation to be adopted. These factors, if left to chance, may lead to less effective outcomes than need be otherwise accepted.

In conjunction with the forethought aspect of negotiation, is the amount of knowledge a negotiator possesses about the process of negotiation. This includes the influence and interaction of many factors, such as seating, audience effects, accountability, motivational orientation, etc, and how these factors influence negotiation effectiveness. The greater the degree of knowledge possessed by a negotiator, the more able the negotiator is to be aware of, and avoid situations that may potentially reduce negotiation effectiveness.

Negotiation skills training courses not only provide the negotiator with this necessary information, but also with the ability to increase negotiation effectiveness thus ensuring better outcomes for both parties.

Self-respect is a distinguishing factor possessed by effective and successful negotiators. As such it too plays an important role in negotiation skills training courses.

The Top and Middle companies are on par in terms of self-rated knowledge. The Bottom companies, however, have a higher percentage of negotiators who feel they know much more about negotiation, and conversely, not very much about negotiation, in relation to peers.

This same pattern of responses is seen in answer to the self-rate ability question. A higher percentage of negotiators from Bottom companies feel they have a lot more ability as a negotiator than do negotiators from Top and Middle companies. Further, a higher degree of Top companies feel they know more than most of their peers, whilst Middle companies feel they have an average amount of negotiating ability.

In terms of forethought given to a negotiation, negotiators from Top companies appear to score more highly than either negotiators from Middle or Bottom companies. The Top companies responses indicated that 58% give extensive forethought, whereas only 28.57% from Middle companies and 33.5% from Bottom companies do so.

The percentage of responses tend to indicate that both Middle and Bottom companies give quite a lot of forethought and moderate forethought to a negotiation, whereas Top companies predominant in the 'extensive' category with the remaining percentage of responses in the 'quite a lot' category.

Approximately 75% of both Top and Middle companies feel that negotiation skills training courses would increase their effectiveness as negotiators. In contrast, only 46.8% of Bottom companies also agree with this statement, with the greatest percentage of responses falling in the 'undecided' category.

The necessity for a negotiator to possess high self-respect also tends to distinguish the Middle and Top from the Bottom companies. 90% - 100% of the Top and Middle companies responded affirmatively, compared to only 66.5% of Bottom companies. 20.2% of Bottom company responses were in the negative.

It appears that in relation to the responses given by Top and Middle companies, that negotiators from Bottom companies have a greater percentage of respondents who feel they know more about negotiation, have more ability as negotiators, give less forethought to negotiation and do not feel it necessary for a negotiator to possess high self-respect.

Managers from Top companies conversely give more forethought to a negotiation, are more confident about their knowledge of negotiation, whilst at the same time acknowledging that they have more negotiating ability in relation to their peers. Self-respect is also viewed by Top companies as a very important trait to be possessed by effective negotiators.

In line with the expressed attitudes of both Top and Bottom companies, the responses to the potential effectiveness of negotiation skills training courses are of interest. The majority of Bottom companies are undecided or tend to disagree that such courses would increase their effectiveness as negotiators.

Top companies in contrast, are predominantly in agreement as to the value of such courses.

TABLE 8: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Question Response Category

Q.42: *How much ability as a negotiator do you have*

	TOP	MIDDLE	BOTTOM
A lot more	3.34	3.70	6.90
More than most	35.56	21.43	20.20
About average	61.34	75.13	73.40

Q.47: *How much forethought do you give to a negotiation*

	TOP	MIDDLE	BOTTOM
Extensive	58.00	28.57	33.50
Quite a lot	42.00	60.85	53.20
Moderate	-	10.84	13.30

Q.48: *Negotiation skills training courses would increase your effectiveness as a negotiator*

	TOP	MIDDLE	BOTTOM
Strongly Agree	32.22	25.13	0
Tend to Agree	42.00	50.00	46.80
Undecided	3.34	10.85	33.50
Tend to Disagree	19.33	14.29	20.20
Strongly Disagree	3.34	0	0

Q.39: *How much do you know about negotiation*

	TOP	MIDDLE	BOTTOM
Much more	3.34	3.70	6.90
Somewhat more	25.78	28.57	13.30
As much as	67.78	64.29	66.50
Somewhat less	3.34	3.70	6.90
Not very much	0	0	6.90

TABLE 8 (Cont'd):

Q.40: *What percentane of contract negotiation is undertaken face to face*

	TOP	MIDDLE	BOTTOM
Less than 10%	0	3.70	0
10% - 19%	3.34	7.14	6.90
20% - 29%	3.34	10.85	6.90
30% - 39%	9.79	0	13.30
40% - 49%	6.44	10.85	13.30
50% - 59%	19.33	3.70	0
60% - 69%	9.79	3.70	6.90
70% - 79%	16.23	21.43	20.20
80% - 89%	12.89	17.99	20.20
90% - 100%	19.33	21.43	13.30

Q.18: *What percentage of contract negotiation is undertaken by telephone*

	TOP	MIDDLE	BOTTOM
Less than 10%	35.56	46.56	33.50
10% - 19%	12.89	25.13	20.20
20% - 29%	12.89	3.70	6.90
30% - 39%	19.33	7.14	13.30
40% - 49%	9.79	3.70	13.30
50% - 59%	6.44	0	0
60% - 69%	0	3.70	0
70% - 79%	0	7.14	13.30
80% - 89%	3.34	3.70	0

TABLE 8 (Cont'd):

Q.40: *A negotiator to be effective must have high self-respect*

	TOP	MIDDLE	BOTTOM
Strongly Agree	64.44	50.00	26.6 0
Tend to Agree	36.56	42.86	39.9 0
Undecided	0	0	13.3 0
Tend to Disagree	0	7.14	6.9 0
Strongly Disagree	0	0	13.3 0

Q.44: *Pre-negotiation discussions allow you to consider various options during negotiation*

	TOP	MIDDLE	BOTTOM
Strongly Agree	45.11	28.57	26.60
Tend to Agree	51.55	71.43	73.40
Undecided	-	-	-
Tend to Disagree	3.34	0	0
Strongly Disagree	-	-	-

4.2 FACTOR 2: WINNING

Winning - distinguishes between Top, Middle and Bottom companies.

	TOP	MIDDLE	BOTTOM
Factor 2 Winning	.014	.066	-.152

The tabled percentage of responses to questions that comprise Factor 2 (Table 9) indicate some interesting trends.

Firstly, all Social Psychological literature is in agreement on the use of conflict in negotiation. The shared opinion is that conflict begets conflict, which in turn will severely reduce negotiation effectiveness.

The greatest fear expressed by writers in the area is that deadlock will be the ultimate outcome, with the felt need to 'save face' significantly contributing to this.

The motivational orientation adopted by a party will considerably influence the degree of conflict present in the negotiation. Research has demonstrated that a cooperative motivational orientation is by far the most effective orientation. It tends to be viewed as a problem solving approach to negotiation, whereby parties attempt not only to increase their share of the cake, but also jointly attempt to increase the size of the cake itself.

The most ineffective orientation is said to be an individualistic stance, where the aim is to win, regardless of how the other party to the negotiation fares. Such an orientation is wide open to the misuse of conflict, threats and exploitation. In many instances such an orientation is viewed as an attack, the response to which will very often be defence and retaliation, thus provoking further attack. The potential for a conflict spiral is evident.

The question responses indicate that generally the Bottom companies agree to a greater extent than the Top and Middle companies that:

- . the aim of negotiation is to give the other side as little as possible. It is the Middle companies who disagree with this statement to the greatest extent.
- . negotiation documents are hastily prepared at the last minute. Top companies are most strongly represented in the disagree category, which indicates that they are prepared for negotiations. This relates to Factor I and the amount of forethought given to negotiation by Top and Bottom companies.
- . negotiation involves getting the best deal for your company. Again, it is the Middle companies who are most in disagreement with this statement.

Both the Bottom and Middle companies tend to be of the opinion that winning is all important. Thus, it appears that Middle companies may make a distinction between winning in a competitive sense, i.e. getting a better deal than the other party, and adopting an individualistic approach to negotiation involving winning at all costs.

The competitive approach adopted by Middle companies is further demonstrated by the fact that these companies advocate a negotiation strategy of giving in very slowly, if conceding at all. Although such an orientation may instigate conflict within the negotiation, it is far less likely to reduce the negotiation to a deadlock situation, than is the individualistic stance.

In terms of too little time being set aside for negotiations, it is both the Top and Bottom companies who are in agreement, whilst the largest percentage of Middle companies disagree.

This may indicate failure to preplan for negotiation, or failure to preplan effectively. Negotiation time therefore, may not be utilised efficiently.

An interesting point is that no negotiators from Bottom companies have been involved in negotiation skills training courses. In comparison approximately 20% of negotiators from both Top and Middle companies have participated in such courses.

Of this 20%, over half of the respondents tend to disagree that negotiation skills training courses would increase their effectiveness as negotiators.

The applicability of such courses to the business community is obvious. However, close attention should be paid to the applicability of the course content and its structure.

The responses to Factor 2 indicate the various motivational orientations predominantly adopted by the three company groupings during negotiation:

Bottom companies tend to adopt a predominantly individualistic stance to negotiation. Middle companies are more competitively oriented, whilst the responses would tend to indicate that Top companies are more cooperatively oriented.

Such orientations would profoundly influence negotiation process and outcome, as has been aptly demonstrated by the literature.

The differences in the orientations adopted by the three company groupings reflect the approach to conflict undertaken. This is further demonstrated by the number of negotiators from the three groupings who have been involved in skills training courses, or in the case of Bottom companies, the lack of participation in such courses.

One of the main aims of the skills training courses is

to make participants aware of how to obtain better, more effective settlements, for both parties to the negotiation, without the unbridled use of conflict, which tends to diminish effectiveness, and has the potential of reducing outcomes.

Participation in these courses may positively influence the motivational orientation adopted by Bottom companies.

TABLE 9: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Question Response Category

Q.8: *Negotiation involves getting the best deal for your company regardless of how the other party fares*

	TOP	MIDDLE	BOTTOM
Strongly Agree	3.34	0	6.90
Tend to Agree	29.12	25.13	33.50
Undecided	6.44	0	0
Tend to Disagree	25.78	50.00	33.50
Strongly Disagree	35.56	25.13	26.60

Q.11: *Winning is all important in a negotiation situation*

	TOP	MIDDLE	BOTTOM
Strongly Agree	9.79	10.85	26.60
Tend to Agree	38.66	71.42	39.90
Undecided	12.89	0	0
Tend to Disagree	16.23	14.29	26.60
Strongly Disagree	22.67	3.70	6.90

Q.36: *The aim of negotiation is to give the other side as little as possible*

	TOP	MIDDLE	BOTTOM
Strongly Disagree	0	0	6.90
Tend to Agree	29.12	21.43	33.50
Undecided	9.79	7.14	6.90
Tend to Disagree	35.56	57.14	26.60
Strongly Disagree	25.78	14.29	26.60

TABLE 9 (Cont'd): Factor 2 - Winning

Q. 29: *Usually negotiation documents are hastily prepared at the last minute*

	TOP	MIDDLE	BOTTOM
Strongly Agree	0	3.70	0
Tend to Agree	3.34	14.29	20.20
Undecided	9.79	7.14	0
Tend to Disagree	25.78	46.56	53.20
Strongly Disagree	61.34	28.57	26.60

Q.13: *Too little time is set aside for most negotiations*

	TOP	MIDDLE	BOTTOM
Strongly Agree	19.33	0	6.90
Tend to Agree	25.78	21.43	39.90
Undecided	6.44	3.70	6.90
Tend to Disagree	35.56	67.99	39.90
Strongly Disagree	12.89	7.14	6.90

Q.16: *Pre-negotiation discussions restrict you to pre-determined strategies and decisions*

	TOP	MIDDLE	BOTTOM
Strongly Agree	0	7.14	0
Tend to Agree	22.67	21.43	26.60
Undecided	0	3.70	0
Tend to Disagree	61.34	42.86	60.10
Strongly Disagree	16.23	25.13	13.30

TABLE .9 (Cont'd): Factor 2 - Winning

Q.25: *A most effective negotiation strategy is to give in very slowly if at all*

	TOP	MIDDLE	BOTTOM
Strongly Agree	19.33	3.70	13.30
Tend to Agree	32.22	60.85	33.50
Undecided	6.44	3.70	0
Tend to Disagree	19.33	28.57	33.50
Strongly Disagree	22.67	3.70	20.20

Q.50: *Have you been involved in a negotiation skills training course*

	TOP	MIDDLE	BOTTOM
Yes	19.33	21.43	0
No	80.67	78.57	100

4.3 FACTOR 3: CONFLICT

Conflict - is a factor that appears to distinguish between Top and Bottom Companies.

