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When Control Does Not Pay Off: The Dilemma Between Trade-off Opportunities and Budget Restrictions in B2B Negotiations

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Abstract

Practitioners in business-to-business (B2B) organizations often report difficulties to reach mutually beneficial outcomes in their buyer-seller negotiations—a finding that contrasts with researchers' expectations based on the favorable preconditions B2B negotiations provide. In this conceptual article, we argue that this researcher-practitioner gap is due to a structural dilemma: On the one hand, B2B negotiations offer specific trade-off opportunities across multiple dimensions (i.e., issues, time periods, markets, and business partners). On the other hand, rigid financial budgets resulting from management control systems constrain negotiators' necessary flexibility to exploit these opportunities. We propose that negotiators translate financial budgets into negotiation limits. Depending on the structure of these budgets, negotiators set one *super*ordinate limit or multiple *sub*ordinate limits, which either maximize or restrain their ability to realize tradeoffs. We outline future-research opportunities for extending the negotiation literature by investigating multidimensional tradeoffs and different types of limits. We conclude with recommendations on how B2B negotiators can overcome their dilemma.

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"The concept of 'win-win' has been around for decades. It sounds good. Sounds fair. Sounds like a good business. […] Do people actually reach 'win-win' outcomes in business […]? Unfortunately, the answer is most often 'no'" (Thompson, 2020, p. xii).

In this quotation, Thompson articulates a widely shared concern with respect to the gulf between the desired, optimal outcomes in negotiation research and the suboptimal results that are regularly accepted in practice (De Dreu et al., 2000; Gates, 2016; Malhotra & Bazerman, 2007).[1] This issue is also echoed in the field of business-to-business (B2B) negotiations: In a recent study, B2B managers reported outcomes of insufficient quality in nearly one-third of their negotiations, which they partly attributed to (structural) constraints that prevented them from exploiting the integrative potential (Voeth et al., 2020; see also Sebenius, 1992; Thompson, 2012). These observations contrast with what negotiation scholars would expect, as B2B settings often provide favorable preconditions for reaching integrative agreements across multiple issues well-documented in the extant literature (e.g., Bazerman & Gillespie, 1999; Geiger & Hüffmeier, 2020; Trötschel et al., 2011). We believe that this contrast between scholarly expectations and practical experiences indicates a science-practitioner gap. Specifically, negotiation research has yet to develop a better understanding of B2B negotiations in order to produce practically relevant knowledge for this important field (i.e., a knowledge production problem; see Hüffmeier et al., 2011; see also Shapiro et al., 2007). So far, negotiation research has widely neglected important characteristics of B2B negotiations (with few exceptions, e.g., negotiating in relationships; Mannix et al., 1995; or negotiating in competitive markets; Bazerman et al., 1985) and is "criticized for decontextualizing bargaining" (Curhan et al., 2010, p. 692). Therefore, Hüffmeier et al. (2011) identified the need to validate the robustness of empirical evidence under more challenging conditions (e.g., repeated negotiations over time) to ensure the generalizability of research findings to different real-world contexts and strengthen their acceptance by practitioners. Systematically closing the science-practitioner gap in this domain requires negotiation research to produce knowledge that gives B2B negotiators valuable insight into how to achieve better outcomes in real-world negotiations (Hüffmeier et al., 2011; see also Bendersky & McGinn, 2010; Shapiro et al., 2007).

In the present conceptual article, we seek to provide a starting point for systematically closing this science-practitioner gap in the realm of B2B negotiations by studying the following overarching research question: How do the unique characteristics of B2B negotiations impact negotiators' perceptions, behaviors, and negotiated outcomes? By addressing this research question, we intend to offer a detailed analysis of the specific characteristics of buyer-seller negotiations in the B2B context, thereby laying the groundwork for future studies. We conduct this analysis from two perspectives: First, we examine the specific trade-off opportunities provided by B2B negotiations. We argue that the context of B2B negotiations offers opportunities to create value that go even beyond the classical logrolling opportunities between issues that have been studied extensively in the literature on buyer-seller negotiations (i.e., systematic exchange of concessions on issues the parties value differently; Froman & Cohen, 1970; Thompson, 2015). Based on B2B and negotiation research, we illustrate that negotiations in B2B industries provide trade-off potential not only across multiple issues (e.g., product groups) but also across time (e.g., quarterly sales periods), market segments (e.g., sales regions), and/or negotiation partners (e.g., customers).

Second, we investigate how structural restrictions of financial budgets may impede practitioners' abilities to exploit these trade-off opportunities. We propose that part of the constraints reported by B2B negotiators (e.g., Voeth et al., 2020) can be explained by rigid financial budgets that are defined and assigned

[1] 'Win-win' refers to agreements that leave parties better off compared to other potential solutions in the focal negotiation (Thompson, 2012). In this sense, we use the term 'win-win' to refer to agreements that provide higher joint outcomes compared to compromise agreements (Kong et al., 2014; Pruitt & Carnevale, 1993).

by the companies' management control systems (e.g., financial budgets for specific product groups, time periods, market segments, and business partners). We further posit that these financial budgets result in a structural dilemma for B2B negotiators: On the one hand, B2B negotiators may be motivated to explore the manifold opportunities to craft tradeoffs across different negotiation issues as well as across other dimensions provided by the specific characteristics of B2B negotiations (e.g., tradeoffs across sales periods, sales markets, or business partners). On the other hand, B2B negotiators are required to adhere to their financial budgets, thus impeding the flexibility necessary to exploit these rich trade-off potentials (e.g., Malhotra & Bazerman, 2007).

