ARE E-BUSINESS TRANSACTIONS REAL NEGOTIATIONS? THE USUAL QUESTION OF POWER AND TRUST

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— Abstract —

Negotiation is a specific form of communication in which the parties enter into deliberately, each with clear aims and goals and a mutual dependency towards a decision due to be taken at the end of the confrontation. The uncertainty of the situation in regards to the other party's intentions and objectives tends to make negotiators cautious about the amount and type of information that they should exchange. The information transmitted can reveal stakes and interests with effects on the balance of power and can allow the other participant to profit from the situation.

In negotiation, trust, which can be considered as a tendency to believe that your counterpart will satisfy and respect your expectations, is usually based on mutual perceptions exposed all through the interaction but also on previous experiences and history of relationship.

Before and during negotiation, power is established under the influence of numerous variables, bringing for the negotiators the essential question of the balance of power in the process. A favourable power position can be based on many factors that might differ depending on their sources. These can be divided in two categories: the ones related to the negotiator himself and the ones connected with the situation or the context of the negotiation.

In e-business relationships, the participants are physically distant and exchange information in a communication process different than the usual bargaining interaction. E-negotiations involve the use of a computerized environment with the possible help of decision support systems or negotiation support systems but
also agents or mediators considered as a third party that can facilitate the transaction. Because e-negotiations imply information systems and digital media together with the usual human involvement and assistance, it is difficult to determine exactly how each factor can strongly modify the balance of power, the level of trust and eventually facilitate the interaction.

Therefore, because of the nature and number of parties concerned, from human actors to information systems, trust and power are complex issues to investigate in e-negotiations. The remaining question is about the nature of the interaction itself, can it still be considered as a real negotiation?

Drawing on concepts from several disciplines, our intention in this paper is to clarify the aspects and elements of the causal relationship between the nature and exchange of information and the evolution of the balance of power and trust in e-negotiations in order to uncover new hypotheses for experimental research.

**Keywords**: negotiation, e-negotiation, negotiation support systems, information, trust, power

**JEL Classification**: M

1. **Introduction, defining Negotiation**

As with many concepts, there are different angles and ways of defining negotiation. The following definition presents three essential aspects of any negotiation: the idea of a specific process, the presence of conflicting aspects, and the finality involving the participants.

"Negotiation is a joint decision-making process through which negotiating parties accommodate their conflicting interests into a mutually acceptable settlement" (Faure and Sjöstedt, 1993).

Negotiation, therefore, takes place when the following points are present:

- Two or more parties with conflicting interests
- A common need for agreement because of an expected gain
- An initially undefined outcome
- Means of communication between the parties
- A control over the decision on each side
This voluntary process involves different actors with different interests or goals and different attitudes and strategies leading to a situation were people are trying to adjust these differences in order to reach an agreement.

Each party in the relationship must cooperate to reach his or her objective and each party can block the other one from attaining his or her goal (Putnam, 1990). This interdependence sets up a mixed-motive relationship in which both parties cooperate by competing for divergent ends (Putnam, 1992).

As shown by Lax and Sebenius (1986), any negotiation includes both "value creating" (integrative) and "value claiming" (distributive) features. The interdependence between these two poles creates a dilemma for the negotiator in his decision making process.

Walton and McKersie (1965) have shown that these two different visions of negotiation are related to different conceptions of information exchange; sharing useful information can help overcoming the perception of the outcome as the division of a fixed pie.

While competitive behaviour with few exchange of information tends to induce mutual suspicion and to create an atmosphere of conflict, a cooperative attitude based on legitimate and useful information tends to promote the development of mutual trust and a mutually-beneficial relationship.

Therefore, the information used will either contribute to create a trusting relationship leading to an integrative agreement or else damage the relationship and simply reduce the negotiation to a confrontation of power.

As demonstrated by Butler (1999), the quantity of information shared is a primary determinant of negotiating effectiveness and the expectation of trust is a crucial condition for both sharing information and developing a climate of trust.

Furthermore, the existing conflict of interests can easily lead the negotiators to an interpersonal conflict depending on the strategy they choose and the tactics they use during the process.

2. A conflict of interests can hide another one

From all the elements that contribute to increase conflict and creates destructive consequences and image over the sometimes "simple" existing conflict of interests, Deutsch (1973) refers to:
• Misperception. Participants have a tendency to view things consistently with their own perspective in a very stereotypical manner; rejecting systematically what is opposed to their position.

• Emotionality. Emotions have a tendency to dominate ways of thinking and decision making if satisfying solutions are difficult to find. The participants become less rational, logical and more intuitive.

