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**Buyer-Supplier Negotiations Following Reported Delivery Failure:  
A Conceptual Framework**

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Buyer-Supplier Negotiations Following Reported Delivery Failure: A Conceptual Framework

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## Buyer-Supplier Negotiations Following Reported Delivery Failure: A Conceptual Framework

### Abstract

We discuss buyer-supplier negotiations in the context of termination or renegotiation of a contract after reported likelihood of supplier delivery failure. Using regulatory focus theory, learning theory, bounded rationality, and trust building perspectives, we develop a set of propositions regarding the effects of buyers' personality factors, such as, promotion versus preventive regulatory goal focus, and factors external to the buyer like environmental uncertainty, and nature of past relationship experience with the existing supplier on termination or renegotiation of a contract after reported likelihood of supplier delivery failure.

Motivation to terminate a contract typically follows delivery failure notification from the supplier stating its inability to provide the required quantity and/ or quality of goods or services within the stipulated deadline. Implications of such notification can be far reaching; impacting the buyer-supplier relationship and the way the buyer negotiates with the existing supplier or any other prospective suppliers in the future. Though motivational orientations play a vital role in these situations, affecting tendencies to adopt a certain course of action over others, research investigating these effects remains limited till date in the context of buyer-supplier negotiations (Weber, Mayer, and Macher, 2011; Crowe and Higgins, 1997; Higgins, 1997). Consequently we investigated the effects of buyer's fundamental motivational orientation of regulatory focus on the decision to terminate an existing relationship and negotiate with a new supplier in terms of price or duration without any compromise, however, on earlier demands of quantity and quality of goods. By considering the sociocognitive construct of buyers' regulatory focus we enrich negotiations research which is traditionally grounded in economics and law. (Weber et al., 2011).

An influential psychological theory in this field includes the learning theory (Argyres & Mayer, 2007; Nonaka & Takeuchi, 1994; Zollo & Winter, 2002). Argyres and Mayers (2007) augment the literature on contract designing in negotiations by integrating organizational learning theory with transaction cost and agency theory. Further, Rousseau, Ho, & Greenberg (2006) described the concept of idiosyncratic deals involving employer-employee exchanges - which fulfill the needs of both parties but may be more contextually determined and not generalizable as a template for employment design. Since individual cognitions, emotions and motivations differ in a situation, it is quite likely that some personality and social psychological factors might also impact the negotiation outcome. Psychological research has for a long time argued in favor of self concept and self construal as independent, autonomous and unique

(Bakan,1966; Markus & Kitayama, 1991; Parsons, 1949; Triandis, 1989). Shweder and Bourne (1982) have explained independent self-concept and self-construal as associated with a sense of personal agency, focused on self as separate from others and also believed self to be dissimilar to others. However, a major body of research literature has focused on the relational view of self – self as connected to others (Anderson & Chen, 2002; Aron, Aron & Smollman, 1992; Chen, Lee-Chai, & Bargh, 2001; Kashima & Hardie, 2000; Kashima et al., 1995). Gelfand et al. (2006) proposed a dynamic view of negotiations based on the relational self-construal view involving psychological states of cognition, emotion and motivation of two-party negotiations and its consequent impact on negotiation outcomes.

Personal cognition and motivation in turn may depend on certain differences in an individual's personality or orientation (Higgins et al., 1994). Therefore research on buyer-seller negotiations can be enriched through consideration of the impact of personality traits like regulatory focus on negotiation decisions. The significance of investigating the effects of personality traits on negotiations have also been highlighted by Weber, Mayer, & Macher (2011) and Gelfand et al. (2006) among others. Gelfand et al. (2006) investigated the effect of decision maker's relational self view, a personality trait which determines whether the decision maker views himself/herself as independent from others or interdependent, on the accumulation of economic and relational capital in negotiations. The power dynamics in negotiation also exemplifies this relational approach and some authors have proposed an interactive relationship between perception of power, potential power, use of power tactics and realized power in negotiation transactions (Kim, Pinkley & Fragale, 2005).