We seek to make several contributions to both negotiation research and practice: First, from a theoretical perspective, we apply the concept of *outcome potential* (Brett & Thompson, 2016) to the field of B2B negotiations to illustrate that beneficial tradeoffs can be achieved not only across issues (i.e., integrative potential; e.g., DeRue et al., 2009; Kong et al., 2014; Thompson, 2015), but also across time periods, markets, or business partners. We further analyze structural restrictions from the real-world B2B context that may constrain negotiators' flexibility to exploit the outcome potential across the different dimensions. Second, from a research perspective, we offer directions for future studies that go beyond the social-psychological perspective on negotiations, which focuses primarily on the ongoing social interaction at the bargaining table. Extending this perspective, our theoretical considerations are based on the perspective that negotiations are a recursive and multiphase process (Zartman & Berman, 1983) rather than a one-shot interaction between the involved parties. This conception may assist researchers in producing beneficial knowledge for the context of B2B negotiations that covers all phases of the negotiation process (including the pre-negotiation and post-negotiation periods; Jang et al., 2018; Pruitt & Carnevale, 1993). Third, from an applied perspective, we provide recommendations on how to solve the dilemma between trade-off opportunities and trade-off restrictions in B2B negotiations. Thus, our analysis may help B2B practitioners better exploit the manifold trade-off opportunities in real-world negotiations and—in combination with insights from future studies—ultimately narrow the gap between research and practice (Bendersky & McGinn, 2010; Hüffmeier et al., 2011).

In the following, we will provide a brief overview of how organizations seek to attain their corporate goals through financial planning and budgeting (performance management)—two structural features that often determine the opportunities and restrictions of B2B negotiations. On that basis, we will illustrate the specific characteristics of B2B negotiations and identify important differences to the classic conceptualization of buyer-seller negotiations in the existing literature. Drawing on the concept of outcome potential (Brett & Thompson, 2016), we will then introduce different types of trade-off opportunities that allow parties to achieve mutually beneficial outcomes in B2B negotiations. Subsequently, we will elaborate on the impact of restrictions resulting from financial budgets on B2B negotiators' flexibility to exploit the outcome potential. Finally, based on our theoretical considerations, we will outline directions for future research and conclude with a discussion of practical implications.

Performance Management in B2B Organizations

Financial performance lies at the core of almost all for-profit organizations (e.g., shareholder value; Rappaport, 1988). Therefore, many companies set corporate goals (e.g., return on investment) and support the achievement of these goals through formal planning processes (Atkinson et al., 2012). Notably, organizational planning is supervised by the finance department (i.e., internal or management accounting) and typically leads to a business plan and a corresponding financial budget that links the company's objectives with its strategies, activity programs, and the available resources (Mintzberg, 1994; see also Atkinson et al., 2012; Neely et al., 2003).

Business plans in B2B organizations represent the comprehensive frameworks that specify the companies' programs or business activities intended to lead to the attainment of general objectives (Otley,

1999). They define the financial scope of business activities and transactions for a certain time period, within certain markets, and with certain business partners (Buttkus, 2019). A business plan consolidates all business programs (i.e., a set of activities such as launching a new product group or expanding into a new market) that are planned, along with the organization's hierarchical structure (Mintzberg, 1994).

Many B2B organizations also engage in *financial budgeting*—often interpreted as an integral element of the planning process and an essential part of the management control system (Hansen et al., 2003). Budgets provide the financial performance standards within the organization (Otley, 1999) and thereby support "the management task of leading the business towards its goals" (Hofstede, 1968, p. 22). Budgets quantify the goals and the activity programs linked to them within the formal planning process (Hofstede, 1968; Mintzberg, 1994). In other words, a financial budget represents "a series of goals with price tags attached" (Wildavsky, 1964, p. 2) and "a plan expressed in quantitative terms" (Anthony, 1970, p. 356). Budgets impose rigid constraints on what can be spent (i.e., input measures like expenses and investments) and set obligations on what needs to be accomplished (i.e., output measures like profits and revenues) by an organization's various business activities such as negotiations (cf. Mintzberg, 1994; see also Atkinson et al., 2012; Jensen, 2001; Otley, 1999).[2]

Business planning and financial budgeting share a similar hierarchical structure. To enable the attainment of the overall corporate objectives, programs and budgets are broken down vertically along the lines of the organization's hierarchical structure (Mintzberg, 1994). Accordingly, the company's master budget is further broken down into sub-budgets for different organizational decision units (e.g., business units, markets, functions, departments, product groups, business partners; Atkinson et al., 2012; Blumentritt 2006; Mintzberg, 1994). Budgets define the financial guidelines (i.e., authorization; Hofstede, 1968) at the different layers within the organization. They refer to the allocation of responsibilities (i.e., what needs to be achieved) and resources (i.e., by what means) to a specific B2B professional in charge of particular business activities within a certain period of time (Covaleski et al., 2003; Jensen, 2003). Consequently, managers in B2B organizations need to consider diverse financial budgets (Jensen, 2001; Rickards, 2008) that are often highly relevant as these budgets affect not only their business activities but are also used as the basis for performance evaluations and remuneration (Libby & Lindsay, 2010; Murphy, 2001).

Planning and budgeting play vital roles in organizational performance management as they support the coordination and control of business activities (Jensen, 2003; Otley, 1999). In addition, financial budgets may also be employed as a tool to affect the workforce's motivation to achieve the performance standards set by them (e.g., Otley, 2016; Ronen & Livingstone, 1975). The use of budgetary control is ubiquitous and even appears to be indispensable to many managers (Hansen et al., 2003; Jensen, 2003; Rickards, 2008).[3] Thus, B2B practitioners need to align their business activities, including their negotiations and the outcomes linked to them, to the company's business plans and the assigned financial budgets.

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[2] We use the term 'financial budget' to refer to financial standards directly expressed in monetary units and pre-financial standards (e.g., sales quantities; Hofstede, 1968) that cause monetary impacts (Covaleski et al., 2003). The level of rigidness of financial budgets varies in theory and practice (Covaleski et al., 2003). In this article, we interpret them as rigid or strict standards which are not changed within the fiscal year ("budget constrained style"; Hopwood, 1972). Libby and Lindsay (2010) report that 51% of the surveyed US companies use budgets in line with this interpretation. The terms 'financial budgeting' and 'budgeting' refer to both the financial budgets and the organizational budgeting process and are used interchangeably within this article.