• Decreased level of communication. Participants exchange less relevant information or only information that can put pressure on the opponent.

Wall and Callister (1995) in their review of conflict literature show that within the sources of conflict, communication can have a double effect. A low level of communication and exchange of information puts the emphasis on perception and the risk of bias while extensive communication can lead to misunderstandings and contradictory elements.

The increase of conflict will have an immediate effect on the quality and quantity of information exchanged creating therefore a spiral or a vicious circle in which participants will rely even more on their perception of the situation.

3. Trust in Negotiation

The idea of trust is based on certain vulnerability. Trusting people means that you expect that they will act in a good manner, accordingly to your interests, without any complete control or guarantee over it. But while there is a consensus over the need to establish a trustfully relationship in negotiation there is no universal definition of the concept. To Rousseau & al. (1998), trust is "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another". This definition highlights two fundamental aspects which are the notion of risk and the interdependence. Because these two aspects are necessary conditions, variations in these factors before and during the relationship will alter the level and form of trust between the participants (Rousseau & al., 1998).

As described by Turel and Yuan (2006), trust can be considered as a personality trait or as a state due to the situation or the context. In the first case, a predisposition to trust others should lead to different approaches and strategies than those of distrustful individuals. In the second case, trust is a momentary state of mind leading a negotiator to a specific action.
Basically, as explained by Rousseau & al. (1998), trust can be considered in three different ways: as an independent variable (cause), a dependent variable (effect), or an interaction variable (condition).

Doney & al. (1998) have identified five cognitive trust-building processes which can explain how trust develops in business contexts.

- **The calculative process:** Each party calculates the costs and/or rewards of cooperation or competition based on manipulating, cheating or deceiving.
- **The prediction process:** Trust is based on the capacity to predict, foresee the other party's behaviour.
- **The intentionality process:** Each party will interpret the other party's intentions and motivations based on its own perception and judgment.
- **The capability process:** Each party will evaluate the capacity from his counterpart to meeting their obligations and the evaluator's expectations.
- **The transference process:** One party transfers an existing trust to a new partner by comparing the previous sources of trust with the new situation.

Trust is also a very important aspect in situations where a mediator (a third party) is involved. As explained by Turel and Yuan (2008), trust relations between the negotiators and the mediator are important predictors of the participants' perceptions and behaviours.

As the level of trust is going to be an important factor regarding the negotiators' strategies and orientations, another fundamental whilst difficult concept will influence the process and sometimes the outcome: it is the "strength" or the relative power of the participants.

### 4. Power in Negotiation

A first approach regarding power in negotiations may consider resources that permit a party to punish or reward another one for its behaviour. For Zartman (1991) power can come also from elements that determine the vulnerability of the other party to such punishments or rewards.

Boulding (1999), considering that power is the ability to get what we want, divides it in three major categories from the point of view of its consequences: destructive power, productive power and integrative power. The last one has a destructive and productive aspect depending on the relationship and its origin.
Lewicki & al (2001) assume that power in negotiation must not be considered as absolute and coercive even if it is mostly a capacity to influence or the ability to bring about outcomes that are desired. They prefer to separate the power revealed in negotiations from the influence processes used in interpersonal relations.

In that sense they join the relational definition of power given by Deutsch (1973) that emphasises the specificities of each situation. The power of an actor in a given situation (contingency approach) can be evaluated as the "degree that he can satisfy the purposes that he is attempting to fulfil". Therefore power depends also on the relationship rather than purely on the resources of each participant. According to Deutsch (1973), some elements of power derive from the situation or the context instead of being only attributes of each actor. The characteristics of the situation as well as the characteristics of the participants determine the balance or the asymmetry of power. To Bacharach and Lawler (1981), the level or degree of dependency has an obvious effect on the asymmetry of power in the sense that the more dependent an actor is relative to opponent, the weaker is the negotiation strength. But this dependency has to be considered on two different aspects; the existence and potential of alternatives but also the importance of interests, stakes, objectives or expectations. Not only do the participants count on resources that they possess which are of interest to their opponent, but also they have different expectations regarding the interests provided by these resources.

Fischer and Ury (1981) introduced the concept of "best alternative to a negotiated agreement" (BATNA) in order to explain that the strength of a negotiator depends on the number and value of alternatives at his disposal. A negotiator should always conclude an agreement which provides more value than the best possible alternative otherwise there is no point in accepting it. But his power relies also on the number and value of his counterpart available options.

Dupont (1996) classifies the sources of power in two categories: the ones linked to the situation (over which the negotiator might have different levels of control) considered as "objectives" factors and those in connection with the negotiator himself like skills or credibility.