Buyers' regulatory focus represents distinct motivational orientations or strategic inclinations: promotion focus and prevention focus in reaching desired end states. While

promotion focused individuals *approach* desired end states by reducing the discrepancy between the current and the desired end state, prevention focused individuals do so by *avoiding* undesired end states by increasing the discrepancy between the current and the undesired end state (Crowe and Higgins, 1997; Higgins, 1997; Higgins, 1998). This difference in strategic inclination is reflected in the process individuals adopt in decision making. Promotion (prevention) oriented decision makers exhibit a greater concern for committing errors of omission (commission) as compared to prevention (promotion) oriented decision makers (Crowe and Higgins, 1997). Finally regulatory focus impacts the decision makers' choice and preferences of alternatives. Process dependence of choice and preference reflects violation of the economic principle of process invariance which states that choices do not depend on the process adopted in decision making all else remaining same (Avnet and Higgins, 2006). For instance buyers' choice of duration safeguard, a promotion focused extendibility clause or a prevention focused termination clause was affected by greater physical distance, measurement difficulty, prior relationships in other businesses, and reusable technology in line with the tenets of the regulatory focus theory (Weber et al., 2011). Weber et al's (2011) recent contribution to the strategy literature based on the regulatory focus theory was confined to framing of duration safeguards to discourage opportunistic behavior as well as to sustain relationship with the supplier. Though strategy literature on alliance processes deals with the issues of lack of opportunistic behaviors, reciprocity, forbearance and trust – the connective tissue between alliance partners (Krishnan, Martin & Noorderhaven, 2006; Parkhe, 1993; Ring & Van de Ven, 1994; Thakur & Srivastava, 2000), these processes have not been investigated from the social psychological and cognitive theory perspectives in much depth thus far. Specifically, no theoretical work examines the

complex decision making issue of termination and negotiation of a new contract after reported likelihood of supplier delivery failure in buyer-supplier negotiations. We attempt to fill this gap.

Buyer-supplier interactions in negotiations or alliance formations involve decision making under various degrees of geographical separation, technological complexity, and artifacts past relationship. Apart from affecting decisions independently, such environmental factors external to the buyer may amplify or attenuate buyers' natural motivational orientations. For instance a success (failure) feedback motivates promotion (prevention) oriented decision makers much more than prevention (promotion) oriented ones (Avnet and Higgins, 2006). Consequently, we propose independent and joint effects of buyers' personality factors, such as, promotion versus preventive regulatory goal focus, and factors external to the buyer like environmental uncertainty, and nature of past relationship experience with the existing supplier. This approach is consistent with the view that individual behavior is an outcome of the interaction between the properties of the human information processing system, the framing of decision tasks, and the elements of the task environment (Simon, 1990; Tversky & Kahneman 1981).

The present paper uses regulatory focus theory (Higgins, 1997), learning theory (Argyres & Mayer, 2007; Nonaka & Takeuchi, 1994), bounded rationality (Simon, 1991), and trust building (Ring & Van de Ven, 1994) perspectives to develop a set of propositions regarding the individual and joint effects of individual negotiator's regulatory focus, past buyer-supplier relationship experiences and environmental and technical contingencies on the negotiation decision outcome after reported likelihood of supplier delivery failure. The negotiation decision outcomes studied in this paper are: early termination of current contract and renegotiation with another supplier with no cost escalation but extended delivery deadlines, or early termination of current contract and renegotiation with another supplier with some cost escalation but no dilution

of deadline, or retention of relationship with the same supplier with either some cost escalation or with extension of deadline but no cost escalation.

We enrich negotiations research by adopting a holistic perspective of decision making in proposing the interaction linkages of buyers' personality (i.e. regulatory goal focus) together with the elements of the task environment. This approach incorporating all the elements of a decision task, namely the buyer, the supplier, and the characteristics of task environment, exhaustively captures the relational dynamics in a buyer-supplier relationship (Bettman, Luce, & Payne, 1998; Gelfand et al. 2006; Tversky and Kahneman, 1981). Furthermore, our approach is also an attempt to bring adequacy by capturing the relational dynamics in negotiation research, considered as an important area of research by many researchers (Greenhalgh & Chapman, 1995; Greenhalgh & Gilkey, 1993; and Kolb & Coolidge, 1991).