[3] Illustrating this view, 92% of the small and medium-sized automotive suppliers surveyed in four big European countries (i.e., Germany, United Kingdom, France, and Poland) use budgeting as a standard controlling tool (Dressler, 2006). Moreover, Libby and Lindsay (2010) reported that 79% of the 558 North-American companies that participated in their study use budgets for control purposes (i.e., managerial motivation and performance evaluation). In addition, 94% of the companies which participated did not plan to abandon the use of budgets for control.

Characteristics of B2B Negotiations

Many business activities in B2B contexts within the scope of a business plan involve transactions between organizations. Accordingly, social interactions between different business stakeholders, such as B2B negotiations, lie at the core of B2B companies' business models (Brooks & Rose, 2004; Herbst et al., 2011). Noteworthy, most of the terms and conditions of these transactions are negotiated between managers as part of B2B negotiations (Eliashberg et al., 1995; Fang, 2006). Thus, successful negotiations represent a cornerstone for the performance and financial prosperity of B2B organizations (Huthwaite International, 2009; Martin & Larsen, 1999; Prilepok & Chivukula, 2021).

Although not all B2B negotiations are necessarily buyer-seller negotiations, the majority of negotiations in B2B industries are over transactions dealing with the exchange of monetary or other financially relevant issues such as commodities, raw materials, components, or services (e.g., Eliashberg et al., 1995; Herbst et al., 2011; Sigurdardottir et al., 2019). In contrast to other contexts such as B2C (i.e., business-to-consumer; e.g., a negotiation between a car dealer and a consumer about the price of a new car) or C2C (i.e., consumer-to-consumer; e.g., a negotiation between consumers about the price of a used car), buyer-seller negotiations in B2B markets have several unique characteristics: First, B2B negotiations rarely only revolve around a single negotiation issue. Instead, they often include a larger number of issues that exceed those in B2C or C2C negotiations (e.g., Dwyer et al., 1987; Eliashberg et al., 1995; Geiger & Hüffmeier, 2020). In this regard, B2B negotiations often involve multi-faceted economic outcomes across various issues or even sets of issues. For the remainder of this article, we refer to economic outcomes as financial indicators measured in monetary units, such as profits, revenues, and costs.[4] Second, B2B negotiations often take place within long-term relationships, thus involving recurring negotiations with the same business partners on a regular basis across time (e.g., the rise of international cooperation as a result of a fivefold increase in global transactions between 2003 and 2019; World Trade Organization [WTO], 2020; or working partnerships between distributors and manufacturers, Anderson & Narus, 1990). Accordingly, B2B negotiations commonly involve outcomes across long periods of time. Third, B2B negotiations are rarely limited to one single sales market but often affect the business of the negotiating partners in different markets (e.g., Sigurdardottir et al., 2019; Sturgeon, 2001; Weiss, 2006). In other words, B2B negotiations frequently encompass multiple economic outcomes across different markets. Fourth and finally, B2B negotiations are commonly embedded in a broader network of business relationships involving various business partners negotiating with each other about the same commodities, raw materials, components, or services (Cachon, 2003; Kranton & Minehart, 2001). Thus, B2B negotiations may involve multiple possible economic outcomes with different partners.

Based on these unique characteristics, we conceptualize B2B negotiations as (a) a specific type of transaction negotiation, (b) between buyers and sellers, (c) about multiple monetary or market-relevant negotiation issues (e.g., products, services), (d) which are embedded in long-term relationships, (e) refer to different business markets, and (f) may affect various business partnerships. Their outcomes determine the B2B companies' economic success across time periods, market segments, and partnerships. Particularly, the specific characteristics of B2B negotiations provide unique opportunities to achieve mutually beneficial agreements.

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[4] We follow the terminology of Thompson (1990) who differentiated two categories to measure the outcomes in negotiations: economic measures (i.e., profit, utility) and social-psychological measures. Because of the specific focus in the current article (i.e., financial budgeting), we concentrate on financial key performance indicators (e.g., profits) rather than utilities to quantify economic outcomes in B2B negotiations.

Multidimensional Trade-off Opportunities in B2B Negotiations

The *multidimensional* trade-off opportunities in recurring B2B negotiations go beyond conceptualizing the integrative potential in one-shot buyer-seller negotiations. Whereas parties can exploit the integrative potential within a one-shot negotiation, for instance, through tradeoffs across high- versus low-priority issues (Thompson, 2015), B2B negotiations provide richer opportunities for making tradeoffs that go beyond the mere exchange of concessions on the issue dimension. To systematically capture the distinct categories of integrative trade-off opportunities in B2B negotiations, we introduce the concept of outcome potential originally established by Brett and Thompson (2016; see also Brett, 2000). In the current work, we define the outcome potential as the total amount of economic profit that can be created within the scope of the predefined business plans, for instance, through integrative tradeoffs regarding different issues, periods of time, market segments, and business partners. In that sense, the integrative potential—defined as possibilities for enlarging the pie beyond mere compromises in one-shot negotiations (e.g., DeRue et al., 2009; Kong et al., 2014)—represents a subset of the outcome potential in B2B negotiations. In the following, we will illustrate in detail how B2B parties can increase their economic outcomes across the other three trade-off dimensions.

Tradeoffs Across Different Periods of Time

B2B negotiators can increase their economic profit by trading off inferior outcomes in negotiations from one period of time against superior outcomes in another period of time (cf. Mannix et al., 1995; cf. pie-expansion; Jap, 1999). Trade-off opportunities across different time periods commonly emerge through long-term relations between business partners (Dabholkar et al., 1994). As part of their enduring business relationship, B2B parties negotiate with each other repeatedly at regular time intervals (e.g., quarterly sales negotiations). Across these recurring negotiations, parties' economic outcomes resulting from a negotiated agreement may vary. Variations in profits across time periods can result from changing production costs, varying market requirements, or seasonal consumer preferences, thus affecting demand and product prices across the entire value chain (i.e., temporal price discrimination; Stokey, 1979; see also Grennan, 2013). Ultimately, these variations may result in different profit margins at different times. The variations of profit margins across different points in time allow B2B negotiators to create value by accepting inferior outcomes at a given time point in order to realize disproportionately superior outcomes at another point in time. By trading off lower against higher economic outcomes across time, parties may exploit the outcome potential of recurring B2B negotiations on the temporal dimension.