	TOP	MIDDLE	BOTTOM
Factor 3 Conflict	.302	-.086	-.464

The questions that comprise the factor and the percentage of responses in each category for Top, Middle and Bottom companies appear in Table 10.

Research from many Social Psychological studies on negotiation has demonstrated the detrimental influence of conflict in attempting to achieve the most satisfactory outcome for all parties to the negotiation. It is in essence, viewed as the antithesis of co-operation.

One aspect pertaining to potential conflict is the Motivational Orientation adopted by parties. This aspect has been discussed in relation to Factor 2 Winning.

Further aspects of parties Motivational Orientations that may contribute to potential conflict situations are their views of negotiation in terms of the process itself, i.e. is negotiation viewed in terms of a 'fight'?

Such a view would tend to remove the negotiation from the important problem solving approach that is, by definition, characteristic of negotiation.

Characteristic of such an orientation would be the use of threat, and misrepresentation to achieve desired objectives. The combination of orientation, threat and misrepresentation may lead other parties to the negotiation to take some form of retaliatory action.

Two possible courses of action are feasible. Firstly, weaker parties may form coalitions to attempt to offset the power of the stronger party/parties. Secondly, all veneer of co-operation may be dropped, and the negotiation literally becomes a fight. In this instance, no party is willing to concede and the only outcome of such a situation is breakdown and deadlock.

If time limits for the negotiation have been pre-specified, such breakdown may necessitate parties reaching agreement outside of formal negotiation hours.

The question responses tend to indicate that Bottom companies tend to agree, to a greater extent than Top companies that:

- . conscious misrepresentation occurs in negotiation
- . conflict is necessary to reach agreement
- . negotiation agreements are frequently reached outside of formal negotiation hours
- . documents are hastily prepared
- . coalitions often form.

The 'conflict' orientation exhibited by Bottom companies is in line with the Individualistic Motivational Orientation - the desire to win at all costs demonstrated in Factor 2 - Winning. Therefore, both Factor 2 and Factor 3 demonstrate that Bottom companies have, what would be considered by the literature, as an immature approach to negotiation. Considerable attention should therefore be directed towards skills training courses with this group of companies demonstrating the problem solving aspects of successful negotiations.

Interestingly, it is the Middle companies who view negotiation as a fight. This too would tend to be in line with the competitive orientation evident from Factor 2. The desire to beat the other party is paramount.

Top companies tend to agree, to a greater extent than both Middle and Bottom Companies, that threats are used in negotiation. Rackham and Carlisle (1978b) found that when effective negotiators did attack, they did so hard, fast and without warning. The use of threat by Top companies may comprise such an attack, as the Motivational Orientation adopted appears to be predominantly one of co-operation.

To achieve successful negotiation outcomes, conflict should be limited and prevented from occurring as much as possible. Negotiators therefore, need to be educated, through skills training courses, to understand conflict and the potential ramifications of its use within the negotiation context. Of great benefit would be the extrapolation of problem solving aspects of skills training courses, which in turn lead to more successful negotiations.

TABLE 10: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Question Response Category

Q.19: *Conscious misrepresentation frequently occurs in negotiation*

	TOP	MIDDLE	BOTTOM
Strongly Agree	0	3.70	13.30
Tend to Agree	12.89	10.85	20.20
Undecided	0	3.70	6.90
Tend to Disagree	35.56	39.42	33.50
Strongly Disagree	51.55	42.86	26.60

Q.22: *To achieve a successful outcome a certain amount of conflict is necessary*

	TOP	MIDDLE	BOTTOM
Strongly Agree	6.44	7.14	6.90
Tend to Agree	35.56	35.71	46.80
Undecided	0	10.85	6.90
Tend to Disagree	32.22	25.13	33.50
Strongly Disagree	25.78	21.43	6.90

Q.28: *Negotiating is a fight*

	TOP	MIDDLE	BOTTOM
Tend to Agree	6.44	10.85	6.90
Undecided	3.34	3.70	0
Tend to Disagree	22.67	35.71	46.80
Strongly Disagree	67.78	50.00	46.80

TABLE 10(Cont'd): Factor 3 - Conflict

Q.26: *Many negotiation agreements are reached outside of formal negotiation hours*

	TOP	MIDDLE	BOTTOM
Strongly Agree	3.34	10.85	13.30
Tend to Agree	38.66	25.13	66.50
Undecided	6.44	10.85	0
Tend to Disagree	35.56	50.00	20.20
Strongly Disagree	16.23	3.70	0

Q.29: *Usually negotiation documents are hastily prepared at the last minute*

	TOP	MIDDLE	BOTTOM
Strongly Agree	0	3.70	0
Tend to Agree	3.34	14.29	20.20
Undecided	9.79	7.14	0
Tend to Disagree	25.78	46.56	53.20
Strongly Disagree	61.34	28.57	26.60

Q.37: *In multi-party negotiations coalitions often form*

	TOP	MIDDLE	BOTTOM
Strongly Agree	3.34	3.70	6.90
Tend to Agree	48.45	53.70	53.20
Undecided	19.33	25.13	33.50
Tend to Disagree	22.67	14.29	6.90
Strongly Disagree	6.44	3.70	0

TABLE 10 (cont'd): Factor 3 - Conflict

Q.21: *Threats are commonly used in your company's negotiations*

	TOP	MIDDLE	BOTTOM
Strongly Agree	3.34	0	6.90
Tend to Agree	9.79	3.70	0
Undecided	3.34	10.85	0
Tend to Disagree	16.23	25.13	46.80
Strongly Disagree	67.78	60.85	46.80

4.4 FACTOR 4: PRE-PLANNING

Pre-planning - also tends to distinguish between Top, Middle and Bottom companies.

	TOP	MIDDLE	BOTTOM
Factor 4 Pre-planning	-.113	-.099	.419

The questions comprising the factor and the percentage of companies responding to each category have been tabled in Table II.

The necessity to pre-plan negotiations has been outlined in Factor I. In addition to pre-planning strategies, tactics, etc., the site and means of negotiation must be considered.

Face to face negotiation is acknowledged as the most effective means of negotiation. Although this is so, many factors may impinge and influence the successfulness of this form of negotiation. Factors such as seating, site location and neutrality of the negotiation site.

Telephone negotiations offer limited effectiveness and suffer primarily from lack of face to face commitment and communication. A primary downfall of such negotiations is that verbal agreements may be misconstrued. Karrass (1970) however, believes that telephone negotiations can be successfully used to advantage if the caller is well prepared and has all probable contingencies covered.

The percentage of responses indicate that all three companies tend to negotiate more frequently in a face to face situation, with very little negotiation undertaken by telephone.

Bottom companies tend to have more people involved in a large contract negotiation than do either Top or Middle companies.

Bottom companies: Average number of negotiators = 4

Top companies: Average number of negotiators = 3

Middle companies: Average number of negotiators = 2.

As has been noted in Factor I, Top companies give extensive forethought to negotiation and are thus aware of the value of pre-planning. The number of negotiators in the teams of Bottom companies would tend to indicate that these companies should place greater emphasis on the necessity to pre-plan negotiations. Results from Factor I suggest that this may not be the case, although Bottom companies do agree that pre-determined strategies are necessary when working in a team.

The amount of time spent on pre-planning then may be the crucial issue and not the agreement as to its necessity.

It appears that 'eleventh hour' agreements are frequently entered into by all company groupings. Such agreements occur all too frequently in negotiation, and tend to reflect the competitive nature of the process. Parties tend to withhold disclosure of information, for fear of exploitation, until the last minute. Hence eleventh hour agreements arise, when parties become aware that time is running out and agreements must be reached.

Little research to date has been conducted on the advantages of pre-negotiation discussions between negotiating parties. All three company groupings report that such a situation is desirable. The little work that has been reported suggests that such meetings may significantly aid parties in reaching more satisfactory agreements in a shorter period of time.

TABLE I: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Response Category

Q. 18: *What percentage of contract negotiation is undertaken face to face.*

	TOP	MIDDLE	BOTTOM
Less than 10%	0	3.70	0
10% - 19%	3.34	7.14	6.90
20% - 29%	3.34	10.85	6.90
30% - 39%	9.79	0	13.30
40% - 49%	6.44	10.85	13.30
50% - 59%	19.33	3.70	0
60% - 69%	9.79	3.70	6.90
70% - 79%	16.23	21.43	20.20
80% - 89%	12.89	17.99	20.20
90% - 100%	19.33	21.43	13.30

Q. 18: *What percentage of contract negotiation is undertaken by telephone*

	TOP	MIDDLE	BOTTOM
Less than 10%	35.56	46.56	33.50
10% - 19%	12.89	25.13	20.20
20% - 29%	12.89	3.70	6.90
30% - 39%	19.33	7.14	13.30
40% - 49%	9.79	3.70	13.30
50% - 59%	6.44	0	0
60% - 69%	0	3.70	0
70% - 79%	0	7.14	13.30
80% - 89%	3.34	3.70	0

TABLE II (cont'd): Factor 4 - Pre-planning

Q. 7: *In your organisation how many people are usually involved in a large contract negotiation*

	TOP	MIDDLE	BOTTOM
1	9.79	14.29	6.90
2	25.78	46.56	20.20
3	35.56	14.29	13.30
4	16.23	21.43	33.50
More than 4	12.89	3.70	26.60

Q. 23: *Pre-determined negotiation strategies are necessary when working in a team*

	TOP	MIDDLE	BOTTOM
Strongly Agree	58.00	53.70	53.20
Tend to Agree	42.00	32.28	46.80
Tend to Disagree	0	7.14	0
Strongly Disagree	0	7.14	0

TABLE II (cont'd): Factor 4 - Pre-planning

Q. 34: *What percentage of major issues do you estimate are agreed upon in the last 10% of negotiation time*

	TOP	MIDDLE	BOTTOM
Less than 10%	19.33	7.14	20.20
10% - 19%	9.79	14.29	6.90
20% - 29%	3.34	7.14	6.90
30% - 39%	6.44	10.85	13.30
40% - 49%	12.89	10.85	6.90
50% - 59%	12.89	7.14	20.20
60% - 69%	3.34	3.70	0
70% - 79%	3.34	7.14	20.20
80% - 89%	22.67	10.85	6.90
90% - 100%	6.44	21.43	0

Q. 12: *Pre-negotiation discussions between parties is necessary*

	TOP	MIDDLE	BOTTOM
Strongly Agree	42.00	28.57	60.10
Tend to Agree	35.56	53.70	39.90
Undecided	6.44	3.70	0
Tend to Disagree	16.23	14.29	0

4.5 FACTOR 5: CONTROL

Control - is a factor that tends to distinguish between Middle and Bottom companies.

	TOP	MIDDLE	BOTTOM
Factor 5 Control	.196	-.416	.371

Questions comprising the factor and the percentage of companies responding to each category have been tabled in Table I2.

As has already been discussed in Factor 4, Bottom companies tend to have a greater number of people involved in a negotiation than either Top or Middle companies. This brings into consideration factors such as pre-planning and the pre-specification of negotiation time.

Both Top and Bottom companies are in total agreement that pre-determined strategies are necessary when working in a team, with 14.28% of Middle companies in disagreement. This indicates that both Top and Bottom companies are aware of the necessity to pre-plan negotiations when large numbers are involved. Results from Factor I however, demonstrate that the two company groupings are not equivalent in terms of the actual amount of pre-planning undertaken. The small number of negotiators involved in Middle company negotiations may indicate why some negotiators in these companies feel that pre-planning is unimportant.

The question regarding the pre-specification of negotiation time draws differing responses from all three company groupings. The literature is in agreement that time limits should be set for negotiations. Operating within time limits leads parties to reach more satisfactory agreements

in a shorter period of time. Time limits in affect, place pressure on negotiators to reach agreements. Failure to do so may have ramifications for the negotiators esteem and position within the team.

48.45% of Top companies agree with the necessity for time limits, whilst 28.57% of Middle companies are in agreement, as are 60.1% of Bottom companies. It is, therefore, the Middle companies who express the greatest disagreement with this statement, in contrast to Bottom companies who are strongly in agreement. In this situation, one would assume that Middle companies would have the highest incidence of agreements being reached outside formal hours. Referring back to Factor 3, demonstrates that this is not the case.

The responses for this question are not entirely consistent with the opposite proposition that negotiation time should not be pre-specified. 38.66% of Top companies agree, whilst 71% of Middle companies were in agreement and 67% of Bottom companies also agreed.

