SMES RISK LEAVING MONEY ON THE TABLE: EVIDENCE OF GAPS IN SME KNOWLEDGE ABOUT NEGOTIATIONS

WORK IN PROGRESS PAPER

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ABSTRACT

A great wealth of research concerning negotiations has been accumulated over the years. Small and medium enterprises (SMEs) lack resources and specialization focus needed to assimilate this knowledge and apply it in their negotiations. In addition, current negotiation literature lack in terms of prioritization of different techniques.

This paper examines negotiation knowledge levels in SMEs, and analyzes how knowledge levels influence negotiation performance. The empirical foundation in this paper is a multiple interview study with representatives involved in negotiations from 12 different SMEs. An overview of existing literature on negotiations, focusing on business to business negotiations, forms the theoretical base.

Empirical findings suggest that SMEs exhibit knowledge gaps in many aspects of negotiations while excelling on others. Lacking areas include tactics and structured evaluation. Problem solving and relationship management were among the stronger areas identified.

KEYWORDS

Negotiations, SMEs, knowledge gap, interview study

INTRODUCTION AND HYPOTHESES

The literature on negotiations spans a wide spectrum of research disciplines, including among others, psychology, behavioral economics, sociology, political science, and anthropology (e.g. Kahneman, 2003; Raiffa, 1982; Crump 2011; Lax & Sebenius, 2003; Ertel, 2004). From a company perspective, absorbing all knowledge generated by scholars about negotiations is at best daunting, and requires vast amounts of time and effort. In addition, little has been written on how time and effort investments in applying different parts of the negotiation literature relates to expected benefits of those parts. Although some authors do mention the larger than zero time needed for specific tasks, the discussion much-too-often does not include quantifications or objective suggestions on prioritization of different tasks when under a strict resource budget. In short, individuals and companies have to rely on their own judgment when it comes to choosing what theories to implement and how much time to spend on each task – despite knowing far from everything about the decision they are making.

Companies are constrained by their limited resources and strive to allocate these resources in a near-optimal manner. In other words, companies are forced to prioritize between different activities. But to prioritize correctly, one must first understand the importance of the items being prioritized. Small and medium enterprises (SMEs) notoriously have scarce resources and a limited scale of business (cf. Carson, 1985). Employees of SMEs frequently "wear multiple hats" and spend their time doing various fundamentally different tasks within their scope of work. Hence, there is little or no room for skill specialization, except in some special cases where said skill is critical to core business. Negotiations are, except for in some rare cases like mediation and broker consultancy companies, a business supporting skill – not a core skill. Consequently and arguably, most SMEs probably do not absorb or make use of academic negotiation theory in any greater sense, despite the abundant resources being available to those who dig deeper. In this sense SMEs risk leaving money on the table by not specializing in and understanding the plethora of theories within negotiation academia. This calls for the first hypothesis of this paper:

H1: SMEs generally do not have employees who are trained in and specialize on negotiations.

It is currently unclear whether SMEs consider negotiation to be a noteworthy part of their operations. Negotiations – often regarded as a part of the sales process by sales management academia (c.f. Johnston & Marshall, 2010; Jobber & Lancaster, 2009) – risk being viewed as minor cogs in the bigger machinery that is business. Further, it cannot be assumed that practitioners in SMEs view and define negotiations similarly to popular scholarly definitions. In cases where negotiation is considered to be a skill important enough to learn, prioritization and relative importance of different aspects of negotiation is a task left to the main sources of knowledge (e.g. the author of a popular science book or the leader of a course). These sources may bias their prioritization based on a personal interest in keeping the reader or course participant satisfied, and certainly apply their subjective and incomplete view of negotiation theory when making prioritization decisions.

Arguably, sales people of all organizations accumulate experience based knowledge through their work. If current theory on negotiation is accurate, it should intersect with such experience based knowledge. Nevertheless, evident from the discussion above, practitioners in SMEs clearly run a risk of being less-than-perfectly informed. This leads to two of this paper's hypotheses:

H2: Albeit untrained, sales people in SMEs possess knowledge of negotiations, which can be explained in terms of existing negotiation theory, but which is achieved by first-hand experience.

