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When Does Behavioral Certainty Overcome Environmental Uncertainty: The Effects of Regulatory Focus, Environmental Uncertainty and Past Relationship Experience with the Supplier on Decisions against Reported Likelihood of Delivery Failure

Abstract

We investigated the independent and joint effects of regulatory focus, nature of past relationship experience with the supplier and environmental uncertainty on decision to (a) give price revision advantage, (b) give deadline extension, and (c) terminate contract and negotiate with another supplier firm against reported likelihood of delivery failure. In an experimental study with 155 Indian managers, we hypothesized and found that prevention oriented buyers, as compared to promotion oriented buyers, had greater tendency to give price revision advantage to the supplier under moderate and high environmental uncertainty but not under low uncertainty. The finding supports regulatory fit theory explanation to the given decision problem but not regulatory focus as a personality trait theory prediction. We found a strong main effect of buyer's past relationship experience with the supplier on their decisions thereby strongly supporting predictions based on organizational learning perspective of the behavioural theory of the firm and past research on trust building through past relationship experience based in negotiation as well as international alliances research. We found that buyers are more likely to give price revision advantage, deadline extension or less likely to terminate the contract with supplier with

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In the real world, managers experience situations when the suppliers report inability to complete the delivery of goods or services within the deadline and/or demand revision of price 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. The buyer is thus faced with options, e.g. to prematurely terminate the contract, or continue with the same party providing either upward revision of price terms or extending the date of delivery. Organizations have tried to handle the problem in terms of legal framing (i.e. inclusion of safeguard clauses) of the terms and conditions of a contract. The framing of contract safeguards, though, makes provisions for pre-termination, but does not examine the concerns about costs and consequences of task remaining incomplete and continued market demand and supply pressures may force the buyer to nevertheless increase the price or relax the delivery deadline for a new supplier. Therefore the issue is rather unique and does not allow resolution in terms of fixed parameters of contractual framing and is befitting for analysis following the behavioural theory perspective of negotiation and decision making under uncertainty.

A recent paper (Weber, Mayer & Macher, 2011) discusses part of the problem of early termination versus extendibility in terms of framing of the contract clauses with data from one IT hardware/software provider firm. This paper applied propositions from transaction cost economics (Williamson, 1985) and regulatory focus theory (Higgins, 1997, 1998). Even while applying regulatory focus theory, Weber et al. (2011) paper confined itself to the contract

framing provisions as duration safeguards against opportunism as well as to sustain relationship with the supplier. Contract framing clauses are essential to safeguard the implementation but need not be sufficient to solve critical real world problems in buyer-supplier exchange and contract implementation (Weber et al., 2011).

Following the behavioural theory of negotiation and decision making we interpret framing as part of cognitive process under varied conditions. Lieki, Saunders & Barry (2006) suggest that “frame is a subjective mechanism through which people evaluate and make sense out of situations, leading them to pursue or avoid subsequent actions” (p. 135). Putnam and Holmer (1992, p. 129) point out that framing helps explain “how bargainers conceive ongoing set of events in light of past experiences.” Putnam and Holmer (1992) also suggested that framing and reframing, i.e. re-evaluation of information and past positions “are tied to information processing, message patterns, linguistic and socially constructed meanings” (p. 129). Negotiators may thus adopt different frames based on their personality orientation, cognitions and motivations based on past experience with the suppliers and factors in the background and business context. Recent evidence (Troeschela, Hüffmeier, Loschelder, Schwartz, 2013) shows that negotiators use different frames to negotiate the same issue. For example, negotiators who are high on Machiavellianism use more competitive frames, while those who are high on communalism use more cooperative frames. This suggests that framing is not just a cognitive process but also a social process. The social context of negotiation, such as the relationship between the parties, the power dynamics, and the cultural norms, can all influence the frames used by negotiators. For example, in a competitive relationship, negotiators may use more competitive frames, while in a cooperative relationship, they may use more cooperative frames. Similarly, in a high power relationship, negotiators may use more competitive frames, while in a low power relationship, they may use more cooperative frames. Finally, in a culture that values individualism, negotiators may use more competitive frames, while in a culture that values collectivism, they may use more cooperative frames. These findings have important implications for negotiation research and practice. They suggest that negotiators should be aware of their own frames and the frames used by their counterparts. They should also be aware of the social context of negotiation and how it may influence the frames used. By understanding the social context and the frames used, negotiators can better predict the outcomes of their negotiations and develop more effective negotiation strategies.

interdependent, on the accumulation of economic and relational capital in negotiations. Lewicki et al. (2006) have provided adequate evidence of personal factors, such as, social orientation, self-efficacy, locus of control, self-monitoring, Machiavellianism and the “big five” personality traits impacting negotiation behavior process and outcomes.