Both logrolling and compromise are two negotiation strategies that have received considerable attention in the literature. Logrolling permits the trading of concessions on one or more issues in return for concessions on these or others by the opposing party.

Compromise involves negotiating each issue separately, without coupling it to other issues. The results indicate that Bottom companies are more inclined to use both Logrolling and Compromise in negotiations. Middle companies indicate a tendency towards Logrolling, whereas Top companies are more inclined to negotiate issues separately.

Little evidence as to the absolute effectiveness of either strategy is apparent, although it has been suggested that as issues grow in number, pressures toward differentiating among them are likely to increase (Rubin & Brown, 1975).

TABLE 12: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Question Response Category

Q. 7: *In your Organisation how many people are usually involved in a large contract negotiation*

	TOP	MIDDLE	BOTTOM
1	9.79	14.29	6.90
2	25.78	46.56	20.20
3	35.56	14.29	13.30
4	16.23	21.43	33.50
More than 4	12.89	3.70	26.60

Q.23: *Pre-determined negotiation strategies are necessary when working in a team*

	TOP	MIDDLE	BOTTOM
Strongly Agree	58.00	53.70	53.20
Tend to Agree	42.00	32.28	46.80
Tend to Disagree	0	7.14	0
Strongly Disagree	0	7.14	0

Q.17: *Negotiation time should be pre-specified rather than not specified*

	TOP	MIDDLE	BOTTOM
Strongly Agree	12.89	7.14	20.20
Tend to Agree	35.56	21.43	39.90
Undecided	3.34	7.14	6.90
Tend to Disagree	32.22	50.00	26.60
Strongly Disagree	16.23	14.29	6.90

TABLE 12. (cont'd): Factor 5 - Control

Q. 30: *When negotiating multiple issues what percentage of the time do you negotiate each issue separately*

	TOP	MIDDLE	BOTTOM
less than 10%	22.67	28.57	6.90
10% - 19%	3.34	3.70	6.90
20% - 29%	19.33	21.43	0
30% - 39%	3.34	10.85	6.90
40% - 49%	12.89	0	13.30
50% - 59%	9.79	14.29	33.50
60% - 69%	12.89	7.14	13.30
70% - 79%	6.44	3.70	6.90
80% - 89%	0	7.14	6.90
90% - 100%	9.79	3.70	6.90

Q.41: *Negotiation time should not be pre-specified*

	TOP	MIDDLE	BOTTOM
Strongly Agree	6.44	21.43	20.20
Tend to Agree	32.22	50.00	46.80
Undecided	3.34	7.14	6.90
Tend to Disagree	42.00	21.43	26.60
Strongly Disagree	16.23	0	0

TABLE 12 (cont'd): Factor 5 - Control

Q. 30: *When negotiating multiple issues what percentage of time do you make concessions on some issues in return for concessions on others*

	TOP	MIDDLE	BOTTOM
Less than 10%	12.89	17.99	0
10% - 19%	19.33	3.70	6.90
20% - 29%	0	14.29	6.90
30% - 39%	12.89	21.43	6.90
40% - 49%	19.33	7.14	13.30
50% - 59%	6.44	32.28	33.50
60% - 69%	6.44	3.70	0
70% - 79%	3.34	0	6.90
80% - 89%	12.89	0	6.90
90% - 100%	6.44	0	20.20

Q. 33: *What percentage of the time are you involved in multi-party negotiations*

	TOP	MIDDLE	BOTTOM
Less than 10%	45.11	53.70	33.50
10% - 19%	22.67	10.85	20.20
20% - 29%	6.44	14.29	20.20
30% - 39%	16.23	3.70	6.90
40% - 49%	3.34	7.14	0
50% - 59%	3.34	7.14	0
60% - 69%	3.34	3.70	0
70% - 79%	0	0	13.30
80% - 89%	0	0	6.90

4.6 FACTOR 6: HARD BARGAINING

Hard Bargaining - distinguishes Bottom companies from Top and Middle companies.

	TOP	MIDDLE	BOTTOM
Factor 6 Hard- Bargaining	.057	.062	-.235

The questions comprising the factor and the percentage of responses in the response categories are listed in Table I3.

Two questions tend to distinguish the companies.

Firstly, in response to the question 'Negotiation involves getting the best deal for your company, regardless of how the other party fares', 40.4% of Bottom companies agreed in relation to 32.46% of Top companies and 25.13% of Middle companies. This is in line with Factor 2 and indicates the Individualistic orientation to negotiation that tends to be adopted by Bottom companies to a greater degree than either Top or Middle companies.

The second question of interest is that "It is not necessary to plan or prepare for a negotiation'. Again, it was the Bottom companies, who, to a greater degree, tended to support this statement. Again, this is in line with the responses to questions in Factor 1 relating to Forethought, and Factor 2 relating to the hasty preparation of negotiation documents.

All three company groupings were in agreement that making extreme initial offers does not necessarily lead to better results. This is an interesting point, as the opposite is advocated in the negotiation literature.

Setting an extreme initial offer indicates to the other party the range of outcomes that are available, and sets the aspiration levels

of the parties. General conclusions from studies indicated that negotiators attained higher and more satisfactory outcomes when beginning the interaction with extreme rather than moderate demands. Making initial offers at expected levels was an ineffective means of reaching agreement.

In conjunction with the opening moves are the importance of concession strategies. The literature has demonstrated that there are a number of theories pertinent to negotiation, none of which has won precedence overall. Giving in by large increments, however, is not viewed as good strategy. All three company groupings are in agreement with this statement.

As negotiations increase in size, importance, and prominence, within organisations, more weight will be placed upon the opening moves and the concession strategies. These two factors contribute significantly to negotiation outcome.

TABLE 13: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Question Response Category

Q. 38: *It is not necessary to plan or prepare for a negotiation*

	TOP	MIDDLE	BOTTOM
Strongly Agree	0	10.85	6.90
Tend to Agree	6.44	0	6.90
Tend to Disagree	6.44	17.99	6.90
Strongly Disagree	87.11	71.43	79.80

Q. 45: *In your experience making extreme initial offers leads to better results*

	TOP	MIDDLE	BOTTOM
Strongly Agree	3.34	0	6.90
Tend to Agree	3.34	7.14	0
Undecided	12.89	0	6.90
Tend to Disagree	35.56	50.0	60.10
Strongly Disagree	45.11	42.86	26.60

Q. 8: *Negotiation involves getting the best deal for your company regardless of how the other party fares*

	TOP	MIDDLE	BOTTOM
Strongly Agree	3.34	0	6.90
Tend to Agree	29.12	25.13	33.50
Undecided	6.44	0	0
Tend to Disagree	25.78	50.00	33.50
Strongly Disagree	35.56	25.13	26.60

TABLE 13 (Cont'd): Factor 6 - Hard Bargaining

Q. 35: *The best approach to negotiations is to give in my large increments.*

	TOP	MIDDLE	BOTTOM
Tend to Agree	6.44	0	6.90
Undecided	9.79	10.85	6.90
Tend to Disagree	16.23	42.86	46.80
Strongly Disagree	67.78	46.56	39.90

4.7 FACTOR 8: TIME CONTROL

Time Control- tends to distinguish Middle and Bottom Companies.

	TOP	MIDDLE	BOTTOM
Factor 8 Time Control	.007	.208	-.403

Questions pertaining to the factor and the percentage of responses in each category are listed in Table I4.

Middle and Bottom Companies polarise on their responses to the question of adherence to negotiation time schedules. Bottom companies are in disagreement as to their adherence whilst Middle companies predominantly agree that time schedules in negotiation are generally adhered to.

To this may be due to the individualistic orientation adopted by Bottom companies and the amount of conflict evident within their negotiations. Of great interest is that Bottom companies, due to the three factors listed - inability to adhere to negotiation time schedules, use of conflict within negotiation, and adoption of an individualistic orientation - also find it necessary to reach agreements outside of formal negotiation hours. Middle companies in contrast, are in agreement with the latter statement. The approach taken by Bottom companies to negotiation tends to be ineffective.

A further factor that contributes to the difference between the parties is the percentage of responses in each category to Question 27 - 'The aim of negotiation is to get the best deal for both parties'. Bottom companies are 100% in agreement with this statement. This in fact, goes completely against the individualistic orientation so clearly

exhibited throughout the other factors. As such it may be regarded as a 'social desirability' response, rather than a true response.

The same tends to apply to Middle companies who in response to Factor 2 demonstrated a competitive orientation, but who in response to Question 27, advocate complete co-operation.

TABLE 14: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Question Response Category

Q. 14: *Time Schedules in negotiation are generally adhered to*

	TOP	MIDDLE	BOTTOM
Strongly agree	12.89	7.14	6.90
Tend to Agree	48.45	53.70	6.90
Undecided	0	0	6.90
Tend to Disagree	32.22	39.42	73.40
Strongly Disagree	6.44	0	6.90

Q. 26: *Many negotiation agreements are outside of formal negotiation house*

	TOP	MIDDLE	BOTTOM
Strongly Agree	3.34	10.85	13.30
Tend to Agree	38.66	25.13	66.50
Undecided	6.44	10.85	0
Tend to Disagree	35.56	50.00	20.20
Strongly Disagree	16.23	3.70	0

Q. 27: *The aim of negotiation is to get the best deal for both parties*

	TOP	MIDDLE	BOTTOM
Strongly Agree	51.55	35.71	73.40
Tend to Agree	35.56	53.70	26.60
Undecided	3.34	0	0
Tend to Disagree	6.44	10.85	0
Strongly Disagree	3.34	0	0

TABLE 1.4 (Cont'd): Factor 8 - Time Control

Q. 35: *The best approach to negotiation is to give in by large increments*

	TOP	MIDDLE	BOTTOM
Tend to Agree	6.44	0	6.90
Undecided	9.79	10.85	6.90
Tend to Disagree	16.23	42.86	46.80
Strongly Disagree	67.78	46.56	39.90

Q. 16: *Pre-negotiation discussions restrict you to pre-determined strategies and decisions*

	TOP	MIDDLE	BOTTOM
Strongly Agree	0	7.14	0
Tend to Agree	22.67	21.43	26.60
Undecided	0	3.70	0
Tend to Disagree	61.34	42.86	60.00
Strongly Disagree	16.23	25.13	13.30

4.8 FACTOR 10: COOPERATION/COMPETITION

Cooperation/competition - distinguishes Top Companies from Middle and Bottom Companies.

	TOP	MIDDLE	BOTTOM
Factor 10 Cooperation/ Competition	-.213	.154	.153

The questions comprising the factor and the percentage of responses to each category are listed in Table 15.

The responses to Factor 10 indicate that all companies agree with the statement that Negotiation involves both cooperation and competition. Yet such a response is not consistent with that obtained from Factor 3 regarding the necessary use of conflict in negotiation. This indicates that companies may not equate the use of conflict with a competitive motivational orientation. The literature however, is quite adamant on such an association and its eventual outcome.

Reduced negotiation outcomes and the possibility of a deadlocked situation may be the result.

All companies were in agreement that 'Cooperation between parties is the key to successful negotiations'. Yet, both Middle and Bottom companies have clearly exhibited an individualistic orientation in response to the question that 'Winning is all important'. A motivational orientation of cooperation is considered by the literature to be the most effective approach to negotiation. Conversely, an individualistic orientation is viewed as the antithesis of cooperation.

Social desirability may therefore, play a part in responses to Factor 10.

TABLE 15: Percentage of Subjects within Top, Middle and Bottom Companies responding to each Question Response Category

Q. 32: *Successful negotiators involve both co-operation and competition*

	TOP	MIDDLE	BOTTOM
Strongly Agree	54.90	53.70	53.20
Tend to Agree	38.66	39.42	46.80
Undecided	3.34	3.70	0
Tend to Disagree	3.34	3.70	0

Q. 46: *Co-operation between parties is the key to successful negotiations*

	TOP	MIDDLE	BOTTOM
Strongly Agree	45.11	57.14	39.90
Tend to Agree	42.00	39.42	60.10
Undecided	6.44	3.70	0
Tend to Disagree	6.44	0	0

4.9 SUMMARY TO CHAPTER 4:

Factor 7 Mode of Negotiation, and Factor 9 Fixed Priorities were not discussed. This was due to the fact that group means for these factors were not significant at either the .01 or .05 level of significance. This tends to indicate that these factors are not as important in determining differences in negotiation style between companies as are those factors that reached significance. Further research should therefore be conducted with these non-significant factors.