### **The Proposed Model**

The conceptual model is presented in Figure 1 below. The model incorporates the principal cognitive factor of regulatory focus of decision making goals in a given negotiation impacting the negotiation decision outcomes viz. (a) early termination of current contract and negotiation with another supplier with some cost escalation but without relaxation in delivery deadline, (b) early termination of current contract and negotiation with another supplier with relaxed delivery deadlines but with no cost escalation, (c) no termination of current contract and renegotiation with relaxed delivery deadline but without cost escalation, or (d) no termination of current contract and renegotiation with some cost escalation but without relaxed delivery deadlines. The model also considers a possible moderating role of buyer's past experience with the supplier affecting the strength of relationship between regulatory focus goal and negotiation decision outcomes. Finally, the model incorporates the environmental uncertainty, technological



uncertainty and local-international context as contingency factors moderating the effect of regulatory focus goals and negotiation decision outcomes. Each of these linkages is now discussed in detail with suitable research propositions.

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Insert Figure 1 about here  
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### **Promotion and Prevention Focus on Negotiation Related Decision Making**

Economic view of organization believes that buyers and suppliers like all other individuals are rationally bounded; their working memory and cognitive capacity to process information are limited (Simon, 1955). Their preferences are thus contingent on a variety of factors like contract framing (Bettman, Luce & Payne, 1998; Kahneman & Tversky, 1979; Weber et al., 2011), apart from their personality and cognition factors. Besides limited cognitive capacity to process information, the contingent nature of preferences is attributed to the existence of multiple goals which buyers try to attain through decision making (Bettman et al. 1998). For instance, a buyer may attempt to enhance his/her career prospects by taking a deal to fruition, quickly, by taking risks, which he/she would not have taken otherwise if he/she were concerned about broader organizational objectives. Also, behavioral theory of the firm does point out the notions of uncertainty avoidance as well as uncertainty absorption alongside the concepts of psychological issues of attention to goals and quasi resolution of conflict (Cyert & March, 1992). More importantly, psychological theories highlight the fact that the *process* of goal attainment affects the choice and evaluation of options, all else remaining same (Avnet & Higgins, 2006). In fact, certain buyer dispositions or process orientations may even alter the degree of satisfaction individuals derive out of a decision outcome (Aaker & Lee, 2001). Avnet and Higgins (2006)

observed that the value buyers ascribed to their final choice of product or the decision outcome was higher when the buyer approached the decision task in a manner consistent with his/her regulatory focus or their proclivity towards attaining the goal.

Fundamental to goal oriented decision making is the principle of self regulation. Regulatory focus theory goes beyond the hedonic principle of approaching pleasure and avoiding pain in self-regulation by throwing light on the underlying process of such approach and avoidance strategies (Higgins, 1997). In this regard, Higgins and colleagues differentiate between two distinct self-regulatory orientations - promotion and prevention focus - which state *how* individuals approach their desired end states or goals.

Buyer's promotion orientation is an individual's inclination towards approaching an ideal outcome in decision making. Prevention orientation, on the other hand, is an inclination towards avoiding negative outcomes and may manifest itself as a buyer's inclination towards adopting strategies to safeguard against the same to ensure a minimum expected outcome (Crowe & Higgins, 1997). Further promotion and prevention oriented buyers possess different attitudes towards risk (Crowe & Higgins, 1997; Liberman et al., 1999); promotion oriented individuals are more willing to accept risks as compared to prevention oriented individuals when faced with uncertain situations (Pham & Avnet, 2004). Risky situations foster greater vigilance among prevention oriented individuals along with greater reliance on the substance vis-à-vis the affect or the feeling around the message (Pham, 1998). For instance prevention oriented buyers are more concerned with the usage cost of a product as compared to the enjoyment they may derive out of the same (Wyer, Clore, & Isbell, 1999). This differential importance given to substantive versus affective information is driven by changes in perceived diagnosticity of the information driven by differences in buyers' regulatory focus (Pham & Avnet, 2004). In other words, for