As an example illustrating this type of tradeoff, a distributor may negotiate with a retailer over a single sales promotion with disinfectant sprays. In summer, there is only a small risk of catching the flu. Thus, consumer demand and willingness to pay are low. Consequently, the retailer may offer the distributor a relatively low price, limiting the transaction's joint profit. By contrast, in winter, consumer demand increases as the flu is widespread. This allows both partners to generate more profit based on a higher price and quantity. However, realizing these higher overall profits would require the distributor to accept losses in the summer term (e.g., storage costs). In other words, the distributor can create value based on differences in the valuation of time. By overcoming short-term thinking (Mannix et al., 1995), trading off profit losses in the summer term against larger profit gains in winter can increase profitability from a comprehensive perspective on both time periods.

Tradeoffs Across Different Market Segments

B2B companies often cooperate with the same business partners in different markets within or across national borders (Anderson & Narus, 1990; Sturgeon, 2001). Accordingly, B2B negotiations frequently relate to different market segments with different profit margins. Depending on the specific conditions, the profit margin of each business partner can significantly vary across the different market segments. Business partners may thus negotiate mutually beneficial agreements by trading off inferior outcomes in a negotiation relating to one specific market segment against superior, disproportionately higher outcomes in a negotiation concerning another market segment (e.g., sales regions, distribution channels). By trading off lower against higher economic profits across different market segments, parties can create additional value and exploit the outcome potential of B2B negotiations on the market segment dimension.

Building on our above example, the distributor now aims to add a range of disinfectant products to the retailer's assortment. The retailer has agreed to test the products in region A, which provides the greatest potential. Both parties have made initial investments (e.g., logistics). Right before the launch, however, the demand for disinfectant products in another region (B) substantially increases (e.g., due to a virus hotspot). Thus, the expected profits for region B now exceed those for region A. In this situation, the retailer may agree to relocate the test to region B, thus accepting the loss of initial investments in region A for even higher profits in region B. Put differently, the retailer can create value based on differences in the valuation of market segments (e.g., regions). By exploiting the greater outcome potential in region B compared to region A, the retailer benefits from trading off losses in region A against larger gains in region B, thus making higher overall profits.

Tradeoffs Across Different Business Partners

Due to the complex network of business relationships, B2B negotiators may also explore the outcome potential across different business partners. Specifically, B2B companies commonly offer their products to multiple business partners (e.g., suppliers in the electronics industry; Sturgeon, 2001; industrial supply networks; Kranton & Minehart, 2001). In these transactions, the profitability with respect to a certain product can vary substantially between different partners (cf. Dwyer et al., 1987; Grennan, 2013). Importantly, the overall profitability of a product may not solely depend on the profit generated by the separate transactions with each business partner but may also be impacted by synergy effects across these transactions that arise on an overarching level (Watkins & Passow, 1986; see also practical examples in the private label business; Hyman et al., 2010; and the electronics industry; McGrath & Hoole, 1992).

Consider the following example as an illustration of this tradeoff: A supplier (i.e., the seller) may only negotiate with the two key customers (i.e., potential buyers) in the market for the transaction of a new product. While customer A offers the seller an unprofitable selling price per unit for a high sales volume, customer B is willing to pay a premium price but is only interested in a moderate sales volume. Although the transaction with customer A results in a loss for the supplier with the respective sales volume when considered in isolation, it may be the key to exploiting the synergy potential across *both* transactions (e.g., economies of scale; cf. Lax & Sebenius, 1986; Leuthesser, 1997). Capitalizing on such synergies can lower the costs per unit for the entire sales volume. The sales volume for both transactions enables the supplier to exploit existing synergy potential and increase the overall profit with the new product. Thus, reaching an agreement with both customers by trading off the losses with customer A (i.e., providing volume) against overcompensating gains with customer B (i.e., providing profit) improves the profitability at the overarching

level (i.e., total quantity).[5] B2B negotiators can thus exploit the outcome potential on the dimension of the business network by trading off lower against higher economic outcomes across different business partners.

Taking the entire scope of outcome potential of B2B negotiations into consideration, negotiators may explore various opportunities for mutually beneficial solutions, including tradeoffs across time, market segments, and business partners. In other words, B2B negotiations provide parties with rich opportunities to create profitable tradeoffs that go beyond the well-known exchange of concessions in view of high- and low-value issues being investigated in classical buyer-seller paradigms (e.g., Bazerman et al., 1985; Brett et al., 1998; Pruitt & Lewis, 1975). Therefore, we propose the following:

> ***Proposition 1.*** The outcome potential in B2B negotiations can be exploited not only through tradeoffs between negotiation issues but also across other dimensions, including different periods of time, different market segments, or different business partners.

Restrictions in B2B Negotiations

Although B2B contexts offer various opportunities to create value, the exploration and exploitation of the outcome potential may be restricted by rigid financial budgets imposed on negotiators as part of their companies' management controlling system (Covaleski et al., 2003; Hansen et al., 2003). Based on the general scope of the companies' business plans, overall financial budgets (e.g., defining an expected return on investment) are subdivided into budgets for different organizational decision units (e.g., business units, functions) and time periods (e.g., quarters; Atkinson et al., 2012). For instance, the overall budget of a manufacturing company may be broken down into quarterly budgets for each sales representative responsible for a certain sales region. Financial budgets provide B2B negotiators with specific and obligatory guidelines (i.e., performance standards) on how to comply with the company's business plan across different negotiations (cf. Otley, 1999). As a result, B2B practitioners may be confronted with financial restrictions regarding negotiation issues (e.g., products), periods of time (e.g., quarters), markets (e.g., regions), and partners (e.g., customers). They may have to consider all of these restrictions, which can severely limit the parties' necessary flexibility to capitalize on the multiple trade-off opportunities in B2B negotiations (cf. Malhotra & Bazerman, 2007; see also Dalbholkar et al., 1994). Thus, B2B negotiators face a structural dilemma: On the one hand, in theory, the specific characteristics of B2B negotiations offer rich outcome potential. On the other hand, in practice, the multiple financial constraints imposed on negotiators may prevent them from exploiting that potential.