Managerial goal orientation in negotiations is an important cognitive and motivational consideration influenced by personal factors, such as, regulatory focus – either promotion or prevention focus (Higgins, 1997, 1998). Buying a supplier perspective based on past relationship experience and environment uncertainty should moderate the impact of promotion versus prevention goal orientation on negotiation decisions. Specifically, this study examined the individual and joint effects of buyer’s regulatory focus (promotion versus prevention focus), level of environmental uncertainty (low uncertainty represented by a domestic furniture firm versus moderate uncertainty represented by domestic R&D firm versus high uncertainty represented by foreign/global R&D firm), and the nature of buyer’s past relationship experience with the supplier (no past relationship experience represented by a new firm versus long term relationship with occasional negative experience versus long term relationship with no negative experience) on decision to (a) give price revision advantage to supplier, (b) extend deadline to the supplier, and (c) terminate the contract with current supplier and negotiate with another supplier..

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 fram

Further, promotion and prevention oriented buyers possess different attitudes towards risk (Crowe & Higgins, 1997; Liberman et al., 1999). Promotion oriented individuals are more

Buyer's regulatory focus may represent a stable personality trait, or they may be induced by methods like contract framing and signaling (Argyres & Mayer, 2007; Weber et al. 2011). These ideas are, however, not inconsistent; they are in line with the fact that certain psychological traits like self-efficacy are malleable and may reflect chronic as well as transient tendencies (Aaker 1999). In this context, we use 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 a continuation towards achieving something ideal, a tendency to terminate an ongoing relationship reflects an orientation towards prevention of expected negative outcomes by ensuring the required minimum performance 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).

Further, prevention focused buyers as compared to promotion focused buyers are concerned more with the substantial 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 prudence, 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 a cost as an expense versus an investment is also consistent with the differential temporal perspectives in which prevention and promotion focused individuals are observed to exhibit in decision making (Fleigton & Roese, 2003). Cost while viewed as

an expense appears as an immediate concern, 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 negotiations as all future outlays appear less severe as compared to immediate ones even though they are financially equivalent (Soman et al., 2005). Consequently, we propose:

Hypothesis 1. Promotion focused buyers will have a greater tendency to (a) give price advantage to supplier, (b) extend deadline to the supplier, and (c) terminate the contract with the current supplier and negotiate with another supplier as compared to prevention focused buyers.

Role of Environmental Uncertainty

Environmental uncertainty may stem from 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 environment, 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. Heide et al. (2011) established that with greater geographical distance, the buyer-supplier contract is more likely

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 order to absorb the cost escalation and margin squeeze. R&D firms however face the 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:

Hypothesis 2: Buyers will show lesser tendency to (a) give price advantage to supplier, (b) extend deadline to the supplier, and (c) terminate the contract with the current supplier when dealing with suppliers from low uncertain environment, e.g. domestic furniture firm, or moderate uncertain environment, e.g. domestic R&D firm as compared to the suppliers from high uncertain environment represented by foreign/global R&D firm.

Interaction between Regulatory Focus and Environmental Uncertainty:

A prevention oriented duration safeguard 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

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).