The discriminant analysis demonstrated two points. Firstly, that there were significant differences in negotiating style between the three company groupings. Further research would need to be conducted to ascertain if such differences influence overall company success. Secondly, the differences can be successfully identified using the 10 derived factors.

Bottom companies display an immature 'conflict' orientation toward negotiation. This is highlighted by the following points:

- . Bottom companies feel they know more about negotiation than do their peers.
- . Bottom companies feel they have more ability as negotiators than do their peers.
- . Self-respect is not viewed as necessary.
- . Overall, Bottom companies give less forethought to negotiation.
- . Documents are hastily prepared.
- . Bottom companies adopt an individualistic orientation toward negotiation. The aim is to win regardless of how the other party fares.
- . Conflict in negotiation is viewed as necessary.

. Agreements are frequently reached outside of formal negotiation hours.

. Negotiation skills training courses are viewed as unnecessary.

All of the above responses indicated by Bottom companies run contrary to what the literature views as successful negotiation process. This would indicate that these companies are in special need of skills training courses to improve their approach toward negotiation, and to increase their awareness of the limitations inherent in their present negotiation orientation.

Middle companies do not display any really significant responses. They tend to adopt a competitive orientation toward negotiation. Such an approach attempts to 'beat' the other party. Although this orientation is also criticised by the current negotiation literature, it is not viewed as poorly as is an individualistic stance.

Top companies in contrast, report practicing almost 'perfect' negotiation policies according to the literature. Forethought is given to negotiations and pre-planning is a frequent occurrence. Time limits are viewed as necessary as this ensures agreements will be reached within the structured time limitations.

The responses indicate confidence in their ability as negotiators and knowledge of the negotiation process. Self-respect is deemed as a necessary trait to be possessed by a negotiator and the value of skills training courses is recognised.

Further, some negotiators from Top companies have already participated in such courses. This may significantly contribute to their expressed attitudes toward negotiation.

Reviewing the companies responses to the questions and the stated 'principles' of the negotiation literature, it is possible, in these terms, to see why Top companies are in fact Top and Bottom companies are in fact Bottom.

The companies positions within the structure of industry and the responses indicated in the questionnaires are in accordance with what the literature deems as 'good' and 'bad' negotiation.

As such, it is now possible to structure negotiation skills training courses specifically to the various company groupings. This would avoid the overgenerality that is present in many such courses that attempt to cover the entire negotiation area in a short period of time. The synthesis provided by the factor analysis alleviates this problem.

All companies are predominantly involved in face to face negotiations. This eliminates the many problems associated with both telephone and letter negotiations. This however, is not to say that such negotiations do not occur. More research needs to be conducted within the industry area to establish their viability.

All companies are in disagreement with the literature on the benefits accruing from extreme initial offers within negotiation. The literature views such offers as a necessary starting point to the negotiation. Further research needs to be carried out on this point.

Two further points that appear in need of further research and clarification within industry are the issues of Logrolling versus Compromise, and the advisability of pre-negotiation discussions between parties to the negotiation.

CHAPTER FIVE

DISCRIMINANT ANALYSIS - MANAGERIAL FUNCTION

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- 5.1 FACTOR 2: Winning
- 5.2 FACTOR 3: Conflict
- 5.3 FACTOR 5: Control
- 5.4 FACTOR 6: Hard Bargaining
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- 5.7 FACTOR 9: Fixed Priorities
- 5.8 FACTOR 10: Co-operation/Competition
- 5.9 SUMMARY TO CHAPTER 5

CHAPTER FIVE

DISCRIMINANT ANALYSIS - MANAGERIAL FUNCTIONS

Participating Managers were classified into the four functions of Production, Purchasing, Marketing and Chief Executive. Information for this classification was obtained from the completed questionnaires.

The four Managerial criterion groups of Production, Purchasing, Marketing and Chief Executives produced three discriminant functions. Discriminant Function 1 accounted for 55.61% of the total discriminative power of the 10 factors. Discriminant Function 2 accounted for 35.80% and Discriminant Function 3 accounted for 8.6% of the total discriminative power of the 10 factors respectively.

Table 16 indicates the adequacy of the derived discriminant functions by observing the proportion of correct classifications in terms of actual and predicted group membership. 52.7% of cases were correctly classified as belonging to Production, Purchasing, Marketing or Chief Executive functions. Of these, 62.5% of cases were correctly identified as Production, 52.6% as Purchasing, 64.7% as Marketing, and 36.4% as Chief Executives.

The low figure for correct identification of Chief Executives could be due to the cross disciplinary origin of the function. Managers who fulfil the role of Chief Executive are frequently drawn from areas of Production, Purchasing, Marketing or Accounting. Therefore, the background of the Chief Executive is not exclusive, or as clearly differentiated as are the other three functions.

The Chi-square test used to determine whether there was a significant difference between the observed number and the

expected number of cases in each group was 40.07, $df = 9$,
 $p < .01$.

Table 17 presents the co-efficients of the 10 factors in the discriminant equations. The co-efficients indicate which factors are the most effective predictors within the context of the discriminant functions.

The order of relative importance for Discriminant Function 1 is Fixed Priorities, followed by Conflict. Both factors can be seen to be making negative contributions to the dimension.

In Discriminant Function 2, the greatest contribution was by Winning, followed by Mode of Negotiation, Time Control, Control, and Fixed Priorities. Winning, Control, and Fixed Priorities made positive contributions to the dimension, whilst Mode of Negotiation and Time Control made negative contributions.

Four factors can be seen to be contributing to the third Discriminative Function. Conflict, Hard Bargaining, Mode of Negotiation and Co-operation/Competition made positive contributions, whilst Hard Bargaining and Mode of Negotiation made negative contributions.

As three Discriminant Function equations have been derived, a graph visually indicating the discriminant ability of the three functions is not feasible.

Table 18, however, presents a Table of Group Means that correspond to each discriminant equation, and allows observations of Managerial function differences on the 10 factors.

t tests with $df = 64$ were conducted on the Table of Group Means to determine the significance of scores. Two asterix beside a score indicates it to be significant at the .01 level. One asterix indicates significance at the .05 level.

Those means which gained significance will be discussed in relation to detailed information obtained through cross tabulations.

TABLE 16: Actual and Predicted Group Membership

ACTUAL GROUP	NUMBER OF CASES	PREDICTED GROUP MEMBERSHIP			
		PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
GROUP 1 Production %	16	10 62.5%	1 6.3%	2 12.5%	3 18.8%
GROUP 2 Purchasing %	19	2 10.5%	10 52.6%	2 10.5%	5 26.3%
GROUP 3 Marketing %	17	3 17.6%	2 11.8%	11 64.7%	1 5.9%
GROUP 4 Chief Executives %	22	7 31.8%	2 9.1%	5 22.7%	8 36.4%

Chi-square = 40.07, df = 9: $p < .01$

TABLE 17: Standardised Co-efficients for Discriminant Functions 1, 2 & 3 on 10 Factors

FACTORS	1	2	3
1 Calculation	.144	.179	-.098
2 Winning	.082	.510	-.179
3 Conflict	-.430	-.068	.419
4 Pre-planning	.126	.099	.006
5 Control	.041	.347	-.089
6 Hard Bargaining	.176	.067	-.628
7 Mode of Negotiation	-.176	-.466	-.372
8 Time Control	.135	-.401	.111
9 Fixed Priorities	-.764	.331	-.136
10 Cooperation/ Competition	.273	.267	.444

TABLE 18: Table of Group Means

	PREDICTOR GROUPS	GROUP 1 Production	GROUP 2 Purchasing	GROUP 3 Marketing	GROUP 4 Chief Executive
FACTORS					
1	Calculation	-.011	-.012	-.109	.103
2	Winning	.024	.125	-.409*	.090
3	Conflict	-.143	.307*	.129	-.261**
4	Pre-planning	.109	-.049	-.116	.052
5	Control	.015	.049	-.237*	.130
6	Hard Bargaining	-.077	-.173	-.057	.249**
7	Mode of Negotiation	-.292**	-.050	.393*	-.048
8	Time Control	.087	-.225**	.264**	-.072
9	Fixed Priorities	-.457*	.590*	-.057	-.133
10	Cooperation/ Competition	.312*	-.059	-.268**	.031

** significant at .01

* significant at .05

5.1 FACTOR 2: WINNING

Group means for the four Managerial functions in terms of Factor 2 - Winning, appear below:

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Factor 2 Winning	.024	.125	-.409	.190

The questions that comprise the factor and the percentage of responses for the different Management functions appear in Table 19.

Marketing managers are clearly distinguished from other Management functions by the over-whelming agreement that 'winning' is the objective of negotiation.

The orientation adopted is clearly Individualistic - one that does not take into consideration the other party/parties to the negotiation.

Such an orientation may be suitable for short term negotiations, where future contact between parties is not anticipated. However, if such an orientation is displayed frequently during long term negotiations, such relationships could be severely hindered.

The process of negotiation could be less effective, a spiralling of conflict may occur, instigating competitive responses from the other party/parties to the negotiation. All too frequently, deadlock is the eventual negotiation outcome.

The percentage of responses indicates that generally, the four Managerial functions do not feel restricted by set time limits within the negotiation. Further, negotiators do not feel restricted by organisational pre-negotiation discussions. This would tend to indicate that pre-negotiation discussions do not limit individual initiative within the negotiation, but may in fact aid in structuring the negotiation within the prescribed time limitations.

The beneficial and necessary aspects of pre-negotiation discussions are further evidenced by the fact that all functions firmly believe that negotiation documents are prepared well in advance, thus avoiding the necessity for last minute planning.

Pre-planning would also assist in determining strategies and tactics to be used during the negotiation. All parties are in agreement that a most effective strategy is to give in very slowly if at all.

To give in slowly, is viewed by the literature as an acceptable concession strategy. However, to fail to reciprocate concessions in part or in full, could lead to the same such response by the other party to the negotiation. Conflict may thus be the outcome of the desire to win, by withholding concessions.

TABLE 19: Percentage of Subjects within the Managerial Functions of Production, Purchasing, Marketing and Chief Executive responding to each Question Response Category

Q. 11: *Winning is all important in a negotiation situation*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	18.98	10.51	17.83	9.09
Tend to Agree	37.5	42.02	64.78	59.26
Undecided	0	10.51	0	9.09
Tend to Disagree	37.50	15.95	11.74	9.09
Strongly Disagree	6.48	21.01	6.09	13.80

Q. 36: *The aim of negotiation is to give the other side as little as possible*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	0	0	6.09	0
Tend to Agree	43.98	10.51	46.96	13.80
Undecided	6.48	15.95	6.09	4.71
Tend to Disagree	37.50	36.96	35.22	54.55
Strongly Disagree	12.50	36.96	6.09	27.27

Q. 13: *Too little time is set aside for most negotiations*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	6.48	10.50	11.74	9.09
Tend to Agree	18.98	36.96	29.57	22.90
Undecided	12.50	0	0	9.09
Tend to Disagree	56.48	36.96	46.96	54.55
Strongly Disagree	6.48	15.95	11.74	4.71

TABLE 19 (Cont'd): Factor 2 - Winning

Q. 16: *Pre-negotiation discussions restrict you to pre-determined strategies and decisions*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	0	0	0	9.09
Tend to Agree	31.48	21.01	35.22	9.09
Undecided	0	5.45	0	0
Strongly Disagree	50.00	52.53	53.04	59.26
Tend to Disagree	18.98	21.01	11.74	22.90

Q. 29: *Usually negotiation documents are hastily prepared at the last minute*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	6.48	0	0	0
Tend to Agree	0	5.45	17.83	18.18
Undecided	6.48	5.45	11.74	4.71
Tend to Disagree	50.00	31.52	23.48	50.17
Strongly Disagree	37.50	57.98	46.96	27.27

Q. 25: *A most effective negotiation strategy is to give in very slowly if at all*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	0	26.46	11.74	9.09
Tend to Agree	56.48	31.52	46.96	41.08
Undecided	12.50	0	0	4.71
Tend to Disagree	25.00	26.46	23.48	27.27
Strongly Disagree	6.48	15.95	17.83	18.18

TABLE 19 (Cont'd): Factor 2 - Winning

Q. 50: *Have you been involved in a negotiation skills training course.*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Yes	6.48	15.95	17.83	22.90
No	93.98	84.05	82.17	77.44

Q. 8: *Negotiation involves getting the best deal for your company regardless of how the other party fares.*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	0	5.45	6.09	0
Tend to Agree	18.98	26.46	53.04	18.18
Undecided	0	0	0	9.09
Tend to Disagree	50.0	31.52	29.57	36.36
Strongly Disagree	31.48	36.96	11.74	36.36

5.2 FACTOR 3: Conflict

Conflict - is a factor that tends to distinguish Purchasing Managers from Chief Executives. Production Managers tend to respond in accord with Chief Executives.