H3: There is a considerable gap between SME sales people's average knowledge of negotiations and complete theoretical negotiation knowledge.

By its nature, all current prescriptive theories of negotiations express some way in which negotiations can be approached in order to affect performance in a positive way. Then, if Hypothesis 3 can be confirmed, performance of SMEs' negotiators should be substantially lower than what is theoretically perfect performance. In other words, one should supposedly be able to find consequent evidence of suboptimal negotiation performance when observing SMEs. The impact is likely considerable given that managers may spend as much as 20 % of their time on negotiation related activities (Shea, 1983). The final hypothesis of this paper is, therefore:

H4: The lack of knowledge in a certain area of negotiation theory causes negotiation performance to drop.

This paper aims to confirm or refute each of these hypotheses, and to discuss implications of the results. The theoretical base for this process is formed by an overview of existing literature on negotiations, focusing on business to business (B2B) negotiations. Next, the empirical foundation for this article is presented: a multiple interview study with 13 representatives from 12 different SMEs all of which are frequently involved in negotiations. The results are discussed accordingly, followed by concluding remarks on where scholars and practitioners arguably should focus their future attention.

LITERATURE OVERVIEW

DEFINING NEGOTIATION

There is no official or widely known definition to what a negotiation is or concludes, especially within the business context. One definition of the word *negotiation* itself is a "discussion aimed at reaching an agreement" (Oxford dictionaries, 2014), but when using the word negotiation to converse about the intricate processes and rules of reaching mutual business agreements, this simple word can have multiple meanings and interpretations depending on the interpreter. Hence, when studying the negotiation phenomenon through interviews, care must be taken to establish what the current interviewee classifies as a negotiation prior to interpreting his or her answers.

Most popular scientific books on negotiations quickly proceed to state their definition of a negotiation. Lewicki, Barry and Saunders (2010), in their comprehensive compilation of negotiation theory, choose to characterize negotiations as "win-win situations such as those that occur when parties are trying to find a mutually acceptable solution to a complex conflict" (p. 3). Their definition aims to synchronize the readers' definitions to their own, before going onto the topic. Their goal is to minimize misinterpretations, and many other book authors start their first chapters in a similar fashion (cf. Pruitt, 1981; Salacuse, 2003; Lax & Sebenius, 1986a).

This observation supports the theory that definitions vary and hence must be clarified before the topic can be discussed without misunderstandings. The interviews of this study will thence prelude with a discussion on what a negotiation is according to the interviewee. Accordingly, this paper contributes with first-hand data on how SMEs view the concept of negotiations.

The word "negotiation" is within the scope of this paper – where not otherwise specified – used to refer to the actual meeting between parties, whereas the preparations for, evaluation of, and context in which negotiations occur, are constructs related to the negotiation, but not part of it.

COMMON AREAS OF RESEARCH IN NEGOTIATION LITERATURE

Unless the parties meet by accident and immediately strike a deal, there is a time slot before negotiations take place which holds an opportunity to prepare for the upcoming negotiation. Spending time on carefully preparing for a negotiation is vital to the outcome according to many researchers (see Fells, 1996) and it is given plenty of attention by experts and senior lecturers (c.f. Salacuse, 2010). Lang & Otto (2010) found evidence for preparations' positive effects on negotiation outcomes. Rackham (1980) identified the following tasks as performed to a higher degree by skillful negotiators during the preparation phase: (1) consideration of outcome options; (2) looking for areas of common ground; (3) consideration of long-term consequences; (4) expression of goals in terms of ranges; and (5) not ordering their plans strictly. A negotiator who considers these tasks during preparation will accordingly more often make successful agreements.

From a wide perspective, Crump (2007; 2011) and others describe the context and process of the negotiations. The context forms the frame in which the negotiation takes place, and as such it can be managed, affected and manipulated accordingly. Salacuse (2010) stresses making useful contacts or involving third parties as ways to influence the negotiation. Are SMEs considering this "environmental preparation", and to what extent are they using it to influence the outcome?