In the first category he mentions:

Latitude of choice / decisions, Capacity to sanction (positively and negatively), Degree of dependence on the opponent(s), Latitude with time (compared to the opponent).

In the second category:
Skills (natural and acquired) / capacities, Credibility / Reputation, Capacity to influence (convince), Information / Access to relevant data.

This last element reveals the need to have access to relevant information in order to validate the proposals or counter proposals and to keep control over the process but also to master efficient communication techniques in order to transmit the proper information.

5. E-Business transactions: Specific situations and contexts

In order to create a competitive advantage based on a better decision making system, companies integrate the recent information systems and technologies into their organizations. For this reason, businesses are transforming themselves from brick-and-mortar type organizations into click-and-mortar or pure-play type organizations. Finding or discovering the information about a product or a merchant, analyzing the market prices and comparing them, trading the goods and services, communicating and collaborating with other parts, recruiting new employees are some of the electronic commerce activities.

However, the digital transactions that are based on the Internet and its services such as Web bring some advantages but some limitations as well. Even though the Internet provides the common infrastructure for the data communication, most of the data in Web does not present any meaning for computer programmes. Collecting data, processing data and disseminating the data electronically among other partners such as customers and suppliers are still some of the challenges of e-commerce.

E-Business is a broader definition of Electronic Commerce that includes not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organization (Turban & al., 2012). E-business transactions infrastructure requires software, hardware, database, communication medium and information system which are essential for their management. Conducting all these transactions digitally and correctly enables an organization to gain some significant power over its competitors.

Bartering goods, auctioning for items, comparing and bargaining prices are business transactions that need negotiation. Negotiations that are done electronically via computer networks especially via Internet (e-negotiation) may take place at any of these transactions. For example, for an auction, the number of bidders, visibility of bidders by others and number of bids that a bidder can place
may easily be controlled by computer systems in order to conduct clear negotiations.

As it happens in face to face negotiations, e-negotiations require some actors like seller(s), buyer(s) and intermediaries as participants of negotiations. In e-negotiations, these actors are represented by intelligent agents whose role is to find a possible agreement for a specific offer. Intelligent agents are software programs that work in the background without direct human intervention to carry out specific, repetitive, and predictable tasks for an individual user, business process, or software application (Laudon and Laudon, 2012). How your agents gain intelligence is very important in order to negotiate each others without human intervention.

Knowledge work systems, expert systems, decision support systems are some of the application fields of intelligent agents. NSS (Negotiation Support Systems) or NDSS (Negotiation Decision Support systems) and Knowledge supported NSS are systems generally equipped with intelligence that can process real time data faster than humans. Kersten & al. (2004) consider an "e-negotiation system" as the software that employs Internet technologies, deployed on the web, and capable of supporting, aiding or replacing one or more negotiators, mediators or facilitators (with respect to the definition of Ehtamo & al., 2004).

Kersten and Lai (2007) after a complete overview of e-negotiation systems, describe their negotiation support system (NSS) as the software which implements models and procedures, has communication and coordination facilities, and is designed to support two or more parties and/or a third party in their negotiation activities (see also Chiu at al., 2005, Kersten at al., 2008).

Electronic transactions enable organizations to access suppliers' information, search catalogues, match items, to be part of both reverse and forward auctions. The exchange matches many potential buyers and sellers, provides them with some communication facilities and also maintains the policies and the technological infrastructure for them. Being a subscriber of those platforms gives the opportunity of using the same technological background as your competitors.

6. Power and trust in E-Business negotiations

E-business negotiations share apparently the same characteristics as usual interpersonal business negotiations: Parties with conflicting interests, a need for an agreement because of an expected gain, an outcome difficult to predict or that can strongly differ from the initial objective, means of communication between the parties and a control over the decision on each side. But regarding the sources
of potential conflict during the process, transactions made via computer networks should reduce the chances of misperception, emotionality and poor levels of communication.

To Katsh and Rifkin (2001), e-negotiation systems and services can be considered as an external party which intervention is like those of a mediator, facilitating the negotiation process, advising on optimal solutions (Turel and Yuan, 2008). E-negotiation platforms support the negotiators by enabling them to reach the same information. For this reason, e-negotiation eliminates the information asymmetry between parties and presents the information to all parties without taking into account their status. As depicted in e-negotiation system of Benyoucef and Rinderle (2005), protocols (fixing rules between the participants) are made public to every participant, but strategies and tactics (to maximize benefit) are kept secret.