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Factor 3 - Conflict	-.143	.307	.129	-.261

The questions that comprise the factor and the percentage of responses for the different Management functions appear in Table 20.

The differences between these four Managerial functions in the use of conflict is obvious.

Purchasing Managers tend to disagree with its use, whilst both Production Managers and Chief Executives can be seen as conflict advocates.

This is clearly evident by the fact that Chief Executives are predominantly in favour of the 'necessary' use of conflict in negotiation. They are closely followed by Production Managers in this view.

A ramification of this apparent use of conflict in negotiation, may be that weaker parties have a greater need and likelihood to form coalitions. This may be why Chief Executives experience coalition formation in their negotiations, whilst Purchasing Managers, who do not advocate the use of conflict, do not as frequently observe coalition formation.

The negotiation literature is firm in the belief that the use of conflict will hinder both negotiation process and outcome. This could explain why both Chief Executives and Production Managers find it

necessary to reach agreements outside of formal negotiation hours.

All functions tend to be in agreement that threats are not a frequent occurrence in negotiation, nor that negotiation is a fight. Further, conscious misrepresentation does not appear to be evident in negotiations, although the Production Managers tend to agree with its use more than the other functions, with Purchasing Managers showing the strongest disagreement.

The use of conflict then appears to be minimised in the negotiation of both Purchasing Managers and Marketing Managers, in relation to the advocacy of such by both Chief Executives and Production Managers.

The absence of conflict in the negotiations of Purchasing and Marketing Managers, would allow far greater scope for effective and successful negotiations. This is clearly demonstrated by the negotiation literature.

Purchasing holds a very special function within the organisation in deals primarily with suppliers. Here the need for both tact and diplomacy may be paramount, particularly if a supplier holds a monopoly on goods and services necessary for production.

Conflict and its use could lead to deadlock, and in many instances this would certainly not be in the best interest of the Purchasing Manager or his organisation. Long term relations with suppliers must be considered, rather than the short term perspective evident in many negotiations.

An interesting situation emerges in regard to the Marketing Managers use of conflict. Factor 2 Winning, demonstrated that Marketing Managers adopted an individualistic orientation, yet the use of conflict is minimal. Generally, the literature associates an individualistic orientation with conflict.

This is obviously not the case with Marketing Managers, as conflict and its use are not included in their 'winning' repertoire.

TABLE 20: Percentage of Subjects within the Managerial Functions of Purchasing, Production, Marketing and Chief Executives responding to each Question Response Category

Q. 37: *In multiparty negotiations coalitions often form*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	0	5.45	6.09	4.71
Tend to Agree	50.00	47.47	41.30	63.64
Undecided	31.48	21.01	35.22	13.80
Tend to Disagree	18.98	15.95	11.74	18.18
Strongly Disagree	0	10.51	6.09	0

Q. 26: *Many negotiation agreements are reached outside of formal negotiation hours*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	0	10.51	6.09	13.80
Tend to Agree	43.98	36.96	35.22	41.08
Undecided	18.98	0	6.09	4.71
Tend to Disagree	37.50	31.52	53.04	31.99
Strongly Disagree	0	21.01	0	9.09

Q. 21: *Threats are commonly used in your company's negotiations*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	0	5.45	0	4.71
Tend to Agree	6.48	5.45	6.09	4.71
Undecided	6.48	0	11.74	4.71
Tend to Disagree	25.00	26.46	35.22	18.18
Strongly Disagree	62.50	63.04	46.96	68.35

TABLE 20 (Cont'd): Factor 3 - Conflict

Q. 19: *Conscious misrepresentation occurs frequently in negotiation*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	12.50	0	0	4.71
Tend to Agree	12.50	10.51	17.83	13.80
Undecided	0	5.45	0	4.71
Tend to Disagree	31.48	31.52	41.3	41.08
Strongly Disagree	43.98	52.53	41.3	36.36

Q. 29: *Usually negotiation documents are hastily prepared at the last minute*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	6.48	0	0	0
Tend to Agree	0	5.45	17.83	18.18
Undecided	6.48	5.45	11.74	4.71
Tend to Disagree	50.00	31.52	23.48	50.17
Strongly Disagree	37.50	57.98	46.96	27.27

Q. 22: *To achieve a successful outcome a certain amount of conflict is necessary*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	12.50	0	6.09	9.09
Tend to Agree	31.48	36.96	23.48	54.55
Undecided	6.48	5.45	0	9.09
Tend to Disagree	31.48	31.52	35.22	22.90
Strongly Disagree	18.98	26.46	35.22	4.71

TABLE 20 (cont'd): Factor 3 - Conflict

Q. 28: *Negotiating is a fight*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Strongly Agree	-	-	-	-
Tend to Agree	18.98	5.45	6.09	4.71
Undecided	0	5.45	0	4.71
Tend to Disagree	31.48	26.46	17.83	50.17
Strongly Disagree	50.0	63.04	76.52	41.08

5.3 FACTOR 5: CONTROL

Control - distinguishes Marketing Managers, particularly in relation to Chief Executives.

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Factor 5 Control	.015	.049	- .237	.130

The questions that comprise the factor and the percentage of responses for the different Management functions appear in Table 21.

A noticeable difference exists between the numbers of people from the various functions who are involved in a large contract negotiation. The Marketing function predominantly have two negotiators, compared to 3 or 4 from Chief Executive, 2 or 3 from Production functions, and 2 or 4 from Purchasing functions.

These numbers indicate that formalisation of rules or procedures would frequently be necessary in the negotiations.

A further contributing factor to rule formalisation are multi-party negotiations. The majority of the Managers are engaged in multi-party negotiations less than 20% of the time. A noticeable exception are the 23% of Marketing Managers who are engaged in such negotiation 30 - 40% of the time.

The greater the number of Managers involved in a negotiation, and the greater the Percentage of Multiparty negotiations, the more likely it is that agreements will be partial, in that only some agenda topics will be covered, ambiguity and disagreement may increase, and only some of the parties will agree to the final negotiation agreement.

These factors may lead Purchasing and Marketing Managers to disagree with pre-specified negotiation time. If such time was free, negotiations would then progress at the negotiators own pace. Such a situation does have ramifications, as research has demonstrated that more effective agreements are reached when time limits are specified.

All Managerial Functions are in agreement as to the necessity of pre-negotiation discussions when working in a team. Such pre-planning would enable negotiators to become familiar with strategies and tactics to be used within the team, and with each team members function within the negotiation. If such discussions were not to precede a negotiation, negotiation effectiveness would be considerably reduced.

TABLE 2I: Percentage of Subjects within the Managerial Functions of Production, Purchasing, Marketing and Chief Executives responding to each Question Response Category

Q. 7: *In your organisation how many people are usually involved in a large contract negotiation*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
1	6.48	15.95	11.74	9.09
2	31.48	31.52	53.04	18.18
3	31.48	15.95	11.74	31.99
4	18.98	21.01	17.83	27.27
More than 4	12.50	15.95	6.09	13.80

Q. 33: *What percentage of time are you involved in multi-party negotiations*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Less than 10%	31.48	52.53	41.30	54.55
10% - 19%	31.48	5.45	23.48	13.80
20% - 29%	12.50	15.95	6.09	13.80
30% - 39%	6.48	10.51	23.48	0
40% - 49%	6.48	0	0	9.09
50% - 59%	0	10.51	6.09	0
60% - 69%	6.48	0	0	4.71
70% - 79%	0	5.45	0	4.71
80% - 89%	6.48	0	0	0

TABLE 21 (Cont'd): Factor 5 - Control

Q. 41: *Negotiation time should not be pre-specified.*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	18.98	21.01	17.83	4.71
Tend to Agree	31.48	42.02	53.04	41.08
Undecided	6.48	5.45	0	9.09
Tend to Disagree	37.50	21.01	29.57	36.36
Strongly Disagree	6.48	10.51	0	9.09

Q. 23: *Pre-determined negotiation strategies are necessary when working in a team.*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	75.00	47.47	53.04	50.17
Tend to Agree	18.52	42.02	41.30	50.17
Undecided	-	-	-	-
Tend to Disagree	0	5.45	6.09	0
Strongly Disagree	6.48	5.45	0	0

Q. 17: *Negotiation time should be pre-specified rather than not specified*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	25.00	10.51	0	13.80
Tend to Agree	37.50	21.01	41.30	27.27
Undecided	6.48	0	6.09	9.09
Tend to Disagree	25.00	47.47	41.30	36.36
Strongly Disagree	6.48	21.01	11.74	13.80

TABLE 21 (Cont'd): Factor 5 - Control

Q. 30: *When negotiating multiple issues what percentage of the time do you negotiate each issue separately*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Less than 10%	18.98	31.52	23.48	13.80
10% - 19%	6.48	10.51	0	0
20% - 29%	18.98	10.51	17.83	18.18
30% - 39%	6.48	5.45	6.09	9.09
40% - 49%	6.48	5.45	6.09	13.80
50% - 59%	12.50	10.51	23.48	18.18
60% - 69%	18.98	5.45	17.83	4.71
70% - 79%	0	5.45	0	13.80
80% - 89%	12.50	0	0	4.71
90% - 100%	0	15.95	6.09	4.71

Q. 30: *When negotiating multiple issues what percentage of the time do you make concessions on some issues in return for concessions on others*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Less than 10%	6.48	21.01	6.09	13.80
10% - 19%	12.50	10.51	17.83	4.71
20% - 29%	0	15.95	11.74	0
30% - 39%	25.00	5.45	11.74	18.18
40% - 49%	18.98	10.51	11.74	13.80
50% - 59%	18.98	15.95	35.21	18.18
60% - 69%	0	0	6.09	9.09
70% - 79%	0	0	0	9.09
80% - 89%	12.50	5.45	0	9.09
90% - 100%	6.48	15.95	0	4.71

5.4 FACTOR 6: HARD BARGAINING

Hard Bargaining - distinguishes Chief Executives from the other Managerial functions.

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Factor 6 Hard Bar- gaining	-.077	-.173	-.057	.249

The questions that comprise the factor and the percentage of responses for the different Managerial functions appear in Table 22.

Firstly, all functions agree that it is necessary to plan and prepare for negotiations. Although such discussions would enable the investigation of various strategies and tactics, the Managers are not in agreement with the literature, as to the most effective initial offer strategy.

Between 73% and 95% of the Managers do not believe that making extreme initial offers leads to better results. The literature supports the extreme initial offer stance believing it sets the stage for negotiation.

If negotiators use an extreme initial offer strategy, more time is available to assemble information about the others preferences and intentions. Expectations are also communicated by initial offers. An extreme initial offer indicates that parties will not retreat easily from their position, and warns the other party against exploitation.

One strategy that both Managerial functions and the literature do agree on is the undesirability of giving in by large increments. Of the functions, Chief Executives are most firmly against such a strategy, as they are against extreme initial offers.

Purchasing and Marketing functions exhibit a strong Individualistic Motivational Orientation in response to the question: 'Negotiation

involves getting the best deal for your company, regardless of how the other party fares'. The support demonstrated by the Purchasing and Marketing Managers is in contrast to responses by Chief Executives and Production Managers. Both latter functions are strongly in disagreement with the Individualistic Orientation. The consequences of such an orientation have been discussed in relation to Factor 2 - Winning.

TABLE 22: Percentage of Subjects with the Managerial Functions of Production, Purchasing, Marketing and Chief Executives responding to each Question Response Category

Q. 38: *It is not necessary to plan or prepare for a negotiation*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	25.00	0	0	0
Tend to Agree	0	5.45	11.74	0
Tend to Disagree	6.48	10.51	11.74	13.80
Strongly Disagree	68.98	84.05	76.52	86.53

Q. 45: *In your experience, making extreme initial offers leads to better results*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	10.51	0	0
Tend to Agree	6.48	10.51	0	0
Undecided	6.48	5.45	11.74	4.71
Tend to Disagree	43.98	42.02	46.96	50.17
Strongly Disagree	43.98	31.52	41.30	45.45

TABLE 22 (Cont'd): Factor 6 - Hard Bargaining

Q. 35: *The best approach to negotiation is to give in by large increments*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Tend to Agree	0	5.45	11.74	0
Undecided	18.98	5.45	11.74	4.71
Tend to Disagree	25.00	31.52	29.57	41.08
Strongly Disagree	56.48	57.98	46.96	54.55

Q. 8: *Negotiation involves getting the best deal for your company regardless of how the other party fares*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	5.45	6.09	0
Tend to Agree	18.98	26.46	53.04	18.18
Undecided	0	0	0	9.09
Tend to Disagree	50.00	31.52	29.57	36.36
Strongly Disagree	31.48	36.96	11.74	36.36

5.5 FACTOR 7: MODE OF NEGOTIATION

Mode of Negotiation, distinguishes Marketing and Production Managers.