The development of relations and the building of trust between the parties (Salacuse, 1998; Ross & LaCroix, 1996) have proven to constitute significant and vital parts of facilitating negotiations characterized by problem solving as opposed to conflict (Butler, 1995; 1999). A problem solving, or *integrative* approach to negotiations has proven to yield better results in many cases (see the discussion on problem solving vs bargaining below). A focus by SMEs on building relationships and trust with their customers will accordingly facilitate for a focus on problem solving in negotiations, and hopefully better results. Do SMEs focus on the relationships, and what are their views on negotiations related to relationships and trust?

Internationality has been frequently studied as a field within negotiation since the beginning of the seventies (Weiss, 2006) and the topic is important enough to warrant its own academic journal: *International Negotiation* (Brill.com, 2014). Not all SMEs are internationally active, but those who are will surely have experienced an increase in negotiation complexity. As with all theoretical fields presented within this paper, the great wealth of knowledge on international negotiations is far too great to be comprehensively summarized within the scope of this article, but Salacuse (1988) argued strongly for six factors that adds complexity to international negotiations: (1) cultural differences; (2) differences in politics and law; (3) the complexity of international economics; (4) government and bureaucracy; (5) differences in ideology; and (6) instability. Internationally active SMEs who do not consider these factors may experience lower negotiation performance when doing business abroad.

Power in negotiations has often been defined in terms of dependence of one party on the other party (see Emerson, 1962). Pfeffer & Salancik (1974) argue that resource control is one type of power which is especially important to organizations, and Watkins (2002) cautioned companies to not be too dependent on single organizations as it worsens the negotiation position, and advice is often given in normative literature on how to tackle these kind of difficulties (e.g. Susskind, 2006). French & Raven's (1959) five sources of power help depict the multiple aspects of having advantages over the counterpart, and they have been repeatedly used in negotiation literature. In their seminal work on negotiations, Fischer, Ury & Patton (1991) proposed that understanding one's best alternative to a negotiated agreement is a means to gain power in negotiations. Do SMEs understand their power positions, and what kinds of power relationships exist between SMEs and their customers? What is done to affect these power positions?

Öberg (1993) provides a good overview of literature studying negotiations in terms of phases. The merit to this approach, according to Holmes (1992), is that it enables researchers to look at negotiation longitudinally with respect to how the structure relates to input and output variables – a sort of "black box" approach. Lewicki, Barry & Saunders (2010) argue that understanding these phases and stages is vital to grasping the likely way a negotiation unfolds, and present a model originating from Greenhalgh (2001) in which negotiations consist of seven distinguishable phases: (1) preparation; (2) relationship building; (3) information gathering; (4) information using; (5) bidding; (6) closing the deal; and (7) implementing the agreement. This model is largely prescriptive (ibid.), and thus it appears interesting to examine whether SMEs negotiate through the same phases, and if any or some of these phases tend to be regarded as more important or is given more focus by SMEs.

The connection to company goals is another topic which has been covered by negotiation literature. Savage, Blair & Sorenson (1989) presented a conceptual model on different approaches to negotiation strategies contingent on goals and interests related to the substantive outcome and the relational outcome of the negotiation. One interesting conceptual conclusion from this model is that of avoiding negotiating altogether when neither of the substantive not relational outcomes is important. Strategic alliances have also been studied in terms of strategy choice and subsequent effects on the formation and outcomes of these alliances (Das & Kumar, 2011). Brett, Friedman & Behfar (2009) discussed the need to align internal goals before negotiating externally. Evidently, the choice of negotiation strategy is tightly interconnected with overlying organizational objectives and goals. Do SMEs consider their company objectives when negotiating, and in what way are the goals taken into account?

The definition of a successful negotiation is inherently subjective. Saorín-Iborra (2006) extensively reviewed the plethora of measuring methods applied to negotiations and identified the following definitions of success: reaching an agreement, profit, profit in combination with satisfaction, satisfaction, satisfaction of interests, and satisfaction of both interests and relationship. She further concludes that this 'satisfaction' is highly subjective, a conclusion which is supported by Curhan, Elfenbein & Xu (2006) and Curhan, Elfenbein & Kilduff (2009). Curhan and colleagues also conclude that subjective measuring sometimes is superior to objective measuring. Interests are thoroughly discussed by among others Lax & Sebenius (1986b) and can be both intrinsic and instrumental (e.g. a means to reaching a future goal). Indeed, measuring negotiation outcome is not a trivial task, and yet it potentially serves as the base for both contingent rewards to sales people (c.f. Ertel, 2004; Plouffe, Nelson & Beuk, 2013) as well as feedback for learning from past negotiations. The validity of research based on performance measures has been questioned by, among others, Clyman

& Tripp (2000). Are SMEs measuring their negotiation outcomes, and if so, how? What is done in terms of evaluation and learning from past negotiations, and are they experiencing difficulties in defining their measurements?