promotion oriented buyers the prospect of a fruitful future relationship with a supplier may become more important than previous unsatisfactory relationships that the buyer may have had with the supplier. Herein the prospect of a successful relationship and the expectation of an ideal outcome out of the deal with a supplier may, for instance, serve as a justification for a promotion focused buyer. The converse will be true for prevention focused buyers. Thus buyers' regulatory focus may substantially affect how they view a decision task and their approach towards negotiations, an area of research deemed important by social psychologists as well as scholars working in the field of buyer-supplier negotiations (Gelfand et al., 2006). Regulatory focus of goals also makes persons sensitive to gain-loss information. While promotion oriented buyers are sensitive to gains, the prevention oriented buyers are more sensitive to losses. For example, any cues of potential gain and likelihood of profits will propel promotion oriented persons to such goal directed behaviors whereas any inkling of likely loss would propel prevention oriented buyers to preempt any such goal inhibitory move from the opposite party.

Buyer's regulatory focus may represent chronic or stable personality traits, or they may be induced by methods like contract framing and designing (Weber et al. 2011; Argyres & Mayer, 2007). These ideas are, however, not inconsistent; they are in line with the fact that certain psychological traits like self view are malleable and may reflect chronic as well as transient tendencies (Aaker 1999). In this context, we consider the more stable representation of buyer's chronic regulatory orientation. As mentioned earlier, promotion focused buyers are oriented towards achieving ideal outcomes and are motivated towards attaining the same. While the decision tendency to extend a contract implies an inclination towards achieving something ideal, a tendency to terminate an ongoing relationship reflects an orientation towards prevention of expected negative outcomes by assuring the required minimum or mere conformance to the

set specifications of a contract (Weber et al., 2011). There is also evidence that buyers are guided and persuaded by their regulatory focus in consumer choice decisions (Lee and Aaker, 2004; Pham and Avnet, 2004).

Prevention focused buyers as compared to promotion focused buyers are concerned more with the substantive or tangible information pertaining to a task (Keller, Lee, & Strenthal, 2004). For instance prevention focused buyers may be more concerned with the cost implications of a deal as compared to promotion focused buyers. Moreover, given that prevention focused buyers are guided by safety and security, they may view cost as an expense as opposed to an investment. Promotion focused buyers on the contrary, being driven by the need for nurturance, may view the extra cost burden as an investment towards achieving an ideal end state (Higgins et al., 1994). Viewing cost as an expense versus an investment is also consistent with the differential temporal perspectives which prevention and promotion focused are observed to exhibit in decision making (Pennington & Roese, 2003). Cost while viewed as an expense appears as an immediate concern, cost viewed as an investment or an outlay with returns accruing in the future is consistent with a temporally distant perspective. A distant temporal perspective of cost is consistent with promotion focus and an immediate expense perspective of cost is consistent with a buyer's prevention focus (Pennington & Roese, 2003). A distant temporal perspective of cost may also undermine the pain associated with the immediate expected outlay that buyers may expect in negotiating as all future outlays appear less severe as compared to immediate ones even though they are financially equivalent (Soman et al., 2005). Thus promotion focused buyers may view cost as an investment, and prevention oriented buyers may view cost as a matter of immediate concern. Consequently, we propose:

*Proposition 1a: Promotion focused buyers will have a greater tendency to extend the*

*deadlines and absorb extra cost burden in the contract with the current supplier as compared to prevention focused buyers.*

*Proposition 1b. Prevention focused buyers will have a greater tendency to terminate the contract with the current supplier and negotiate with another supplier at same or higher price as compared to promotion focused buyers.*

Though the decision to terminate characterizes both the dependent variables, finer comparison reveals that they differ in a very important way. A decision to negotiate while accepting the same or an unfavorable higher price sustains prevention focus of the buyer who is naturally vigilant against losses or unfavorable outcomes having immediate implications. A decision to extend the deadline refers to a temporally distant event with future implications which does not fall into prevention oriented buyers immediate concerns. Thus we expect the effect of prevention focus on termination tendency to be significantly lower if not absent with respect to the decision of extending the deadline following termination. Moreover, a termination clause of any kind does not conform to the motivational orientation of nurturance for promotion focused buyers. Thus we expect:

*Proposition 1c. The tendency to terminate the contract with the current supplier and negotiate with another supplier for extended deadlines will not significantly differ across promotion and prevention focused buyers.*