Financial Budgets and Limits in B2B Negotiations

Financial budgets define minimum profit levels B2B negotiators have to achieve, which consequently limit the concessions they can make in their negotiations (cf. Dabholkar et al., 1994). Budgets are intended to establish a proper balance between the negotiators' autonomy, the control over their behavior, and the quality of their agreements (cf. Hofstede, 1968; see also Bazerman et al., 1985). Thus, financial budgets provide orientation on what negotiators must accomplish in B2B negotiations to fulfill their budget standards (cf. Kumar, 1997).

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[5] A reduction in costs per unit with increased quantity can be realized through various ways (e.g., fixed cost degression; economies of scale; see Leuthesser, 1997; experience curve effect; Wright, 1936). The key point in our example lies in the exploitation of synergy potential through reaching agreement with both customers. The additional volume of the transaction with customer A enables the supplier to produce at lower cost per unit. These synergies affect the volume of both transactions, while the unprofitable transaction with customer A only refers to the respective, partial volume. In sum, the positive effect of the synergies (i.e., reducing losses with customer A and increasing gains with B) overcompensate the losses resulting from the single transaction with customer B.

We propose that parties translate these budgets into concrete limits for their negotiations to adhere to their multiple financial budgets. A negotiation limit specifies a party's least favorable (but still acceptable) outcome (also referred to as reservation values or reservation prices; see Lax & Sebenius, 1986; Malhotra & Bazerman, 2007; Raiffa, 1982; Thompson, 2015). In buyer-seller negotiations, limits are typically quantified in economic terms like euros, dollars, or profits (White & Neale, 1991; see also Bazerman et al., 1985; Pruitt & Lewis, 1975). As financial budgets and negotiation limits both refer to economic outcomes and represent rigid requirements (cf. Fisher & Ury, 1981; Hopwood, 1972; van der Stede, 2000; Walton & McKersie, 1965), they are conceptually related in the context of negotiations. Thus, translating their multiple financial budgets into concrete negotiation limits can help negotiators orient their aspirations and behaviors towards potential negotiation outcomes that do not violate their budgets (cf. the impact of financial budgets on motivation; Hofstede, 1968; see also Kirk et al., 2013, for the self-regulation of the negotiator's concession behavior by contrasting the aspirations with current outcomes). We accordingly propose the following:

Proposition 2. B2B negotiators translate their assigned financial budgets into several discrete and concrete negotiation limits.

Various research studies have investigated the impact of limits on negotiators' behavior and the quality of negotiation outcomes. Several experimental studies demonstrate that ambitious limits (vs. less ambitious or no limits) generate positive impacts in negotiations, such as leading to higher individual profits (e.g., Bazerman et al., 1985; Ben-Yoav & Pruitt, 1984; White et al., 1994) and higher joint profits in buyer-seller negotiations (e.g., Pruitt & Lewis, 1975; see also the meta-analysis by De Dreu et al., 2000). However, other studies found that limits may also harm negotiators by increasing the risk of impasses, even though the bargaining range in principal allowed both parties to reach mutually acceptable and beneficial agreements (e.g., Brett et al., 1996; Galinsky et al., 2002; Pruitt & Lewis, 1975).

Although empirical research has examined the influence of limits in negotiations, previous studies have neglected important characteristics of B2B negotiations. Specifically, as delineated earlier, B2B negotiations feature multiple financial budgets that are translated into negotiation limits regarding issues, time periods, market segments, or business partners. Therefore, limits imposed on B2B negotiators cannot simply be understood from a unidimensional perspective concerning the negotiation issues. These specific features make the limits in B2B negotiations different from those examined in previous studies on buyer-seller negotiations (e.g., Bazerman et al., 1985; Pruitt & Lewis, 1975). Importantly, B2B negotiators need to consider and implement the multidimensionality of their assigned budgets when setting negotiation limits.

Superordinate Versus Subordinate Limits in B2B Negotiations

Financial budgets may not only vary with respect to different dimensions of a companies' business plan (e.g., product groups vs. time periods vs. market segments vs. business partners) but may also differ concerning the level of their restrictions (i.e., superordinate vs. subordinate limits; see also Malhotra & Bazerman, 2007). For instance, financial budgets can be defined comprehensively for an entire product group or at a more fine-grained level for each product separately. Similarly, financial budgets can also be defined for a broader period of time covering a whole fiscal year or a narrower period of time referring to each quarter of a fiscal year. Finally, financial budgets can also set restrictions at different levels regarding the range of market segments or the scope of business networks (e.g., a budget for a group of partners vs. budgets for each partner).

We assume that the level of restrictions imposed by budgets determines the extent to which negotiators are constrained by the resulting limits (see Mintzberg, 1994; Rickards, 2008). For instance, comprehensive financial budgets referring to all issues within a negotiation are likely to be translated into an overall limit across all issues by the negotiator (i.e., a *super*ordinate limit; see Bazerman et al., 1985;

Malhotra & Bazerman, 2007). In contrast, when negotiators are required to adhere to multiple budgets that each refers to separate (subsets of) issues within a negotiation, they can be assumed to translate their budgets into multiple separate limits for each of these (subsets of) issues (*sub*ordinate limits; cf. Malhotra & Bazerman, 2007). Noteworthy, previous research has largely neglected this structural difference between limits and has solely examined the effects of an overall limit across all issues in buyer-seller negotiations (e.g., Bazerman et al., 1985). A superordinate limit provides negotiators with sufficient flexibility to realize integrative tradeoffs that generate outcomes beyond their overall limit. In these studies, participants were not restricted by subordinate limits on single or subsets of issues that would have constrained their flexibility to a greater extent (e.g., Ben-Yoav & Pruitt, 1984; Pruitt & Lewis, 1975).