The negotiating parties often have both mutual and conflicting interests, a fact that can be utilized for better outcomes (c.f. Weiss, 2012; Murnighan et al., 1999). Multiple types of interests exist; negotiators may have interests in the negotiation tangibles such as price and quantities, but also in intangibles such as the need to "win", defending principles, or maintaining a good relationship (Lewicki, Barry & Saunders, 2010). Further, the negotiators may also have different views of the future, and different preferences in risk and time (ibid.). Recognizing and utilizing these differences efficiently requires the parties to cooperate and share more knowledge about their preferences (Pruitt, 1981), and Murnighan et al. (1999) found that only about a third of their observed negotiations maximized the total join value of the parties. It is unclear whether SMEs use this *integrative* form of negotiation. Neglecting integrative negotiation in favor of a more concession- and compromise-oriented style of negotiation may lead to SMEs "leaving money on the table".

Reference points have been shown to affect how people think about and interpret information about such things as risk (Tversky & Kahneman, 1991). Kristensen & Gärling (1997) showed that a reference point given to a buyer from a seller indirectly affects the final price, the risk of impasses and the feeling of "winning". Whyte & Sebenius (1997) further studied the effects on judgment from reference points, or 'anchoring' as the phenomenon is called. The concept of framing is closely related to anchoring. Putnam (2010a) used discourse analysis to analyze how the wording and tones of a real estate negotiation between two agents unfolded, showing how information was framed in order for the receiver to interpret it in a favorable way. Framing has been problematized as a research area which has suffered from high confusion among scholars (DeWulf et al., 2009), and so it would not be unexpected to see a low knowledge on this topic among sales representatives of SMEs.

Framing has frequently been a topic related to conflict management, for example Putnam (2010b) discussed the importance of framing in differentiating conflict issues to allow for creative solutions to conflicts. Conflict management has in itself been one of the main focus areas of negotiation research (c.f. Ury, Brett & Goldberg, 1988; Bazerman, 2005; Susskind, 2010). Attention has also been given to the resolution of disputes – one example being Maemura & Horita's (2012) findings implying that laughter can play an important role in dispute resolution and another example being Lumineau & Malhotra's (2011) results indicating that contract structure affects inter-firm dispute resolution. Are SMEs experiencing conflicts, and how is conflict management approached?

Lastly: the topic many people first think of when hearing the word negotiation, namely negotiation tactics and techniques. Lewicki, Barry & Saunders (2010) thoroughly summarized the most frequently used tactics and divided them into two subgroups: ethical and unethical (or "hardball tactics"). They further argue that knowledge about both subgroups is beneficial in order to respond correctly when being targeted by such tactics. Fisher, Ury & Patton (1991) gave advice on how some of these tactics can be disarmed and coped with, and there is much other advice present in negotiation research (e.g. Schneider, 1994). What is the balance between integrative and distributive in SME negotiations, and to what extent are tactics used?

CONSTRUCTION OF STUDY

Data was generated through multiple interviews with sales representatives from SMEs with head offices located in the county of Östergötland, Sweden. The sales representatives' companies were selected as an opportunity sample; all companies are members of a network in which members meet to share experiences and learn from each other a few times each year. All member companies of this group are SMEs (with between 20 and 100 employees) and all member companies are acting on a B2B market. The group totals to 17 member companies and all of these were approached. Out of 17 companies, 12 agreed to be interviewed resulting in a hit frequency of 71 %. A total of 13 sales representatives from these 12 companies were interviewed and the average time for one interview was 1 hour and 30 minutes. All interviews were recorded when conducted and transcribed *post hoc*. All interviews were conducted in Swedish, and free translations have been made to the interview guide and when quoting respondents within this article.