### **Role of Environmental Uncertainty**

Environmental uncertainty may stem from the lack of ability to monitor the supplier or from difficulty in information transfer between the contracting parties (Jaffe, Trajtenberg, & Henderson, 1993). A low technology business environments, such as, furniture industry is less uncertain while R&D for a manufacturing component is more uncertain; and a global R&D firm

operates under the most uncertain environment. Weber et al. (2011) established that with greater geographical distance, the buyer-supplier contract is more likely to contain an extendibility clause versus a termination clause. The authors posit that with increasing geographical distance duration safeguards plays an increasingly important role with the parties involved in the exchange having greater tendency to use the contract to interpret each others' intentions. This increased tendency to interpret implies that the buyer becomes increasingly cautious and vigilant towards a supplier's intentions as geographical separation increases. Also enactment process (Weick, 1969) in low and moderate uncertainty environments presents greater amenability to anticipate and pro-act to deal with fluctuations in demand supply in order to absorb the cost escalation and margin squeeze. R&D firms however face the unknown unknowns which may overturn the costs completely by reworking and fresh experiments and tests adding to insurmountable cost and time burden. R&D task environments are characterized by long-term time orientation, high interpersonal orientation and less formality whereas operations environments are characterized with short-term time orientation, high task orientation and high formality (Lawrence & Lorsch, 1967 ). Thus we hypothesize:

*Proposition 2: Buyers will show a greater tendency to (a) to terminate the contract with the current supplier and negotiate with another supplier at same or higher prices, and (b) terminate the contract with the current supplier and negotiate with another supplier with extended deadlines when dealing with suppliers from a low uncertain environment, e.g. domestic furniture firm, or a moderate uncertain environment, e.g. domestic R&D firm as compared to the suppliers from high uncertain environments represented by foreign/global R&D firm.*

### **Interaction between Regulatory Focus and Environmental Uncertainty**

A prevention oriented duration safeguard or termination clause is consistent with a prevention focus as it may heighten the buyer's vigilance towards deviant or opportunistic behavior from the supplier (Weber et al., 2011). Heightened vigilance being consistent with buyer's prevention orientation will persuade them further to follow their natural decision tendencies (avoidance); buyers will experience *regulatory fit*: a state of increased motivation, between the type of task environment and their prevention focus.

In international and cross-border exchanges, geographical distance also gets entangled with the problems of cultural distance resulting in many types of social, psychological and economic advantages and disadvantages (Bartlett & Ghoshal, 1998). With increasing role of foreign direct investments, the management analysts are beginning to substitute the metaphor of cultural distance to cultural friction (Shenker, Luo & Yehskel, 2008). On the other hand, Bhagat et al. (2007) are proposing the concept of global mindset involving personal, organizational and national orientations to operate more effectively in the fast globalizing business world. Thus exchanges with international partners are bound to be marred by cultural differences restraining smooth flow of information and less concession giving behaviors and may even cause friction and conflict due to cultural variations in motivations, and behavior styles, etc. alongside the problems inherent in protection of patent and proprietary knowledge. These uncertainties are more significant in technology, knowledge and research and development exchanges and this will still differ from the decisions toward a low technology and low complexity environment of a furniture industry.

Heightened vigilance being inconsistent with a promotion focus may hinder promotion focused buyer's eagerness in approaching an ideal goal or outcome through negotiation (Higgins,

2002). As mentioned before, promotion oriented buyers are more concerned with higher level construals or abstract ways of thinking on top of adopting a distant temporal perspective in decision making (Lee et al., 2000). Consistent with this is promotion focused buyer's lesser risk aversion. Thus they may focus more on the positive aspects of a contract with a global supplier: for instance, the possibility of having an improved product or access to new technologies as compared to prevention oriented buyers (Lee, Keller, & Strenthal, 2010). Prevention oriented buyers on the other hand will be more focused on lower level construals or on the concrete and substantive aspects of a contract. For instance they may be more concerned with the expected rise in cost due to the environmental uncertainty consequent of the lack of ability to monitor the supplier (Lee, Keller, & Strenthal, 2010; Förster & Higgins, 2005). Consequently we expect:

*Proposition 3a: With increasing environmental uncertainty, prevention oriented buyers have a greater tendency to terminate the contract with the current supplier and negotiate with another supplier at same or higher prices as compared to promotion oriented buyers.*