However, a counter-argument suggests that environmental uncertainty leads prevention focused buyers to heighten vigilance or guard against errors of commissions (Higgins, 2002). Heightened vigilance reflects a conservative bias and an aversion towards change (Liberman, Idson, Camacho & Higgins, 1999). While heightened vigilance sustains prevention orientation, it disrupts promotion orientation (Higgins, 2002). Consequently prevention oriented buyers experience greater regulatory fit with higher environmental uncertainty. Individuals experiencing regulatory fit "feel right" about their evaluations and this positive feeling sustains their natural tendencies (Cesario, Grant & Higgins, 2004). While prevention focused buyers exhibit a natural preference for stability, promotion focused buyers show preference for change (Liberman et al., 1999). Thus with greater environmental uncertainty prevention focused buyers may exhibit greater tendency to sustain an ongoing relationship with the existing supplier as compared to promotion focused buyers by extending deadline, giving price advantage and not termination of contract. However, based on general regulatory-fit theory arguments, we formally hypothesize:

Hypothesis 3: With increasing environmental uncertainty, prevention oriented buyers have a lesser tendency to (a) give price advantage to supplier, (b) extend deadline to the

supplier, and a greater tendency to (c) terminate the contract with the current supplier as compared to promotion 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 breakdown of relationship. The connective tissues of trust, forbearance and reciprocity are strengthened by such positive experiences and suspicion of opportunistic behaviors is restrained (Ring & Van de Ven, 1994). A new encounter may be responded with caution and suspicion in normal interpersonal exchanges and such a tendency may be quite sharp in inter-organizational contexts. Social psychological literature (Lewicki et al., 2006) suggests three distinct cognitive and motivational issues arising from past relationship experience, viz trust, reputation and justice. While positive past experiences in relationships builds trust and reputation of trustworthiness, some changed conditions may trigger perceptions of injustice and unfairness. Schweitzer (2004) observed that repair of trust relations is jeopardized by perceptions of deception. In international alliances also, Skran, Martin and Noordenhaven (2006) observed that behaviour certainty was more important for trust formation and alliance performance than environment certainty. Janowicz-Panjaitan and Skran (2009) also found that competence based and operating level trust violations were more repairable than integrity based and corporate level violations between alliance partners.

We may thus expect:

Hypothesis 4: Buyers are more likely to (a) give price advantage to supplier, (b) extend deadline to the supplier, and less likely to (c) terminate the contract with the current supplier with whom they have had long term relationship with no negative experience than suppliers with whom they have had no experience (new supplier) or had occasional negative experiences.

Interaction between Regulatory Focus and Past Relationship Experience

Promotion focused buyers are sensitive to gains and non-gains, prevention focused buyers are sensitive to losses and non losses (Savast & Higgins, 2006; Higgins et al., 2003). Negative feedback is relevant to a buyer's promotion focus as is positive feedback to his or her prevention focus (Hong & Zinkhan 1995; Idson, Liberman, & Higgins 2000; Maheswaran & Sternthal, 1990). Thus a negative feedback reflected in occasional negative past relationship experiences with the supplier will persuade or motivate prevention focused buyers to sustain their decision tendencies characteristic of the regulatory focus (Higgins, 2002). Promotion focus buyers would show a tendency to be more favourable to occasional negative experience with supplier because of longer past relationship and would consider difficulties faced by the supplier as a situational reason and may not be favourable towards a new firm with no past relationship experience. Thus we expect:

Hypothesis 5: Compared to promotion focused buyers, prevention focused buyers will have lesser tendency to (a) give price advantage to supplier without revising deadlines, (b) give extended deadline advantage to the supplier without any additional price advantage, and a greater tendency to (c) terminate the contract with the current supplier and negotiate with another suppliers when they have had no negative past relationship

experiences with the supplier than when they have had either occasional negative past relationship experiences or no past experience, e.g. a new supplier.

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

Based on behavioural theory of decision making under uncertainty discussed in preceding sections, we can extrapolate that the buyers in uncertain environments would search for alternative resolutions or quasi-resolutions of such conflict-prone delivery problems by uncertainty avoidance and uncertainty absorption, which is influenced by the nature of past relationship experience. Learning theory perspectives (Argyres & Mayer, 2007) suggest that organizational memory through long term accumulated experiences acts as a facilitator in uncertainty absorption whereas occasional negative experience or no past experience may act as inhibitor and may rather direct buyers towards uncertainty avoidance. In dealing with low or moderately uncertain environments, buyers may be cautious and vigilant and monitor the

from high uncertainty environments, such as, foreign/global R&D firm, buyers will show greater tendency to (a) give price advantage to supplier, (b) extend deadline to the supplier, and a lesser tendency to (c) terminate the contract with the current supplier with when they have had no negative experience than when they have had either no experience (new firm) or occasionally negative past experience with the supplier.