The questions were open ended and interviewees were given plentiful time to elaborate on their answers. Attendant questions were asked when deemed as necessary by the interviewer. The questions were constructed using previously presented literature as a base, and some literature was added to cover topics which emerged during interviews. In this sense, this study was conducted using an abductive method. The interview guide is appended in Appendix 1.

RECOGNIZED FLAWS OF STUDY

The overview of existing literature on negotiations presented in this paper is obviously incomplete. Nevertheless, the point of this study is not to cover all literature, but to confirm that SMEs do not study or use well-known knowledge in literature. For this purpose, the presented overview of literature is enough.

Although the focal companies of this study are SMEs and the focal literature concerns negotiations, the findings may be applicable to larger companies as well as other literature areas, although this will need to be confirmed or refuted by other studies.

This study points out the lack of knowledge within SMEs and some of the possible coherent problems, but there are no prescriptive contributions on how SMEs can approach these problems. Such normative advice needs to be based on careful experimentation or similar controlled studies. Neither can anything be said about the prioritization of different tasks.

Finally, the qualitative approach of this study prevents anything to be said about causality with certainty. Thus, Hypothesis 4 cannot fully be confirmed or refuted with the current method.

EMPIRICAL RESULTS

VIEW ON NEGOTIATIONS

Most of the interviewees consider the negotiation to be the full integration of the sales process over the span from initial contact through implementation of the agreement. The most common argument for this view is that the argumentation for and selling of the offering is done continuously over the sales process. This integrated notation of negotiation is used interchangeably with the narrower view of a negotiation as being a delimited event. This dual notation causes no ambiguity for practitioners but should be taken note of before interpreting the interviewee answers.

Negotiations are not viewed in terms of phases as Greenhalgh (2001) prescribed, but rather as a number of steps or milestones to pass, focusing on progress rather than context. Nevertheless, all phases were present to some degree even though preparation were lacking in favor of relationship building and implementation. There was no indication of a will to reach quick agreements and move on to the next deal.

PREPARATIONS

The preparation time spent by sales people in the SMEs varied widely, as did the scope of preparations. Some respondents explained that they sometimes spend weeks on researching estimated incomes, likely bids from competitors, risk analyses, et cetera, whereas others merely looked at the prospect's homepage before negotiating. One common denominator for all respondents was the need to express why their method was appropriate; the high effort respondents argued that preparation is golden while the low effort respondents argued that probing for information is best done during the negotiation, not before. There were also indications of preparation time spent being correlated to the subjective view of customer potential and time available for preparations.

Common preparation techniques included screening the Internet for information, calculations of future economic potential and compilation of suitable marketing material, whereas scenario analyses, expected arguments, and other 'prophetical' analyses were less common. Companies which reflected on how much time they spent on preparations also showed a tendency to face fewer surprises during the negotiation, but these companies were relatively few. The prioritization of preparations was at best subjective and otherwise non-existent. Also, there were no indications whatsoever of SMEs considering controlling or influencing the context of the negotiations – but there was ample evidence of SMEs being affected by the context:

> *"Sometimes the prospective customer already has bad experiences from before, and then it's all uphill for us. To try to convince them we will do better. It is outrageous when our competitors destroy the market, making us all lose from it."*

Most company representatives expressed a wish to spend more time on preparations. From the Rackham (1980) perspective, SMEs do not approach preparations the way "skillful negotiators" do; some of the SMEs managed to consider some of Rackham's steps but did so seemingly at random. There was no evidence of consideration and evaluation of the alternatives to a negotiated agreement either. Very few of the SMEs approached preparations in a structured and established manner, and those that did were the ones who expressed the biggest satisfaction with their average negotiation outcomes. Indeed, preparations may be one of the master keys to negotiation success, but SMEs lack the tools to a structured method for preparations.

GOALS, MEASURING AND EVALUATING

Overall company goals are frequently in place but less often stated in a clear way. There were no indications of effects of company goals on the negotiation outcomes, but sales representatives of SMEs with clearly stated goals tend to consider those goals when setting personal goals for negotiations. These negotiation specific goals are rarely used, but those who use them seem to excel in negotiations more often than others.