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Factor 7 Mode of Negotiation	-.291	-.050	.393	-.048

The questions that comprise the factor and the percentage of responses for the different Managerial functions appear in Table 23.

The literature has demonstrated that face to face negotiations are the most effective mode of negotiations. Production Managers have the highest percentage of face to face negotiations. 81% of production managers are involved in face to face contract negotiations 70% - 100% of the time, compared to 47% for Purchasing Managers, 45% for Marketing Managers, and 44% for Chief Executives.

Within these negotiations, many factors may influence outcomes, such as the physical arrangements at the site, time limits, and motivational orientation.

Production Managers disagree that time schedules are generally adhered to within their negotiations. This may be a reflection of the use of conflict in negotiation as demonstrated by Factor 3. Although Chief Executives also expound the use of conflict, it may be that, as a greater percentage of them have participated in negotiation skills training courses, they are aware of its influence and effect, and therefore, use it in a selective fashion.

Responses indicate that letter negotiations, although not a frequent mode of negotiation, do in fact occur. 6% of Marketing Managers conduct negotiations in this way 80 - 90% of the time. Such negotiations suffer primarily from time delays, and the inability to readily negotiate on an

issue, due to the fact that negotiations may be loathe to acknowledge in writing their terms and conditions. Letter negotiations in fact, leave little room for actual negotiation.

Logrolling has been mentioned by the literature as an effective negotiation strategy. It is in fact a problem solving strategy involving reciprocated concessions on different issues of differing importance to the different parties. Results demonstrate that varying percentages of Managers from all functions utilise such an approach to varying degrees during negotiations.

Winning and Conflict have been discussed in relation to Factor 2 and Factor 3. Interestingly the results to Question 49 in Factor 7 are not consistent with these previous results. Purchasing Managers did not advocate either the use of conflict in negotiation, or exhibit an Individualistic orientation. Yet, 32% of these Managers, compared to 13% of Production Managers, 12% of Marketing Managers, and 9% of Chief Executives, 'always' or 'often' enjoy a fight in negotiation.

The responses to this question would be dependent on the interpretation of the word 'fight'. Conflict and the use of threat or misrepresentation may not, to some Managers, be considered equivalent.

TABLE 23: Percentage of Subjects within the Managerial Functions of Production, Purchasing, Marketing and Chief Executives responding to each Question Response Category

Q. 18: *What percentage of control negotiation is undertaken face to face*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Less than 10%	0	0	0	4.71
10% - 19%	6.48	0	17.83	0
20% - 29%	12.50	10.50	0	4.71
30% - 39%	0	21.01	0	4.71
40% - 49%	0	10.50	17.83	9.09
50% - 59%	0	10.50	11.74	13.8
60% - 69%	0	0	6.09	18.18
70% - 79%	25.0	15.95	11.74	22.9
80% - 89%	31.48	10.50	17.83	9.09
90% - 100%	25.00	21.01	17.83	13.8

Q. 14: *Time schedules in negotiation are generally adhered to*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	10.51	23.48	4.71
Tend to Agree	37.50	42.02	29.57	54.55
Undecided	6.48	0	0	0
Tend to Disagree	56.48	42.02	46.96	31.99
Strongly Disagree	0	5.45	0	9.09

TABLE 23 (Cont'd): Factor 7 - Mode of Negotiation

Q. 18: *What percentage of contract negotiation is undertaken by letter*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Less than 10%	50.00	57.98	58.70	45.45
10% - 19%	25.00	10.51	11.74	22.90
20% - 29%	18.98	10.51	23.48	22.90
30% - 39%	0	15.95	0	0
40% - 49%	0	5.45	0	0
50% - 59%	6.48	0	0	9.09
60% - 69%	0	0	0	0
70% - 79%	0	0	0	0
80% - 89%	0	0	6.09	0
90% - 100%	0	0	0	0

Q. 30: *When negotiating multiple issues what percentage of the time do you make concessions on same issues in return for concessions on others*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Less than 10%	6.48	21.01	6.09	13.80
10% - 19%	12.50	10.51	17.83	4.71
20% - 29%	0	15.95	11.74	0
30% - 39%	25.00	5.45	11.74	18.18
40% - 49%	18.98	10.51	11.74	13.80
50% - 59%	18.98	15.95	35.21	18.18
60% - 69%	0	0	6.09	9.09
70% - 79%	0	0	0	9.09
80% - 89%	12.50	5.45	0	9.09
90% - 100%	6.48	15.95	0	4.71

TABLE 23 (Cont'd): Factor 7 - Mode of Negotiation

Q. 49: *Do you enjoy a fight in negotiation*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVE
Always	0	15.95	0	0
Often	12.50	15.95	11.74	9.09
Sometimes	62.50	31.52	41.30	50.17
Very rarely	18.98	15.95	35.22	22.90
Never	6.48	21.01	11.74	18.18

5.6 FACTOR 8: TIME CONTROL

Time Control - tends to distinguish Purchasing and Marketing Managers.

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Factor 8 Time Control	.087	-.225	.264	-.072

The questions that comprise the factor and the percentage of responses for the different Managerial functions appear in Table 24.

As has already been pointed out in Factor 2 and Factor 3, the Motivational Orientation adopted by parties to a negotiation can have a profound influence on process and outcome. The literature stresses the necessity of co-operation in negotiation, and the many beneficial outcomes that accrue from such an orientation.

In line with the previous orientation exhibited in Factor 2 and 3, Purchasing Managers are totally in accord with the statement that the aim of negotiation is to get the best deal for both parties.

Marketing Managers demonstrated a strong Individualistic Orientation in Factor 2 and 3, and 23.48% of them disagree with the above statement. Co-operation and an Individualistic Orientation are cited by the literature to be at opposite ends of a continuum.

The use of conflict in negotiation frequently leads to agreements being reached outside of formal negotiation hours. Both Production Managers and Chief Executives advocate the use of Conflict in negotiation and both functions agree that many negotiations are reached outside of formal hours. Over 50% of both Marketing and Purchasing Managers disagree with this statement.

The importance of pre-negotiation discussions has been discussed in relation to Factor 3. Depending on the format of such discussions, they may either limit individual initiative within negotiation by specifying strategies etc, or they may lead a negotiator to more fully explore all alternative options available.

All management functions agree that pre-planning does not limit their initiative, although Marketing Managers feel such limitations occur to a greater extent than other functions.

Pre-planning may also specify the time scheduling of negotiations. Generally, if parties fail to operate within such schedules, negative evaluation occurs from either a physically or psychologically present audience.

Many factors, such as motivational orientation, concession strategies, issue number and issue format, may influence whether or not schedules are adhered to. Over 50% of Chief Executive, Purchasing Managers and Marketing Managers feel that time schedules are not adhered to. This may lead to the increased necessity to logroll issues, to reach agreements outside formal negotiation hours, or to give in by large increments, in an attempt to work within schedules.

The latter approach is viewed by all functions as an ineffective concession strategy.

TABLE 24: Percentage of Subjects within the Managerial Functions of Production, Purchasing, Marketing and Chief Executives responding to each Question Response Category

Q. 27: *The aim of negotiation is to get the best deal for both parties*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	50.00	63.04	41.30	45.45
Tend to Agree	37.50	36.96	35.22	50.17
Undecided	0	0	0	4.71
Tend to Disagree	6.48	0	23.48	0
Strongly Disagree	6.48	0	0	0

Q. 26: *Many negotiation agreements are reached outside of formal negotiation hours*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	10.51	6.09	13.80
Tend to Agree	43.98	36.96	35.22	41.08
Undecided	18.98	0	6.09	4.71
Tend to Disagree	37.50	31.52	53.04	31.99
Strongly Disagree	0	21.01	0	9.09

Q. 16: *Pre-negotiation discussions restrict you to pre-determined strategies and decisions*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	0	0	9.09
Tend to Agree	31.48	21.01	35.22	9.09
Undecided	0	5.45	0	0
Tend to Disagree	50.00	52.53	53.04	59.26
Strongly Disagree	18.98	21.01	11.74	22.90

TABLE 24 (Cont'd): Factor 8 - Time Control

Q. 35: *The best approach to negotiation is to give in by large increments*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Tend to Agree	0	5.45	11.74	0
Undecided	18.98	5.45	11.74	4.71
Tend to Disagree	25.00	31.52	29.57	41.08
Strongly Disagree	56.48	57.98	46.96	54.55

Q. 14: *Time Schedules in negotiation are generally adhered to*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	10.51	23.48	4.71
Tend to Agree	37.50	42.02	29.57	54.55
Undecided	6.48	0	0	0
Tend to Disagree	56.48	42.02	46.96	31.99
Strongly Disagree	0	5.45	0	9.09

5.7. FACTOR 9: FIXED PRIORITIES

Fixed Priorities - tends to distinguish Production and Purchasing Managers.

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Factor 9 Fixed Priorities	-.457	.590	-.057	-.133

The questions that comprise the factor and the percentage of responses for the different Management functions appear in Table 25.

Pre-planning a negotiation, as has already been discussed, allows for the thorough analysis of Motivational Orientation, strategies, concessions, etc. Even though pre-planning is thought to be essential to negotiation effectiveness, it is not always carried through.

87.5% of Production Managers discuss negotiation priorities and objectives within their organisation before negotiation commencement. This is compared to 36.96% for Purchasing Managers, 53.04% for Marketing Managers, and 68.35% for Chief Executives. This indicates that not as much importance is placed on the pre-planning aspect of negotiation by negotiators, than it is by the literature.

Within the pre-planning stage, strategies are usually outlined and discussed. However, it appears that once a negotiation strategy has been decided upon, deviation is discouraged. This applied to Production, and Marketing Managers and Chief Executives. Purchasing Managers do not feel they are so restricted by pre-determined strategies as are the other Managerial functions.

Motivational Orientation generally is discussed within pre-planning. Purchasing Managers do not advocate a competitive stance, as is evidence by the responses, given to Question 36 - 'The aim of negotiation is to give the other side as little as possible'.

Marketing Managers, in line with the orientation, exhibited in Factor 2, are predominantly in agreement with this statement.

The size of initial offers also needs to be discussed within pre-planning. The literature demonstrates the importance of this aspect, as it clearly sets the stage for negotiation. The most ineffective initial offer strategy is to make the initial offer at the expected level of settlement. All functions are clearly against such an offer, although 36% of Purchasing Managers agree with such an offer.

Clearly such an initial offer strategy leaves little room for negotiation, and more acceptable outcomes may be over-looked.

TABLE 25: Percentage of Subjects within the Managerial Functions of Production, Purchasing, Marketing and Chief Executives responding to each Question Response Category

Q. 15: *Do you discuss negotiation priorities and objectives within your own organisation before negotiation commencement.*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Always	87.50	36.96	53.04	68.35
Often	6.48	42.02	35.22	31.99
Sometimes	6.48	21.01	11.74	0

Q. 24: *Deviation from pre-determined negotiation strategies is discouraged*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	25.00	10.51	11.74	9.09
Tend to Agree	37.50	31.52	46.96	45.45
Undecided	0	10.51	6.09	22.90
Tend to Disagree	37.50	31.52	23.48	18.18
Strongly Disagree	0	15.95	11.74	4.71

Q. 36: *The aim of negotiation is to give the other side as little as possible*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	0	6.09	0
Tend to Agree	43.98	10.51	46.96	13.80
Undecided	6.48	15.95	6.09	4.71
Tend to Disagree	37.50	36.96	35.22	54.55
Strongly Disagree	12.50	36.96	6.09	27.27

TABLE 25 (Cont'd): Factor 9 - Fixed Priorities

Q. 43: *It is best to make the initial offer at the expected level of settlement*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	0	15.95	0	4.71
Tend to Agree	12.50	21.01	17.83	13.80
Undecided	0	10.51	11.74	9.09
Tend to Disagree	50.00	47.47	35.22	50.17
Strongly Disagree	37.50	5.45	35.22	22.90

5.8 FACTOR 10: COOPERATION/COMPETITION

Co-operation/Competition - distinguishes Marketing and Production Managers. Group means for the four Managerial functions appear below:

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Factor 10 Co-operation Competition	.312	-.059	-.268	.031

The questions that comprise the factor and the percentage of responses for the different Management functions appear in Table 26.