Interaction between Regulatory Focus, Environmental Uncertainty and Buyer's Past Relationship Experience with the Supplier

Prevention oriented buyers may be more prone 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 no past experience or occasionally negative experience with the supplier. 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 occasional negative or no past experience with the supplier from more complex environments compared to low or moderate uncertainty environments. We thus expect that promotion and prevention focused buyers would respond

conditions combining past relationship experience with the supplier with levels of environmental uncertainty.

Method

Participants:

Participants were drawn from volunteers among managers attending management development programs at two premier institutes of management in India. One hundred and fifty five participants (147 male and 8 female) volunteered. The average age was 38.42 years with SD = 8.40 years. The total work experience of participants ranged between 2-35 years with Mean = 14.37 years and SD = 7.84 years.

Design:

We employed a 2 (regulatory focus: promotion versus prevention) X 3 (levels of environmental uncertainty: domestic furniture supplier firm versus domestic R & D supplier firm versus foreign R&D supplier firm) X 3 (buyer's relationship experience with supplier: new firm versus firm with whom buyer had a long term relationship with occasional negative experience versus firm with whom buyer had a long term relationship with no negative experience) repeated measures multi-factorial ANOVA model having repeated measures on last two independent variables (Winer, Brown, & Michels, 1991).

The Questionnaire:

The complete questionnaire consisted of three episodes of buyer's exchange with a supplier firm reporting inability to fulfill service delivery at contracted price and time deadlines – one episode for each type of environmental uncertainty followed by items of decision (a) *give price advantage to the current supplier, (b) extend deadline to the current supplier, and (c) terminate*

the contract with the current supplier under each of the three ~~conds~~ **conds** of past relationship experience with the supplier (a) no experience (new firm), (b) occasionally negative experience, and (c) no negative experience. These episodes were followed by another section of items on regulatory focus of promotion and price and a third section on demographic data. These measures are detailed below:

Episodes of Independent and Dependent Variables:

For manipulation of level of task and environmental uncertainty, three episodes (see Appendix 1) were designed where a supplier, after a successful first phase of supply execution of the specified quality and quantity, is shown to ~~repro~~ **repro** inability to supply the specified items at the original price or time deadlines due to ~~the~~ **the** demand supply gaps and consequent price escalations. Episode 1 was designed as a *domestic furniture supplier* firm contracted by a service firm as the buyer requiring supplies for equipping a new office, Episode 2 was presented as a *domestic R&D* firm contracted for the supply of a component for a manufacturing firm as buyer, and Episode 3 was described as a *foreign/global R&D* firm contracted by a buyer manufacturing firm. Each episode was followed by three conditions of second independent variable of nature of buyer's past relationship experience with the supplier- (a) no relationship experience (new firm), (b) long term relationship but occasional negative experience, and (c) long term relationship with no negative experience. For each condition of nature of past experience with the supplier firm, the participants were requested to respond to the dependent measure items on a 7-point scale ranging from strongly disagree to strongly agree. The three dependent measure items were: *give price advantage to the current supplier, (b) extend deadline for the current supplier, and (c) terminate the contract with the current supplier.*

Regulatory Focus:

The participants filled out the regulatory focus instrument, an adapted and modified version from Winterheld and Simpson (2011) applicable to buyer–supplier relationship context. Winterheld and Simpson’s measure had eighteen items with nine items each for promotion and prevention focus. On the basis of confirmatory factor analysis, five items for the promotion oriented regulatory focus, and seven for prevention orientation - revealing single factor variance contribution of 49.8% and 44% respectively were retained. For promotion focus items, alpha coefficient was .74 and for prevention focus revealed the alpha coefficient of .73 which was considered adequate for a new instrument (Nunnally, 1978). Appendix 2 provides the promotion and prevention focus items.

For scoring, participants’ responses on items from each factor were averaged to compute prevention and promotion scores for the participant. Then, a difference score was computed as the difference between participants’ promotion and prevention scores. A median split was done on this difference score and participants were classified as promotion oriented (n=78) or prevention oriented (n=77).