Evaluation is a highly subjective process in SMEs. Most sales representatives evaluate their negotiations through a feeling of having performed well or not. In addition to this feeling, most SMEs consider their counterpart and their feelings when evaluating; a negotiation was not successful if the counterpart feel like they have "lost". This is a reflection of the strong relationship consideration that most SMEs exposed:

> *"I need to be able to look my customer in the eye and still make good money. The customer needs to feel that I am the best supplier for them, even though I'm not always the cheapest."*

Structured evaluation is seldom done in SMEs. Some mentioned regular meetings with other sales representatives where recent negotiation outcomes are discussed in order to learn from them, but these meetings are not formally structured. None of the interviewees had been trained in negotiation through courses or similar and sales people were seldom measured based on and never rewarded based on measurements related to negotiation outcome.

All companies were mostly happy with negotiation outcomes as a whole. Some interviewees expressed that they at first might feel disappointed, or feel like "they could have asked for more", but that they change their mind when they see the agreement in place and working. When projects fail, no SMEs consider this failure to be due to bad negotiation performance, but rather due to one of the parties not performing according to what was agreed upon.

STRATEGY

The strongest point shown by SMEs is that of integrative negotiation. All representatives expressed a strong need to ask probing questions and to listen carefully to responses – a strategy strictly followed in all SMEs:

> *"We ask some questions and then we listen to their needs and try to identify the factors which we can solve. If we are problem solvers [negotiations] get much easier. The price discussion becomes secondary."*

The interviewees argued that this problem solving mindset was the biggest differentiator between them and their competition. Many also mentioned an implicit strategy in which the customers always get to 'win' the negotiation. In return, SMEs hope to keep a good relationship with the customer, but there were no concessions made in return by the customers (for example a commitment to exclusivity or similar).

Building customer relationships is highly prioritized by all of the approached SMEs, with the biggest reason being their dependence on continuous business. As a consequence, time is heavily invested in maintaining the relationships by keeping in contact – even when no project is currently running. When asked if relationships were useful in negotiations, most representatives agreed, explaining how a good relationship leads to better problem solving and reaching agreements more quickly. On the downside was mentioned the possibility that more concessions may have to be made to keep the customer happy. Trust was mentioned as a central enabler and necessity for agreements to be possible at all. Building of trust takes time and trust is hard to regain if once lost, according to the interviewees.

POWER, CONFLICT AND TACTICS

A common way of spreading risk among SMEs is to actively work to increase the number of customers, and hence reducing the consequences of losing one of the big customers. This is one way of improving the alternatives to a negotiated agreement, even if SMEs are not aware of such terms as used within negotiation literature. The power position of SMEs in relation to their customer varies much with the size of the customer and the current work load. These power positions are generally well understood, but are mostly accepted as-is; SMEs generally do not apply strategies to change their relative power positions. There is however ways in which SMEs indirectly affect their power positions, one example being their efforts to differentiate from competitors. By offering something unique, their position is strengthened. Most of the SMEs also suffer periodically from low order entries, weakening their alternatives to agreement and forcing them to accept lower prices and similar.

Conflict is not a common feature of negotiations in SMEs. Although it does happen, no SME had experienced conflicts at the level where negotiations break down. Conflict is handled by "clearing the air" with each other, and sometimes by changing the people involved in the negotiations. The SMEs' approaches to conflict resolution are thus close in line with negotiation literature's view on conflict resolution. One tendency which may be at conflict with normative literature is the frequent use of accommodating strategies to calm the customer. When customers approach SMEs and blame them for a problem related to their business with each other, most SMEs frequently make small concessions to keep the customer happy. These SMEs do not measure the effects of the concessions, leaving themselves vulnerable to abuse from customer.

Tactics are not considered to any greater extent by the SMEs. When tactics are used, they are mostly ethically correct tactics such as closing moves and withholding certain information. Framing and anchor points are seldom considered, when even less attention is paid to the counterpart's use of tactics. Lying is frowned upon by all but one responding SME, and this respondent only views white lies as acceptable. Many have experiences with lying customers on the other hand. In addition to the ethical aspect, lying and being caught was said to be devastating to the trust of the other party.

Few of the SMEs are active on international markets but those that are tend to consider the cultural aspect to be very important. Although none of the SMEs have encountered large problems due to cultural misalignment, they all express that they take proactive measures to consider the culture.