*Proposition 3b: With increasing environmental uncertainty, prevention oriented buyers have a greater tendency to terminate the contract with the current supplier and negotiate with another supplier with extended deadlines as compared to prevention oriented buyers.*

### **Buyer's Past Relationship Experience with the Supplier**

Relationship building is the first major element in negotiations. Past experiences build this relationship and positive experiences obviously lead to better and sustained long term relationship whereas negative experiences are likely to contribute to conflict, strain and break-down of relationship. The connective tissues of trust, forbearance and reciprocity are



strengthened by such positive experiences and propensity to opportunistic behaviors is restrained (Ring & Van de Ven, 1994). A new encounter may be responded by caution and suspicion in normal interpersonal exchanges and such tendency may be quite sharp in inter-organizational contexts. We may thus expect:

*Proposition 4: Buyers are less likely to (a) terminate the contract with the current supplier and negotiate with another supplier at same or higher prices, and (b) terminate the contract with the current supplier and negotiate with another supplier with extended deadlines with suppliers with whom they have had long term relationship with no negative experience than with suppliers with whom buyers have had no experience (new supplier) or occasional negative past relationship experiences.*

#### **Interaction between Regulatory Focus and Type of Past Relationship Experience**

Promotion focused buyers are sensitive towards gains and non-gains, prevention focused buyers are sensitive to losses and non losses (Higgins et al., 2003; Avnet & Higgins, 2006). Negative feedback is relevant to a buyer's prevention focus as is a positive feedback to his or her promotion focus (Idson, Liberman, & Higgins 2000; Hong & Zinkhan 1995; Maheswaran & Sternthal 1990). Thus a negative feedback, as reflected in occasional negative past relationship experiences with the supplier, will persuade or motivate prevention focused buyers to sustain their decision tendencies characteristic of their regulatory focus (Higgins, 2002). Thus we expect:

*Proposition 5: Compared to promotion focused buyers, prevention focused buyers will have a greater tendency to (a) terminate the contract with the current supplier and negotiate with another supplier at same or higher prices, and (b) terminate the contract with the current supplier and negotiate with another supplier with extended deadlines*

*when they have had occasional negative past relationship experiences with the supplier than when they have had no negative past relationship experiences or no past experience.*

### **Interaction between Environmental Uncertainty and Buyer's Past Relationship Experience with the Supplier**

Based on discussions in preceding sections, we can extrapolate that the buyers in more uncertain environments would search for alternative resolutions or quasi-resolution of such conflict-prone delivery problems by uncertainty avoidance and uncertainty absorption factors, such as, the nature of past relationship experience. Learning theory as well as developmental perspectives (Argyres & Mayer, 2007; Nonaka & Takeuchi, 1994) suggest that organizational memory through long term accumulated past experiences acts as a facilitator in uncertainty absorption whereas occasional negative experience or no past experience may act as inhibitor or uncertainty absorption and may rather direct buyers toward uncertainty avoidance. In dealing with low or moderately uncertain environments, buyers may be more cautious and vigilant and monitor the exchanges with suspicion in case of no experience or occasionally negative past experiences with the supplier. In high uncertain environments, no negative past relationship experience is indicative of their trustworthiness and would be less suspected in such delivery conflict situations. We therefore hypothesize:

*Proposition 6a: In dealing with suppliers from low uncertainty environments, e.g. domestic firm or moderate uncertain environments, such as, domestic R&D firm, buyers will show greater tendency to (a) terminate the contract with the current supplier and negotiate with another supplier at same or higher prices, and (b) terminate the contract with the current supplier and negotiate with another supplier with extended deadlines*

*when they have no past experience (new firm) or occasionally negative past experience with the supplier than when they have had no negative past experience.*

*Proposition 6b: In dealing with suppliers from high uncertainty environments, such as, foreign/global R&D firm, buyers will show greater tendency to (a) terminate the contract with the current supplier and negotiate with another supplier at same or higher prices, and (b) terminate the contract with the current supplier and negotiate with another supplier with extended deadlines when they have no past experience (new firm) or occasionally negative past experience with the supplier than when they have had no negative past experience.*