Procedure:

Each participant was presented with the questionnaire consisting of three episodes followed by the decisions to (a) give price advantage to supplier, (b) extend deadline to the supplier, and (c) terminate the contract with the current supplier on the given seven point rating scale under three conditions of nature of relationship experience. The questionnaire was administered to participants in small group setting and the entire instrument filling took about

3.14, SD = 1.43, $t(154) = 1.60$, *n.s.*). Buyers did not differ in their decision to give higher price advantage to the foreign R&D supplier firm and the domestic R&D supplier firm (Mean = 3.43, SD = 1.58 vs. Mean = 3.32, SD = 1.57, $t(154) = 1.34$, *n.s.*).

Furthermore, the interaction between promotion versus prevention regulatory focus and environmental uncertainty was also found significant at $p < .05$ level (eta squared estimate of the effect size = .02). The interaction was plotted in means of pairs of groups as shown in Figure 1.0. The figure shows that the means for prevention focused buyers were marginally higher for foreign/global R&D firms (Mean = 3.66, SD = 1.65) than the promotion focused buyers in same level of environmental uncertainty (Mean = 3.19, SD = 1.48), $t(153) = 1.86$, *p* = .06. For prevention focused buyers, means were significantly higher for foreign R&D supplier firms (Mean = 3.66, SD = 1.65) than domestic furniture firms (M = 3.09, S.D. = 1.52), $t(76) = 3.68$, $p < .001$. Means were significantly higher for prevention focused buyers and foreign R&D supplier firms (Mean = 3.66, SD = 1.65) than for promotion focused buyers dealing with domestic furniture firms perceptions (Mean = 3.19, SD = 1.35), $t(153) = 1.94$, *p* = .05. For domestic R & D firms, mean of prevention focused buyers (Mean = 3.51, SD = 1.65) was not different than that of promotion focused buyers (Mean = 3.14, SD = 1.48), $t(153) = 1.47$, *n.s.*. Furthermore, for domestic furniture firms, mean of prevention focused buyers (Mean = 3.09, SD = 1.52) was not different than that of promotion focused buyers (Mean = 3.19, SD = 1.35), $t(153) = -.42$, *n.s.* Figure 1.0 shows near parallel lines for prevention and promotion oriented buyers in foreign/global R&D and domestic R&D firms whereas the two lines cross-over domestic furniture firm. Thus, an interaction between regulatory focus and environment uncertainty was found but the nature of interaction was opposite than expected in hypothesis 3.

Insert Figure 1.0 about here

Results also revealed strongest main effect of buyer's past relationship experience with the supplier firm (PES) on the decision to give higher price to the supplier under condition of likely delivery failure. The PES main effect η^2 index - eta squared was .33. Thus hypothesis 4a was very strongly supported by data. Specifically, buyers differed in their decision to give higher price advantage to the supplier firm with whom buyer had long term no negative experience than to a new supplier firm ($M = 4.09, SD = 1.65$ vs. $Mean = 2.87, SD = 1.60, t(154) = 9.59, p < .001$). Buyers also differed in their decision to give higher price advantage to the supplier firm with whom buyer had long term no negative experience than to a supplier firm with whom buyer had long term but occasional negative experience ($Mean = 4.09, SD = 1.65$ vs.

The two-way interaction between environmental uncertainty (EU) and past experience with supplier (PES) showed marginal significance at a .08 level (eta squared estimate of the effect size = .01). The interaction was plotted using means of pairs of groups as shown in Figure 2.0. Post-hoc tests indicated that for supplier firms with whom buyers had long term and no negative experience, (i) buyers differentiated significant

S.D. = 1.91), $t(154) = 1.42$, $p > .05$. Thus hypothesis 6a was not fully supported but showed direction for partial support.

The three-way interaction effect of regulatory focus, environmental uncertainty and past experience with supplier (RF X U X PES) was not found significant and thus hypothesis 7a was rejected.