EVALUATION OF HYPOTHESES

The results of the interviews support for the first hypothesis stating that SMEs generally do not have employees who are trained in and specialize on negotiations. None of the sales representatives from the SMEs had been trained in negotiations and negotiations were not considered to be the main task of the sales representatives' work although they were a considerably large and important part.

Evidence in favor of the second hypothesis was found. Although untrained, sales people in SMEs still possess knowledge of negotiations, and this knowledge attained through experience, largely goes in line with existing negotiation theory.

However, there were also multiple gaps in the knowledge of the SME sales representatives when comparing with current theories in literature. There were considerable gaps even among the most knowledgeable sales representatives. Thus, hypothesis 3 is confirmed.

As was further noted, SMEs knowledgeable in areas like negotiation preparation and the use of goals in negotiations also seemed to be confident with the negotiation outcomes more often. This is weak evidence supporting Hypothesis 4: that lack of knowledge in certain areas leads to performance drops.

DISCUSSION, CONCLUSIONS AND REMARKS

The idea, from which this paper originates, was that the scarce resources and need to focus on all the different parts of core business in SMEs may lead to underperformance in negotiations. The results support this idea to a large extent. SMEs, while performing well in some areas of negotiation, lack in other areas. The sales representatives, although many times experienced, do not have formal training in negotiation. Consequently, preparations, formations of strategies, application of these strategies, and evaluation, are mostly done at random or not at all. There is however no obvious way to approach and correct these flaws, as current negotiation research largely has refrained from examining the matter of prioritizing between different tasks related to negotiations. Future research should focus on balancing different areas of negotiation knowledge against each other, and to establish a better understanding on what areas have the greatest influence over negotiation performance. One way for SMEs to get a feeling for prioritization would be to study the structure of a popular scientific book on negotiations, but this would be to leave the prioritization to be decided by the author of that book. Simply doing ‘more of everything’ is not an option in an SME plagued by scarce resources.

The areas identified within this study where SMEs underperform and could gain from learning more are goals and evaluation, and consideration of tactics. With clearer goals and a structured evaluation of negotiations, SMEs potentially add to the rate of learning from experience. With a better understanding of tactics, SMEs could prevent being taken advantage of by larger or unscrupulous companies. The high performers among SMEs gain their negotiation advantage from experience, a problem solving attitude, and a focus on customer relationships.

SMEs indeed risk leaving money on the table. Question is, is it because they are SMEs, or because negotiation research still has a long way to come?

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APPENDIX 1: INTERVIEW GUIDE

Control questions:

- Characteristics of customers (B2B/B2C? Long- or short term? Large or small?)
- Characteristics of suppliers (B2B/B2C? Long- or short term? Large or small?)
- Number of employees
- Market characteristics
- Turnover
- Sex of interviewee
- Title of interviewee

Starting questions to build discussions from:

- Please tell me about your role in the company?
- What is a negotiation to you, and what is not a negotiation?
- What is the purpose of negotiations?
- Could you please describe a typical negotiation in your work?
- How do you prepare for negotiations?
- Could you give examples of especially noteworthy negotiations you have experienced?
- Could you describe your overall company goals?
- What are your goals when it comes to sales?
- What personal goals do you have when it comes to negotiations?
- Do you consider your company strategy to be useful when negotiating?
- Do you apply any special kind of strategy or tactic when negotiating?
- Do you evaluate you negotiation outcomes?
- How do you measure negotiation success?
- What is a successful negotiation to you?
- What are the main problems with measuring negotiation results?
- Would you agree that most of your negotiations are successful?
- Are there any differences in negotiations when comparing rebuy and one-off transactions?
- What other factors affect the negotiations?
- Do you consider psychological factors in negotiations?
- Do you think in terms of customer value when negotiating?
- In what way would you say relations affect negotiations?
- Do you actively do something to affect relations?
- Would you consider your company to have an upper hand or lower hand in negotiations?
- Have you ever used a mediator in negotiations?
- What are your thoughts on cultural aspects in relation to negotiations?
- Do you encounter conflict in your negotiations?
- Do you trust your negotiation counterpart, and do they trust you?
- Is trust important in negotiations?