All parties agree most decisively that co-operation between parties is the key to successful negotiation. As demonstrated by responses to other factors, none of the functions exhibit a purely co-operative orientation in their negotiations.

The responses to this question could reflect the influence of a social desirability response factor. Functions in fact may not be aware of the influence Motivational Orientation may have on negotiation outcomes.

Negotiation skills training courses may therefore be regarded as a re-education program for negotiators. It is also possible that the orientations extrapolated by current skills training courses may not always be totally applicable to real life negotiations. This may be an indication as to why all functions support the statement that successful negotiations involve not only co-operation, but also competition.

To be completely co-operative may lead the other party to assume a weakness, and attempt exploitation. Competition within a negotiation allows the other party to be aware that a party will fight if necessary.

This is evident of the fact that co-operation between parties to a negotiation requires trust and a trusting environment.

TABLE 26: Percentage of Subjects within the Managerial Functions of Production, Purchasing, Marketing and Chief Executives responding to each Question Response Category

Q. 32: *Successful negotiations involve both co-operation and competition*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	50.00	63.04	53.04	50.17
Tend to Agree	37.50	31.52	41.30	50.17
Undecided	6.48	0	6.09	0
Tend to Disagree	6.48	5.45	0	0

Q. 46: *Co-operation between parties is the key to successful negotiations*

	PRODUCTION	PURCHASING	MARKETING	CHIEF EXECUTIVES
Strongly Agree	56.48	68.48	41.30	31.99
Tend to Agree	37.50	26.46	53.04	59.26
Undecided	6.48	0	0	9.09
Tend to Disagree	0	5.44	6.09	0

5.9 SUMMARY TO CHAPTER 5

Two factors - Factor 1 Calculation and Factor 4 Pre-planning were not included in discussion of the Factors. Group means for these factors were not significant at the .01 or .05 level of significance. This indicates that these factors do not discriminate between the four Managerial Functions of Production, Purchasing, Marketing and Chief Executives. Further research should therefore be conducted to ascertain if this is indeed correct.

The Discriminant Analysis conducted on the Managerial Functions of Production, Purchasing, Marketing and Chief Executives, using the 10 derived factors indicated significant differences in negotiation style.

The differences, however, are not as clear cut as those obtained with the Size of Company variable, although the following generalisations are supported.

All Managerial Functions are predominantly in agreement with the literature on the importance and necessity of pre-planning negotiations. Further, although both Production Managers and Chief Executives tend to be 'conflict oriented' the use of threats and conscious misrepresentation within the negotiations appear to be minimised. Negotiation is overall, not viewed as a fight.

The conflict orientation adopted by both Production Managers and Chief Executives demonstrates the interdependence of the negotiation elements. The literature is clear on the effects of the use of conflict. One outcome is the frequent necessity to reach agreements outside of formal negotiation hours. Such is the case with both Production Managers and Chief Executives.

Marketing Managers are predominantly individualistic in orientation, although the advocacy of conflict is minimised. This is an interesting point, as generally the literature equates such an orientation with the use of conflict.

Purchasing Managers display a co-operative orientation toward negotiations, and hence disagree with conflict and its use. According to the literature, it is these Managers whose negotiations should be most successful. Further follow up research could be conducted to validate this point.

CHAPTER SIX

Discussion

CHAPTER SIX

DISCUSSION

This thesis conducted 'in vivo' research into the process involved in the negotiation of contracts in industry. To date, little research has been carried out directly in the area of Contract Negotiation in Industry. The majority of the studies that have contributed to the understanding of the negotiation process, have been derived from Social Psychological research.

Further, much of the research in the area has been conducted using a captive University sample, engaging in contrived negotiation games. Generalising these research results to contract negotiation in industry is questionable.

This study was an attempt to rectify some of these shortcomings. The aims of the research were threefold.

Firstly, to provide an integration of the many negotiation elements that are purported to influence negotiation success. Current research tends to discuss each such element as a distinct entity. Such a demarcation would in fact appear unrealistic as all negotiation factors and outcomes are interdependent.

For example, the motivational orientation adopted by a party will reflect the attitude adopted toward negotiation. This in turn, will influence the amount of preparation undertaken, the degree of conflict generated within the negotiation, and the necessity to reach agreement outside of formal negotiation hours.

The number of people involved is a further input to the negotiation process. The necessity for pre-planning, consideration of possible audience effects and accountability that may be present within the

negotiation - either physically or psychologically - are additional factors that will influence motivational orientation.

Consideration of all these separate influences will necessitate inclusion of other factors such as negotiation site, arrangements at the site, and the strategies and tactics to be implemented within the negotiation.

The second aim of the research was to develop a set of scales, based on current negotiation literature, that could be used within Industry to effectively discriminate between negotiators. To this end, a fifty item questionnaire incorporating elements considered to influence the success of a negotiation was developed.

The third research aim was to validate the derived scales against reality based information. For this purpose, Managers from New Zealand's top companies, actively involved in the negotiation of contracts, comprised the research sample.

To achieve the aims of the research, a factor analysis was firstly conducted on the questionnaire results. This combined the multiple variables into useful and distinct clusters.

The results demonstrated that the apparently numerous elements contained throughout the negotiation literature can be successfully and effectively incorporated into ten factors. The ten derived factors were then used in two discriminant analyses.

The first discriminant analysis was conducted between three company groupings of Top, Middle and Bottom Companies. This classification was based on a composite criterion of Net Profit, Ordinary Shareholders Funds, and Total Tangible Assets. Information for this classification was drawn from the July, 1979 Edition of the New Zealand Economist.

The second discriminant analysis was conducted between the four Managerial functions of Production, Purchasing, Marketing and Chief Executives. Information pertaining to this classification was drawn from the completed questionnaires.

t-tests conducted on group means indicated significant differences between Company sizes and between Managerial functions of the ten derived factors.

Of particular interest in the Company size discriminant analysis was the 'extreme' position adopted by Bottom Company negotiators. These negotiators tended to exhibit a 'survivalistic' approach to negotiation, demonstrated by an individualistic orientation, an apparent lack of pre-planning and the use of conflict within negotiations. All three aspects run contrary to what the literature normally ordains as 'successful negotiation process'

It is these same Companies who demonstrate a certain degree of arrogance to negotiation by expressing the view, to a greater degree than Middle and Top Companies, that they knew more about negotiation, and had more ability as negotiators than their peers. Further, the need for participation in negotiation skills training courses is not recognised.

In terms of differences between Management Functions, Marketing Managers advocated an individualistic orientation toward negotiation, whilst Production Managers and Chief Executives advocated the use of conflict within negotiation. Purchasing Managers generally did not favour either of the above in relation to their negotiations.

The ten derived factors have been used to effectively discriminate between Companies of various sizes and between Managerial functions,

in terms of negotiation styles and orientations adopted toward negotiation.

The discrimination of these differences is essential, as such differences have already been identified as indicators of success in negotiation by other researchers in this area.

It is therefore now possible to design negotiation skills training courses aimed specifically at rectifying the negotiation issues exhibited by various Managerial Functions or Companies of various sizes.

The research demonstrated, however, that negotiators did not feel the current skills training courses are effective in increasing their negotiation ability. The concept of designing/structuring courses with content based firmly in industrial reality, to suit various groups of participants, would overcome the generality inherent in many current skills training courses.

Further research in the area of Contract Negotiation in Industry could attempt to reduce the number of elements discussed in the literature review by means of further factor analysis. In conjunction, a greater diversity of companies and functions could be investigated. The results so far obtained have drawn on the recognised top New Zealand companies.

Investigations drawing upon companies not included in this classification would add interesting diversification to the research and extend the generalisability of results.

Not all the concepts discussed in the literature were in accord with responses indicated by the subject sample. Such concepts as Initial Offer Strategy, Concession Strategy, and the effectiveness of Logrolling versus Compromise as negotiation strategies, require further investigation before generalisations can be made.

Factors that were not significant at the .01 or .05 level of significance also require further research before conclusive statements as to their value can be ascertained. These include Factor 7 - Mode of Negotiation and Factor 9 - Fixed Priorities in relation to the Size of Company criterion, and Factor 1 and Factor 4 - Pre-planning in relation to the Managerial Function criterion.

Overall, the success of the derived Contract Negotiation in Industry Scale suggests its use for further research both in New Zealand and Overseas.

APPENDIX ONE

*Letter to Solicit
Respondents for Questionnaire*

Psychology Department

MASSEY UNIVERSITY

Phone: 69099. Ext. 2589

Dear Sir,

SUBJECT: Contract Negotiation in New Zealand

I am currently completing a Master's Degree in Business Psychology at Massey University. I intend to graduate as an Industrial-Organisational Psychologist at the end of 1980.

Under the supervision of Mr. P.E. Bull, Senior Lecturer, Faculty of Business, Massey University, I am carrying out research for my Master's Thesis on Contract Negotiation.

My research sample is New Zealand's Top 50 Companies, identified in the July 1979 Edition of the New Zealand Economist.

It would be appreciated, if one Senior Manager, who is involved in Contract Negotiation, from each of the following areas within your organisation, complete the enclosed questionnaires.

- . Production
- . Purchasing
- . Marketing
- . Chief Executive

The questionnaires need to be returned by 5 September, 1980. I will be able to furnish your Company with a summary of the completed research on Contract Negotiation by mid-December.

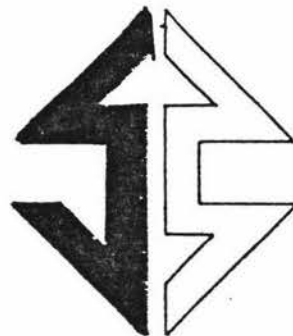
I am sure this research will be of benefit to you and look forward to your participation. Should you have any further queries, please do not hesitate to contact me.

Yours sincerely,

Ms Carol A. Dower

APPENDIX TWO

*Contract Negotiation in
New Zealand Questionnaire*



CONTRACT NEGOTIATION IN NEW ZEALAND

QUESTIONNAIRE

Please answer the questions by circling the response that best represents your position.
Thus the question -

Contract Negotiations are always successful

- ☐ Strongly agree
- ☐ Tend to agree
- ☐ Undecided
- ☒ Tend to disagree
- ☐ Strongly disagree

has been answered by circling response 4 - that indicates a tendency to disagree with the statement.

- 1 Name of Company _____
- 2 Position within Company _____
- 3 Length of Service with Company _____
- 4 What is your Age
 - 1 20 - 24
 - 2 25 - 29
 - 3 30 - 34
 - 4 35 - 39
 - 5 40 - 44
 - 6 45 - 49
 - 7 50 - 54
 - 8 55 - 59
 - 9 60 or over
- 5 What is your Salary Scale
 - 1 \$10,000 - \$11,000
 - 2 \$12,000 - \$14,000
 - 3 \$15,000 - \$18,000
 - 4 \$19,000 - \$23,000
 - 5 \$24,000 - \$29,000
 - 6 \$30,000 - \$36,000
 - 7 over \$36,000
- 6 Face to face contract negotiations in which you are involved usually take place
 - 1 In your offices
 - 2 In the other parties offices
 - 3 In a social setting
 - 4 On neutral territory
- 7 In your organisation, how many people are usually involved in a large contract negotiation
 - 1 1
 - 2 2
 - 3 3
 - 4 4
 - 5 more than 4
- 8 Negotiation involves getting the best deal for your company regardless of how the other party fares
 - 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree

9 What is the ideal negotiating situation

- 1 Parties sitting on opposite sides of a rectangular desk
 - 2 Parties sitting in lounge chairs around a coffee table
 - 3 Parties sitting around an oval desk
 - 4 Other - Please specify _____
-

10 The site for negotiation is generally chosen by

- 1 Your company
 - 2 The other parties company
 - 3 An outside party
 - 4 Mutually decided
 - 5 Other - Please specify _____
-