Decision to extend deadline:

The results of repeated measures ANOVA with the dependent variable - decision to extend deadline are also reported in Table 1.0. The results revealed only one significant main effect of past experience with the supplier at .001 level of significance. The PES main effect size index - eta squared was .25. Thus hypothesis 4a was very strongly supported by the data. Specifically, buyers differed in their decision to extend deadline for the supplier firm with whom buyer had long term no negative experience than a new supplier firm (Mean = 4.98, SD = 1.33 vs. Mean = 4.52, SD = 1.37, $t(154) = 4.99$, $p < .001$). Buyers also differed in their decision to extend deadline for the supplier firm with whom buyer had long term no negative experience than to a supplier firm with whom buyer had long term but occasional negative experience (Mean = 4.98, SD = 1.33 vs. Mean = 3.88, SD = 1.43, $t(154) = 9.70$, $p < .001$). Buyers also differed in their decision to extend deadline for a new supplier firm than a supplier firm with whom buyer had long term but occasional negative experience (Mean = 4.52, SD = 1.37 vs. Mean = 3.88, SD = 1.43, $t(154) = 5.49$, $p < .001$). No other main and interaction effects were however found significant for the dependent variable - decision to extend deadline.

Decision to pre-maturely terminate:

The results of repeated measures ANOVA with the dependent variable - decision to pre-maturely terminate the contract are also reported in Table 1.0. The results revealed only one

significant main effect of past experience with the supplier at $p < .001$ level of significance. The PES main effect size index eta squared was $.118$. This hypothesis 4c was very strongly supported by the data. Specifically, buyers differed in their decision to prematurely terminate the contract with the supplier firm with whom buyer had long term no negative experience than with a new supplier firm (Mean = 3.10, SD = 1.59 vs. Mean = 4.05, SD = 1.49, $t(154) = -7.28, p < .001$). Buyers also differed in their decision to prematurely terminate the contract with a supplier firm with whom buyer had long term negative experience than with a supplier firm with whom buyer had long term but occasional negative experience (Mean = 3.10, SD = 1.59 vs. Mean = 3.89, SD = 1.40, $t(154) = -6.06, p < .001$). Buyers did not differ in their decision to prematurely terminate the contract with a new supplier firm and a supplier firm with whom buyer had long term but occasional negative experience (Mean = 4.05, SD = 1.49 vs. Mean = 3.89, SD = 1.40, $t(154) = 1.41_{ns}$). No other main and interaction effects were however found significant for the dependent variable - decision to prematurely terminate the contract.

Generalizing across the three decision situations: (a) giving price advantage, (b) extending deadline, and (c) pre-maturely terminating the contract with the current supplier the most significant factor is past relationship experience. The main effect of regulatory focus does not differentiate in the decision process but it interacts under different conditions of environmental uncertainty to impact the decision of the buyer to give price advantage only. The three levels of environmental certainty discriminated in suggesting price advantage decision in favor of the supplier. Past relationship experience also interacts across some levels of environmental uncertainty, but not all levels deciding to give price advantage to supplier.

Discussion

likelihood of delivery failure whereas promotion-oriented buyers are more prone to provide concessions or rewards for normal goal fulfillment or 'good news' but not for reporting 'bad news' of likelihood for failure. The findings of this study thus support the counter-argument that preventive focused buyers "feel right" to evaluate uncertainty as a cue to seek stability and thus avoid uncertainty and rather look for stability in ongoing relationship rather than likely disruption or absorption of uncertainty of new relationship under greater environmental uncertainty as compared to promotion focused buyers (Cesario, Grant & Higgins, 2004; Liberman, Idson, Camacho, & Higgins 1999).

Secondly, the finding of significant main effect of environmental uncertainty supports contingency theory argument that higher level of uncertainty demands higher differentiation, i.e. formality, interpersonal orientation and time-orientation and greater collaboration and integration (Lawrence & Lorsch, 1967). The finding is also closer to Weber et al.'s (2011) position on geographical distance as a complexity dimension and even extends the implication of geographical distance in tuning international business perspective of global mindset (Bhagat et al. 2007) and cultural differences especially in dealing with knowledge creation and transfer (Bhagat et al., 2002). The present study included environmental uncertainty levels, e.g. domestic furniture firm, domestic R&D and foreign/global R&D firm which encompass differences in terms of task and business uncertainty and the information-knowledge transfer complexity in global R&D as compared to domestic R&D and so the finding holds stronger ground than Weber et al. (2011) finding.