As financial budgets in B2B practice often concern *multiple dimensions* (Mintzberg, 1994), they should also influence negotiators' setting of limits for each of these dimensions. Notably, a financial budget for a specific time period may affect negotiators' setting of limits for all negotiations within that time period. For instance, a financial budget for a whole fiscal year may lead a B2B negotiator to set a superordinate limit for all negotiations that impact that fiscal year. By contrast, separate budgets for each quarter of a year may lead to setting separate, subordinate limits for each quarter. The same logic applies to setting limits for negotiations with respect to different market segments or business partners.[6]

Proposition 3a. B2B negotiators translate financial budgets that define restrictions on a broader level into superordinate negotiation limits. Superordinate limits specify performance standards on overall outcomes concerning (i) entire sets of negotiation issues, (ii) total periods of time, (iii) whole market segments, and (iv) a comprehensive scope of business partners.

Proposition 3b. B2B negotiators translate financial budgets that define restrictions on a narrower level into subordinate limits. Subordinate limits specify performance standards on partial outcomes concerning (i) segregated sets of issues, (ii) specific periods of time, (iii) narrow market segments, or (iv) a partial scope of business partners.

The Effects of B2B Negotiators' Limits on Outcomes and Perceptions

We argue that setting limits based on restrictive financial budgets may explain the difficulties in achieving mutually beneficial agreements in real-world B2B negotiations (Voeth et al., 2020; see also Thompson, 2020). Reaching high-quality outcomes requires negotiators to have a certain level of flexibility, such as making systematic tradeoffs (creating value through logrolling; Malhotra & Bazerman, 2007; see also Dabholkar, 1994). Importantly, the distinct types of limits delineated above may affect negotiators' flexibility and their abilities to fully exploit the outcome potential across issues, time, markets, and business partners in B2B negotiations. Their budgets and concomitant limits can leave negotiators in a dilemmatic position between the rich outcome potential in B2B negotiations and their impaired flexibility to exploit it. In the following, we will first outline the impact of the different types of limits with respect to tradeoffs across negotiation issues. We will then elaborate on the effect of superordinate versus subordinate limits with regard to the other integrative trade-off dimensions (i.e., time periods, markets, and partners) in more detail. Finally, we will work out how the different types of limits affect negotiators' perceptions.

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[6] We acknowledge that a superordinate limit based on an overall budget (e.g., for a whole fiscal year) may be further broken down into limits for single negotiations (e.g., each negotiation within that year) by negotiators themselves. However, the limits that result from such a mental dividing process are far less rigid than the subordinate limits determined by the structure of the final budgets because violations of one lower-level limit can be compensated by exceeding another lower-level limit within the range of the superordinate limit. Thus, the crucial point is on which level rigid, strict limits are set on the basis of a financial budget but not if negotiators decide to further subdivide these limits based on their own preferences.

The Impact of Different Types of Limits on Negotiation Outcomes

Constraints on the Outcome Potential Across Negotiation Issues

A superordinate limit in terms of a minimum overall requirement across all issues does not considerably impact negotiators' flexibility because it does not eliminate trade-off opportunities that are necessary to exploit the outcome potential; unless the underlying aspiration level of the parties does not allow for an agreement at all (Thompson, 2015). With a superordinate limit, B2B negotiators have a relatively high (i.e., sufficient) degree of flexibility to make systematic tradeoffs among issues, as long as the overall profits do not violate their limit (e.g., Bazerman et al., 1985; Kimmel et al., 1980; Pruitt & Lewis, 1975).

By contrast, subordinate limits for individual issues or subsets of issues may prevent negotiators from optimally exploiting the outcome potential in B2B negotiations by restricting the necessary exchange of systematic concessions. When rigid subordinate limits are set for issues that would, in principle, provide trade-off potential, negotiators may not be able to make sufficient concessions on these issues to realize integrative agreements. Instead, they have to ensure that the agreement does not violate their limits on each and every issue and thus accept deals of lower overall quality (i.e., deals that are more compromise-like but less integrative; cf. Polzer & Neale, 1995). Compared with superordinate limits, subordinate limits may lead negotiators to psychologically rule out agreement options that fall outside their specific limits, although they would provide trade-off potential. To a large extent, such situations reduce negotiators' flexibility necessary to exploit the outcome potential in negotiations fully.

Proposition 4. Subordinate (vs. superordinate) limits impede the exploitation of the outcome potential in B2B negotiations that can be leveraged by tradeoffs across issues.[7]

Constraints on the Outcome Potential Across Time, Markets, and Partners

The two distinct types of limits may also affect B2B negotiators' flexibility to capitalize on the outcome potential in recurring negotiations across different time periods with the same counterpart (cf. Dabholkar et al., 1994). When exploiting the available outcome potential requires B2B negotiators to accept inferior outcomes in one time period in order to achieve disproportionately higher gains in a later period (e.g., current quarter vs. next quarter), a superordinate limit across all involved time periods enables parties to make such tradeoffs as long as that the overall limit is not violated (cf. Jap, 1999). By contrast, (multiple) subordinate limits for each time period may adversely constrain negotiators' flexibility. As a result, negotiators may refrain from making systematic intertemporal tradeoffs that create additional value but at the same time require violating any of these subordinate limits.

Proposition 5a. Subordinate (vs. superordinate) limits impede the exploitation of the outcome potential in B2B negotiations that can be leveraged by tradeoffs across different periods of time.

B2B negotiations between the same parties can also relate to market segments in different regions (e.g., sales regions). If B2B negotiators can exploit the outcome potential by trading off inferior outcomes in one market segment to obtain disproportionately higher gains in another market segment (e.g., one European country vs. another European country), a superordinate limit for the entire market (e.g., Europe)

[7] Proposition 4 and the following propositions are intended to describe the potential consequences of financial restrictions on behavior and outcomes in B2B negotiations. Although they are based on the assumption that negotiators strive to exploit the outcome potential in their negotiations, they are not intended to prescribe what negotiation practitioners should do in a normative sense. By outlining our propositions, we aim to provide researchers with directions for future research avenues that extend negotiation theory and support practitioners (e.g., how to set limits) to better exploit the outcome potential in their B2B negotiations.

enables them to do so. However, subordinate limits that set minimum profit requirements for each market segment can restrict negotiators' flexibility to realize such integrative tradeoffs.