But these strategies and tactics are based mostly on two aspects of any genuine negotiation: trust and power. Trust in e-negotiations must be considered in two different ways as described by Turel and Yuan (2008): Trust based on the relation and trust assessments on the adoption of e-negotiation services. According to them, due to the conflict of interests between negotiators, trust is more important and more difficult to achieve in the setting of an e-negotiation because it involves various parties, humans and information systems with different antecedents and capabilities which can mediate trust but be also the subject of trust.

Based on the five cognitive trust-building processes exposed by Doney & al. (1998) and previously presented, e-negotiations should reduce the number of the alternative processes used in order to decide whether or not a counterpart can be considered as trustworthy. The access to information and the controls made by the systems should first solve the problems of transference. If a system is reliable, it should be for any transaction or in any circumstance. Then the calculative and prediction processes should be of less importance than in a face to face transaction. By making the decisions more rational through a fast process of evaluation of several criteria, information systems tend to make the moves and tactics more predictable and the estimation of their costs or advantages easier.

Ebner (2007) describes eight major obstacles to build trust in e-negotiations: The lack of contextual cues, a sinister attribution effect, low expectations of trust, anonymity and the problem of the faceless other, confusing physical distance with interpersonal distance, the challenge of e-empathy, pace problems and negotiating in a new landscape. According to Nadler (2001), e-commerce transactions rely on a communication medium that is impoverished due to the lack of interpersonal
cues which usually facilitate understanding. Therefore, it can lead to lower the trust in the process and to the escalation of negative feelings and perceptions about the other participants' intentions.

When the parties have no prior relationship, no prior contact, and no sense of shared identity, the conditions are ripe for a communication medium to exert the strongest influence on negotiator perceptions and behaviours. In particular, when the structure of the negotiation is a complex, potentially integrative negotiation that requires reciprocal information sharing, the inability to see or hear the other person in conjunction with lack of co-temporality can exacerbate initial distrust, leading to reluctance to engage in the kind of reciprocal exchange of information required to reach a high-quality agreement, or any agreement at all, for that matter (Nadler and Shestowsky, 2006).

So, agreements on time, transactions and properties, prices of products or services may require both human interventions and intelligent agents. Determining the roles of agents and humans may facilitate online negotiations. Participants’ flexibility to specify or edit their criteria for a product or a service is related to the roles of agents and humans. Allowing agents to exchange rules, instead of just exchanging simple communication significantly increases the flexibility of a negotiation protocol. Indeed, agents can then dynamically add, remove, or modify issues (Dumas & all. 2002). In that sense, agents contribute to a better balance of power between the participants that use the same tools and rules.

According to Ratnasingam (2000), power is an important contextual factor in electronic commerce adoption. By reducing the level of dependence on one partner it reduces power imbalances and the risk of being submitted to coercive power relationship and destructive power (Boulding, 1999) practices.

7. Concluding remarks

As demonstrated by Warrington & Al. (2000), trust becomes a central issue in E-business negotiations. It is considered by many authors as more important and difficult to achieve than in face to face relationships with established goods or services (Turel and Yuan, 2008). Fortune and Brodt (2000, cited by Nadler, 2001) have demonstrated that negotiators using electronic ways or means were more likely to mistrust or suspect the other party to deceive them. Interpersonal trust in face to face negotiations or mediated through electronic media are two different perspectives. While in the first case, each participant's perception will influence the level of trust, in the second case the nature and quantity of accessible information will mostly determine this level. Technology adoption becomes a way
of reducing the subjective aspects of the process and increase the rationality of decision making. But depending on the access and the nature of information, participants have a different level of power over their counterpart. As described by Dupont (1996), one of the sources of the negotiator's power relies on the level of information that he can collect over his opponent. In a face to face negotiation, a balance of power emerges and the process is based on a transfer of power between the participants. By quickly giving to the participants access to the same information, technology can balance power on at least one level but doesn't solve the question of trust in the first place.

In negotiation, the link between trust and power is difficult to establish whilst these two concepts are mostly always considered as determinants of any strategy with eventually an impact on the outcome. For example, to Rubin and Brown (1975) equal power and high trust situations would induce participants to choose more cooperative strategies and to attain more satisfactory outcomes than low trust or unequal power situations. According to Cathelineau (1991) who designed a model of strategic choice based on trust and strength, there are six different categories depending on a favorable, unfavorable or indecisive level of power and a low or high level of trust. A "balanced cooperation" derives from a high level of trust and an indecisive level of power. But the analysis is more complex depending on considering trust as an effect or a result, a cause or even a condition. In e-business negotiations the choice of a strategy relies also on the system that is used in order to facilitate the transaction. In that sense, the level of trust that is mediated through the system has to be differentiated from the level of trust in the system itself. Depending on these two levels the perception of power in the negotiation process might not be the same.

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