11 Winning is all important in a negotiation situation

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

12 Pre-negotiation discussions between parties is necessary

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

13 Too little time is set aside for most negotiations

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

14 Time schedules in negotiation are generally adhered to

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

- 15 Do you discuss negotiation priorities and objectives within your own organisation before negotiation commencement
- 1 Always
 - 2 Often
 - 3 Sometimes
 - 4 Very rarely
 - 5 Never
- 16 Pre-negotiation discussions restrict you to pre-determined strategies and decisions
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 17 Negotiation time should be pre-specified rather than not specified
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 18 In your organisation, what percentage of contract negotiation is undertaken
- | | | | |
|----------------|---|----|---------------|
| 1 Face to face | - | 1 | less than 10% |
| | | 2 | 10% - 19% |
| | | 3 | 20% - 29% |
| | | 4 | 30% - 39% |
| | | 5 | 40% - 49% |
| | | 6 | 50% - 59% |
| | | 7 | 60% - 69% |
| | | 8 | 70% - 79% |
| | | 9 | 80% - 89% |
| | | 10 | 90% - 100% |
| 2 By telephone | - | 1 | less than 10% |
| | | 2 | 10% - 19% |
| | | 3 | 20% - 29% |
| | | 4 | 30% - 39% |
| | | 5 | 40% - 49% |
| | | 6 | 50% - 59% |
| | | 7 | 60% - 69% |
| | | 8 | 70% - 79% |
| | | 9 | 80% - 89% |
| | | 10 | 90% - 100% |
| 3 By letter | - | 1 | less than 10% |
| | | 2 | 10% - 19% |
| | | 3 | 20% - 29% |
| | | 4 | 30% - 39% |
| | | 5 | 40% - 49% |
| | | 6 | 50% - 59% |
| | | 7 | 60% - 69% |
| | | 8 | 70% - 79% |
| | | 9 | 80% - 89% |
| | | 10 | 90% - 100% |

- 19 Conscious misrepresentation occurs frequently in a negotiation
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 20 Do you check the details the other party tells you in negotiation
- 1 Always
 - 2 Often
 - 3 Sometimes
 - 4 Very rarely
 - 5 Never
- 21 Threats are commonly used in your company's negotiations
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 22 To achieve a successful outcome a certain amount of conflict is necessary
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 23 Pre-determined negotiation strategies are necessary when working in a team
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 24 Deviation from pre-determined negotiation strategies is discouraged
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 25 A most effective negotiation strategy is to give in very slowly if at all
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree

26 Many negotiation agreements are reached outside of formal negotiation hours

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

27 The aim of negotiation is to get the best deal for both parties

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

28 Negotiating is a fight

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

29 Usually negotiation documents are hastily prepared at the last minute

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

30 When negotiating multiple issues what percentage of the time do you

- | | | |
|-----------------------------------|---|-----------------|
| 1 Negotiate each issue separately | - | 1 less than 10% |
| | | 2 10% - 19% |
| | | 3 20% - 29% |
| | | 4 30% - 39% |
| | | 5 40% - 49% |
| | | 6 50% - 59% |
| | | 7 60% - 69% |
| | | 8 70% - 79% |
| | | 9 80% - 89% |
| | | 10 90% - 100% |

2 Make concessions on some issues in return for concessions on others

- | | |
|--|-----------------|
| | 1 less than 10% |
| | 2 10% - 19% |
| | 3 20% - 29% |
| | 4 30% - 39% |
| | 5 40% - 49% |
| | 6 50% - 59% |
| | 7 60% - 69% |
| | 8 70% - 79% |
| | 9 80% - 89% |
| | 10 90% - 100% |

- 31 If negotiating each issue separately do you deal firstly with
- 1 The major issues
 - 2 The minor issues
 - 3 No particular order
- 32 Successful negotiations involve both co-operation and competition
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 33 What percentage of the time are you involved in multi-party negotiations
- 1 Less than 10%
 - 2 10% - 19%
 - 3 20% - 29%
 - 4 30% - 39%
 - 5 40% - 49%
 - 6 50% - 59%
 - 7 60% - 69%
 - 8 70% - 79%
 - 9 80% - 89%
 - 10 90% - 100%
- 34 What percentage of major issues do you estimate are agreed upon in the last 10% of negotiation time
- 1 Less than 10%
 - 2 10% - 19%
 - 3 20% - 29%
 - 4 30% - 39%
 - 5 40% - 49%
 - 6 50% - 59%
 - 7 60% - 69%
 - 8 70% - 79%
 - 9 80% - 89%
 - 10 90% - 100%
- 35 The best approach to negotiation is to give in by large increments
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 36 The aim of negotiation is to give the other side as little as possible
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree

7 In multi-party negotiations coalitions often form

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

8 It is not necessary to plan or prepare for a negotiation

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

9 How much do you know about negotiation

- 1 Much more than other executives
- 2 Somewhat more than other executives
- 3 As much as most other executives
- 4 Somewhat less than most other executives
- 5 Not very much

0 A negotiator to be effective must have high self-respect

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

1 Negotiation time should not be pre-specified

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

2 How much ability as a negotiator do you have

- 1 A lot more ability than other executives
- 2 More ability than most other executives
- 3 About average ability
- 4 Less ability than most other executives
- 5 Very little ability

3 It is best to make the initial offer at the expected level of settlement

- 1 Strongly agree
- 2 Tend to agree
- 3 Undecided
- 4 Tend to disagree
- 5 Strongly disagree

- 44 In the main, pre-negotiation discussions allow you to consider various options during negotiation
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 45 In your experience, making extreme initial offers leads to better results
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 46 Co-operation between parties is the key to successful negotiation
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 47 How much fore thought do you give to negotiation
- 1 Extensive
 - 2 Quite a lot
 - 3 Moderate
 - 4 Not much
 - 5 None
- 48 Negotiation skills training courses would increase your effectiveness as a negotiator
- 1 Strongly agree
 - 2 Tend to agree
 - 3 Undecided
 - 4 Tend to disagree
 - 5 Strongly disagree
- 49 Do you enjoy a fight in negotiation
- 1 Always
 - 2 Often
 - 3 Sometimes
 - 4 Very rarely
 - 5 Never
- 50 Have you been involved in a negotiation skills training course
- 1 Yes
 - 2 No

APPENDIX THREE

Table of Factor Matrix

	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5	FACTOR 6	FACTOR 7	FACTOR 8	FACTOR 9	FACTOR 10
PEOPLE	0.22801	0.14044	-0.05500	0.41587	0.39854	0.39854	-0.00025	0.07301	-0.10951	-0.18011
BEST DEAL	0.01458	0.68457	0.01906	-0.11125	0.20002	0.31414	-0.10336	0.06633	-0.15627	0.15762
WINNING	0.16523	0.51656	0.09688	0.06178	0.16050	0.28657	0.01110	0.13707	0.25688	-0.05037
DISCUSS	0.15772	0.21095	-0.01667	-0.55702	-0.01122	0.04863	0.09811	0.16158	-0.02425	-0.24229
NO TIME	-0.08240	0.63160	0.13724	0.05848	0.25627	-0.17501	-0.03486	0.00903	-0.06042	0.04839
SCHEDULE	0.11849	-0.20381	-0.22262	-0.04737	0.15813	-0.03039	-0.32877	-0.33617	-0.12045	-0.04461
RESTRICT	-0.02350	0.41988	0.11769	0.22274	-0.19378	0.27250	-0.14393	-0.43634	0.02604	-0.09074
SPECIFY	-0.05962	0.11415	0.19289	0.07531	-0.50999	0.02883	-0.11175	0.08150	0.14013	-0.10567
MISREPRESENTATION	0.11934	0.02875	0.71507	0.04490	-0.14794	0.09925	-0.23823	0.07779	0.04253	-0.22961
THREATS	-0.12567	0.01174	0.46812	-0.06067	-0.05634	0.10272	-0.03937	-0.07651	-0.12309	0.19153
CONFLICT	0.02434	-0.10969	0.54179	0.02499	-0.11345	0.14365	0.24010	0.00684	0.13241	0.25783
STRATEGY	0.13493	0.07461	0.06514	0.35090	-0.34429	0.03760	0.27372	0.01662	0.20896	-0.00444
DEVIATE	-0.11207	0.07638	-0.09360	0.12730	-0.20880	-0.04675	0.25072	-0.29138	0.51339	0.24228
GIVE SLOW	0.21693	0.46555	-0.03181	0.04677	-0.05270	-0.19837	0.08869	-0.16375	-0.13027	-0.16395
OUTSIDE	0.09472	0.06000	0.37572	0.05716	0.03105	0.13972	-0.07215	0.53483	0.04695	-0.07618
AIMBEST	-0.14062	-0.10090	-0.11833	-0.15019	-0.18467	-0.06875	-0.00718	0.56425	-0.08650	-0.02379
FIGHT	-0.07136	0.21049	0.63948	0.09534	0.14149	-0.09742	0.10312	-0.01173	0.03961	0.06686
HASTILY	-0.11325	0.41078	0.44193	-0.05668	0.07810	-0.06887	0.20842	-0.06725	0.00153	0.03791
COOP COMP	0.11763	0.02520	0.16647	-0.04153	-0.06637	0.05076	0.02254	0.00241	-0.07869	0.49208
BIG INCREMENT	0.21233	0.13140	0.15460	-0.18609	0.05242	0.46069	0.09137	-0.44096	-0.06906	0.02573
LITTLE	0.05351	0.56806	0.03092	-0.08484	0.09371	0.02712	-0.17123	-0.08185	0.30359	0.27743
COALITION	0.05342	0.05477	0.34738	0.11050	-0.11810	0.13892	0.24267	-0.00448	0.05120	0.07458

Cont'd

	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5	FACTOR 6	FACTOR 7	FACTOR 8	FACTOR 9	FACTOR 10
DON'T PLAN	-0.08186	-0.06291	0.14247	0.00442	0.06992	0.50951	-0.05323	-0.14370	0.04006	-0.05174
SELF RESPECT	0.49576	0.00456	-0.07677	0.13363	0.07305	-0.10946	0.01782	-0.09133	-0.04879	-0.05017
NOT TIMED	-0.09001	-0.00754	0.02878	-0.11042	0.50214	0.04953	0.00098	-0.03559	0.04501	-0.10086
LEVEL	-0.05846	-0.11441	-0.15871	-0.24734	0.03956	0.09687	-0.08545	-0.01543	-0.46278	0.03652
OPTIONS	0.33810	-0.23539	-0.14733	0.07296	-0.29863	0.11606	-0.07465	0.11555	-0.05604	-0.02017
EXTREME	-0.16012	0.07976	-0.06177	0.13445	-0.00940	0.74450	0.16007	0.28289	-0.18640	0.15060
CO-OPERATION	0.23983	-0.12626	-0.15373	-0.17089	-0.01464	0.10245	-0.16341	0.06913	-0.03522	-0.35064
COURSES	0.44753	0.21542	0.10914	0.03469	-0.17892	-0.09665	0.14404	0.10507	0.10707	-0.04182
OWN GOALS	0.20973	-0.08879	-0.02314	-0.22060	-0.04362	0.03490	0.00131	0.05598	0.60819	-0.17600
DETAILS	0.09271	0.20241	-0.14756	0.00361	0.04512	0.01807	-0.03684	0.26255	-0.04811	0.25053
ENJOY	0.16708	-0.11331	0.02105	0.03973	0.01612	-0.16912	0.33440	0.17565	0.19147	0.23535
FACE %	-0.63087	-0.02716	-0.10391	0.30523	-0.13047	0.00750	-0.52616	0.02316	-0.16328	0.25919
PHONE %	0.48521	-0.06919	0.04086	-0.46989	0.10001	-0.11822	0.23531	0.07468	0.16551	-0.21405
LETTER %	0.05579	-0.03890	0.00868	0.02811	0.04901	0.05610	0.58804	-0.06656	0.03533	0.02085
ISSUE%	0.08943	0.08467	0.10558	0.20286	0.36644	0.07209	-0.03803	0.06421	-0.20654	0.00922
CONCESSION %	-0.09314	0.10883	-0.29840	-0.00907	0.42718	0.16709	-0.38196	0.03418	0.09700	-0.02434
MULTI GROUP %	-0.14198	-0.08008	-0.16766	0.22088	0.34503	-0.24632	-0.28250	-0.01289	0.12774	0.02788
AGREED %	-0.12636	-0.00713	-0.09988	-0.53813	0.07499	-0.01692	-0.08655	-0.05811	-0.04445	0.10626
KNOWLEDGE	0.74365	0.06187	-0.00532	0.06228	0.01352	-0.10406	0.05772	-0.12178	-0.05983	0.12936
ABILITY	0.64957	0.03806	0.03993	-0.14332	-0.08157	0.13125	-0.01528	-0.06288	0.14971	0.18033
FORE THOUGHTS	0.46754	-0.13743	-0.14366	0.23650	-0.04314	0.03374	-0.04392	0.25894	0.22602	0.02567
INVOLVED	0.19388	-0.31546	-0.07706	0.20060	0.17446	-0.27439	0.09807	0.01874	-0.13542	0.14125

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