> ***Proposition 5b.*** Subordinate (vs. superordinate) limits impede the exploitation of the outcome potential in B2B negotiations that can be leveraged by tradeoffs across different market segments.

Finally, B2B negotiators are often engaged in separate negotiations regarding the same issues with multiple counterparts. With a superordinate limit across multiple business partners, B2B negotiators may benefit from integrative tradeoffs across business partners that would not have been realized in isolation (e.g., synergy potential that requires to accept losses with one partner in order to achieve disproportionately higher gains with another partner; cf. Leuthesser, 1997). By contrast, subordinate limits for each partner may prevent these tradeoffs by constraining negotiators' flexibility. Thus, subordinate limits on each business partner can impede the exploitation of the outcome potential from an overall perspective.

> ***Proposition 5c.*** Subordinate (vs. superordinate) limits impede the exploitation of the outcome potential in B2B negotiations that can be leveraged by tradeoffs across different business partners.

The Impact of Different Types of Limits on Negotiators' Perceptions

Beyond their impact on negotiators' trade-off behaviors delineated above, the two types of limits may also distinctly affect negotiators' perceptions. First, the different degrees of flexibility to make concessions induced by a superordinate versus subordinate limit(s) might affect parties' perceptions of the task structure of the negotiation. A superordinate limit and the corresponding high degree of flexibility to compensate concessions across multiple issues and dimensions may lead negotiators to perceive the negotiation pie as relatively large. By contrast, the multiple restrictions of negotiators' flexibility due to subordinate limits can lead parties to underestimate the size of the pie (e.g., small-pie bias; Larrick & Wu, 2007) or even amplify their fixed-pie bias (e.g., Thompson & Hastie, 1990; see also Polzer & Neale, 1995).

> ***Proposition 6.*** Negotiators with subordinate limits perceive the negotiation pie as smaller than negotiators with a superordinate limit.

Moreover, as the two types of limits specify performance standards on different levels, they can influence how parties cognitively process (preliminary) outcomes in B2B negotiations (cf. Brett et al., 1999; Malhotra & Bazerman, 2007). A superordinate limit sets a performance standard on a broader level (e.g., for an entire negotiation), whereas subordinate limits set multiple performance standards on lower levels (e.g., for single issues within a negotiation). Thus, a superordinate limit may cause negotiators to consider their outcomes in a comprehensive, aggregated way (e.g., they may focus on the overall profitability of an entire agreement). By contrast, subordinate limits may lead to process negotiation outcomes in isolated, segregated ways (e.g., negotiators' focus on the profits achieved for single issues; cf. simultaneous vs. sequential agenda; e.g., Mannix et al., 1989; Thompson et al., 1988; Weingart et al., 1993; cf. issue packaging; e.g., Polzer & Neale, 1995; Pruitt, 1981; see also Trötschel et al., 2017; Zhang et al., 2019).

> ***Proposition 7.*** Subordinate (vs. superordinate) limits lead negotiators to process potential negotiation outcomes in an isolated and segregated (vs. comprehensive, integrated) way.

Directions for Future Research

The phenomena outlined in the present work have not yet been sufficiently considered in previous negotiation research, thus limiting the generalizability of existing empirical findings to the context of B2B negotiations (cf. Bendersky & McGinn, 2010; Hüffmeier et al., 2011). To provide a first impression of the size of this gap between research and practice, we conducted a systematic literature review on integrative buyer-

seller paradigms that have been used in previous experimental negotiation studies. Our review indicates that in 36% of the 360 retrieved studies,[8] participants were engaged in buyer-seller negotiations embedded in a B2B context. Among these studies, all negotiation tasks provided parties with opportunities to make tradeoffs among negotiation issues. However, in none of these studies did participants have additional opportunities to create value across different markets or business partners. Only one study employed a task that allowed buyers and sellers to benefit from tradeoffs across different periods of time (Mannix et al., 1995). These findings indicate that previous empirical studies on buyer-seller negotiations have largely neglected the rich outcome potential of real-world B2B negotiations, pointing to a blind spot in negotiation research (i.e., a knowledge production problem; Hüffmeier et al., 2011; Shapiro et al., 2007).

Moreover, we also analyzed whether the specific financial restrictions of B2B negotiations were integrated into the B2B buyer-seller negotiation tasks employed in previous studies. In only 24% of the buyer-seller B2B tasks (32 studies), financial restrictions were imposed on negotiators in terms of limits or reservation values. Further, in 17 of the related 32 studies, participants were assigned only a single limit on a superordinate level regarding the overall profitability of a potential agreement. Participants in the remaining studies received subordinate limits for every single issue (this was only the case for a study by Gettinger et al., 2012) or a few single issues (all other studies; e.g., Brett & Okumura, 1998; Gunia et al., 2013; Kray et al., 2008).[9] Importantly, however, in none of these studies did researchers systematically investigate the effects of different types of negotiation limits (subordinate vs. superordinate) on negotiation outcomes. Thus, neither the manifold opportunities to achieve high-quality outcomes nor the complex financial restrictions for B2B negotiation practitioners are adequately reflected in the current state of empirical negotiation research.

To systematically close the gap between previous empirical research on buyer-seller negotiations and B2B negotiation practice, we propose five directions for future research based on our theoretical analysis: (a) exploring the outcome potential in B2B negotiations in terms of multidimensional trade-off opportunities; (b) developing innovative buyer-seller negotiation paradigms that allow for systematic investigations of the characteristics of B2B negotiations; (c) examining the impact of superordinate versus subordinate limits on negotiators' perceptions, behaviors, and outcomes across different trade-off dimensions; (d) extending this investigation to other integrative strategies besides logrolling; and (e) clarifying the impact of culture on negotiator behavior and outcomes in B2B negotiations.