Third, the findings overwhelmingly support the importance of past relationship experience as assurance against environmental pressures and demands. The external environmental uncertainty can be overcome by behavioral certainty through supplier history of

consistently positive experience. The long term relationship with no negative experience builds trust and safeguards against opportunism and induces reciprocation and forbearance from the opposite party in exchange. The finding also strengthens the argument "of connective tissue" of interpersonal exchange in general (Lewicki, 2006), and in explaining international alliance performance and stability (Krishnan et al., 2006; Ring & Van de Ven, 1994) and repairing violations of trust which are not based on identity-based or at corporate level (Janowicz-Panjaitan, M. & Krishnan, 2009) and perceptions of deception jeopardizes repair of trust violation. (Schweitzer, 2004). Further, the trustworthiness potential of the supplier sensitizes the proclivity of buyers to give concessions to the supplier when operating in rather uncertain

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Table 1.0: Summary of Analysis of Variance

<u>Sources of Variance</u>	<u>df</u>	<u>Price Revision</u>			<u>Deadline Revision</u>			<u>Terminate</u>		
		<u>Sum of Squares</u>	<u>Mean Square</u>	<u>F (Eta Squared)</u>	<u>Sum of Squares</u>	<u>Mean Square</u>	<u>F (Eta Squared)</u>	<u>Sum of Squares</u>	<u>Mean Square</u>	<u>F (Eta Squared)</u>
<u>Between Groups</u>										
RF	1	21.38	21.38	1.39	16.82	16.82	1.46	10.35	10.35	.79
Within-group (Error)	153	2349.46	15.36		1767.07	11.55		1990.92	13.01	
<u>Within Subjects</u>										
EU	2	19.20	9.60	3.42* (.02)	1.21	.61	.16	.35	.17	.05
EU X RF	2	21.29	10.66	3.79* (.02)	2.61	1.31	.35	1.19	.59	.18
(EU) X Subject Within (Error)	306	858.71	2.81		1132.41	3.70		995.57	3.25	
PES	2	435.68	217.84	73.60** (.33)	291.19	145.59	52.09** (.25)	238.69	119.35	32.92** (.18)
PES X RF	2	.83	.42	.14	.58	.29	.11	.43	.21	.06
(PES) X Subject Within (Error)	306	905.73	2.96		855.26	2.80		1109.29	3.63	
EU X PES	4	8.24	2.06	2.12† (.01)	5.22	1.30	1.19	10.64	2.66	1.80
EU X PES X RF	4	1.46	.36	.38	6.15	1.54	1.40	2.41	.60	.41
(EU X PES) x Subject Within (Error)	612	593.89	.97		670.39	1.09		903.21	1.48	

* $p < .05$, † $p < .08$, ** $p < .001$. RF: Regulatory focus; EU: Environmental uncertainty; PES: Buyer's past experience with supplier

Figure 2.0: Showing interaction eff

Appendix 1

Episode 1: You are a manager of a service company and your firm has given a contract for supply of furniture to a domestic firm on agreement to supply the specified one-third quantity in three stages and payment at the end of each stage is 25%, 25% and 50% respectively. After the first batch of delivery in right quantity and quality, the supplier

made after satisfactory evaluation of performance in each stage as 25%, 25% and 50% respectively. After two months of the first phase of performance, the foreign/global R & D has requested for an extension of the next two weeks by one month each due to some developmental glitches in the implementation of original design and for reworking the design for same level of quality and productivity and also demanded increasing the residual payment by fifty percent at the end of the next two evaluation stages.

Appendix 2

Promotion Focus Items:

1. I typically strive to fulfill the hopes and dreams I have in dealing with my suppliers.
2. In general, I am striving to nurture, grow and enhance relationships with suppliers.
3. I often think about how I can achieve (or create) successful relationships with suppliers.
4. I primarily strive to create my "ideal relationships" with suppliers – to fulfill my dreams and aspirations regarding business relationships.
5. I typically focus on the success (or a fruitful long term association) I hope to achieve in my relationship with suppliers.

Prevention Focus Items:

1. I frequently think about how I can prevent failures in negotiating with suppliers.
2. I often worry that I will fail to accomplish my goals while dealing with suppliers.
3. While negotiating with suppliers, I often fear that I may be responsible for any unfavorable outcomes (e.g., loss, delay) that might result.
4. Overall, I am more oriented toward preventing negative outcomes in negotiating with suppliers than I am toward achieving positive outcomes.
5. My ma5.