Prevention oriented buyers may be more concerned to safeguard the delivery problems by uncertainty avoidance approach and this tendency should be more marked in low or moderate uncertainty environments and where they have either no past experience or occasionally negative experience with the suppliers. Promotion oriented buyers are more likely to salvage the conflicting delivery problems by uncertainty absorption and should therefore be less reactive to termination decision especially when they have even occasional negative or no past experience with the supplier from more complex environments as compared to low or moderate uncertainty environments. We thus expect that promotion and prevention focused buyers would respond differently to the combined situations of low/moderate/high task uncertainty and no. occasionally negative / no negative past experience. There is however inadequate basis to hypothesize precisely how three factors would interact. We can simply hypothesize:

*Proposition 7: Prevention and promotion focused buyers would show the tendency to (a) terminate the contract with the current supplier and negotiate with another supplier at*

*same or higher prices, and (b) terminate the contract with the current supplier and negotiate with another supplier with extended deadlines under different conditions combining past relationship experience with the supplier and in dealing with three types of levels of environmental uncertainty.*

## **Discussion**

In this paper, we address how buyer's regulatory goal focus and elements of the task environment affect the negotiation decision outcomes in buyer-supplier negotiations. We were specifically interested in buyer-supplier negotiations that happen when suppliers report inability to complete the delivery of goods or services within the deadline and/or demand revision of price of goods or services due to various constraining contingencies in the current business environment, e.g. rise in cost of materials, shortages or fluctuations in supply of raw materials, labor unrest, etc. In the context of such negotiations, the buyer is faced with options: (1) early termination of the contract, (2) upward revision of the price terms, (3) extension of the date of delivery, or (4) a combination of price revision and revision of delivery date. We argue that buyer-supplier negotiations in the specific context discussed above is amenable for study using the decision making perspective. Using regulatory focus theory, learning theory, bounded rationality, and trust building perspectives, we develop a set of propositions regarding the independent and joint effects of buyers' personality factors, such as, promotion versus preventive regulatory goal focus, and factors external to the buyer like environmental uncertainty, and nature of past relationship experience with the existing supplier on termination or renegotiation of a contract after reported likelihood of supplier delivery failure. In so doing, we believe we provide a more comprehensive picture of buyer-supplier negotiations.

We believe that research on buyer-supplier relationships benefits from our work for at least three reasons. First, while extant research on buyer-supplier relationships has attempted to study negotiations in terms of legal framing of clauses of terms and conditions of a contract, we extend the nature of the negotiations under study by examining the complex decision making issue of renegotiation of a contract after reported likelihood of supplier delivery failure. Second, we suggest that personality and social psychological factors impact the complex decision making during such renegotiations. We argue that inputs from social psychological and cognitive theories can help to study the impact of personality characteristics in negotiation decision outcomes. Third, we also study the impact of technical and environmental uncertainties in renegotiation of a contract. Therefore, our holistic approach incorporates all the elements of a decision task, namely the buyer, the supplier, and the characteristics of task environment, and accounts exhaustively for the relational dynamics in a buyer-supplier relationship.

Managers often face situations when they have to renegotiate a contract as the supplier reports inability to complete an existing contract. So, the issue we examine is practically relevant. Importantly, we suggest that the negotiation decisions managers make are contingent on their chronic regulatory goal focus, past experience with the supplier and type of supplier. This has implications for who is sent on behalf of the organization to negotiate with different types of suppliers and the objectives the organization wishes to pursue with this supplier. For example, promotion focused negotiators are more likely to achieve the organizational objective of continuation of a relationship with a supplier.

### **Conclusion**

This paper attempts to enrich the ongoing scholarly dialogue on extendibility and early termination outcomes in buyer-supplier negotiations. It does by incorporating all elements of a

decision task, namely the buyer, the supplier, and the characteristics of task environment, and articulating specific propositions for the independent and joint effects of these elements. We hope to draw the attention of organizational scholars towards studying the impact of personality, cognitive processes and environmental characteristics on buyer-supplier negotiations.

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Figure 1: A Conceptual Model Indicating the Role of Personality Factors, Buyer's Past Experience with Supplier, and Environmental Uncertainty on Buyer-Supplier Negotiations Following Reported Delivery Failure.