First and foremost, we suggest that future studies should explore the outcome potential in real-world B2B negotiations in terms of integrative trade-off opportunities across different dimensions (e.g., temporal, spatial, social dimensions) that go beyond the immediate negotiated issues. To this end, *inductive* methodologies (e.g., semi-structured interviews) can offer a starting point for an empirical exploration of tradeoffs in B2B practice (cf. Jang et al., 2018). Semi-structured interviews with negotiation practitioners may generate useful insights on how tradeoffs are realized in B2B negotiations. Specifically, such interviews can provide initial clues about the relevance of each trade-off dimension in terms of their economic contributions

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[8] In 2019, we conducted a literature search using multiple databases (e.g., PsycINFO, PsyARTICLES, PSYNDEX, Business Source Complete) from three online database providers (EBSCO, IsI Web of Science, ProQuest) and multiple search terms such as (integrative OR win-win OR multi-issue) AND (negotiat* OR bargain*) NOT electronic NOT software NOT agent NOT algorithm. We systematically searched for simulated, interactive studies on integrative negotiations in which economic outcomes were measured. We updated our search in 2020 and yielded 360 studies published between 1975 and 2020 in 293 articles.

[9] The study of Gettinger et al. (2012) provided participants with "minimum goals" for each negotiation issue (i.e., reservation level, worst case outcomes). All other 14 studies used the original tasks or adaptions of Cartoon (Brett & Okumura, 1998), Moms.com (Tenbrunsel & Bazerman, 2006), or Working Women (Tenbrunsel & Bazerman, 1997), which provide a limit for a single issue (e.g., price per episode for the main cartoon 'Ultra Rangers' in Cartoon task) and a reservation price for another issue (e.g., the optional cartoon 'Strums' in Cartoon task).

or indicate the need for extensions and/or modifications of the trade-off dimensions described in this article. Based on these qualitative insights, survey studies may enable researchers to examine the relevance of each trade-off dimension in relation to different negotiation situations (e.g., company size, industry), the negotiator's role (e.g., buyer vs. seller), experience (i.e., seniority), and the negotiator's hierarchy level within their organization. Moreover, this research could be conducted across different B2B sectors to investigate potential differences between sectors (e.g., retail and wholesale, manufacturing, construction; Sigurdardottir et al., 2018). The generated insights from this research could provide important implications for B2B negotiators and narrow the gap between research and practice (Hüffmeier et al., 2011; see also Bendersky & McGinn, 2010).

Second, we suggest developing new experimental buyer-seller *paradigms* that more accurately reflect the specific characteristics of B2B negotiations. These paradigms would open various avenues for future research: Future research could systematically investigate (i) the impact of the presence (vs. absence) of the distinct types of trade-off opportunities beyond the immediate negotiation issues on negotiators' perceptions (e.g., fixed-pie perceptions; Thompson & Hastie, 1990), (ii) the differences in negotiators' abilities to explore each type of trade-off opportunities (e.g., logrolling behavior; Froman & Cohen, 1970), and (iii) the resulting outcomes for negotiators on an individual and joint level.

Paradigms that incorporate trade-off opportunities across time could employ B2B settings in which participants engage in repeated negotiations (Lawler & Yoon, 1995) with the same counterpart that require temporal tradeoffs to maximize outcomes. To be able to examine tradeoffs across markets, paradigms can be constructed analogously with the exception that trade-off opportunities would have to be located across the spatial dimension(s) (e.g., countries, sales channels, or product groups). Paradigms investigating tradeoffs across negotiation partners could involve a series of negotiations with different business partners (i.e., counterparts). This design could be realized in paradigms with multiple partners, similar to the "Free Market Simulation" (Bazerman et al., 1985). Specifically, in this paradigm, negotiators conduct multiple, successive negotiations with different partners and maximize profits by making tradeoffs within each negotiation. In contrast to this approach, an investigation of tradeoffs across business partners requires paradigms in which the single negotiations are linked to each other, for instance, based on potential scale economies.

Third, future research should systematically examine the impact of different types of limits (i.e., superordinate vs. subordinate limits) on negotiators' perceptions, behaviors, and outcomes in B2B negotiations (cf. Polzer & Neale, 1995). This would expand the negotiation literature by adding a new and relevant characteristic of limits to the existing characteristics that have been extensively investigated in previous research (i.e., presence and ambitiousness of limits; e.g., Bazerman et al., 1985; Pruitt & Lewis, 1975; White et al., 1994). As the first step for this line of research, studies could systematically vary the limit type with respect to the negotiation issues (i.e., assign parties one superordinate limit for all issues vs. subordinate limits for subsets of issues within a negotiation) and measure the resulting effects on negotiators' perceptions (e.g., fixed-pie bias), trade-off behaviors, and the quality of joint outcomes. In a further step, this approach could be extended to limits and trade-off opportunities across multiple dimensions. For instance, to investigate the impact of subordinate limits on tradeoffs across time, subordinate limits should be imposed on each negotiation at a specific time period in one condition. In contrast, a superordinate limit should be set for the entire time horizon of the negotiations in the other condition. Insights generated by this line of research may then support practitioners (i.e., managers and negotiators) to reach more beneficial outcomes in their B2B negotiations (see Voeth et al., 2020).

Fourth, future research studies may consider the impact of financial budgets on *integrative strategies* other than logrolling for exploiting the outcome potential in B2B negotiations, particularly solving parties' underlying concerns and expanding the negotiation pie (e.g., Lax & Sebenius, 1986; Pruitt & Carnevale, 1993). Whereas the former strategy addresses identifying the bargainers' interests and needs (Fisher & Ury, 1981),

the latter aims to effectively manage the resources in the negotiation (i.e., adding or unbundling issues; De Dreu, 2014; Geiger, 2017). Importantly, the two strategies are associated with developing *creative solutions* on how to resolve parties' conflicting interests, as both require parties to creatively think beyond the obvious features of the negotiation at hand (e.g., the negotiation issues, parties' positions). We assume that subordinate limits affect negotiators' ability to identify such creative agreements differently than superordinate limits. Specifically, the manifold restrictions and obligations negotiators have to consider when they (have to) adopt subordinate limits may promote rigid thinking, which is known to impede the identification of creative solutions (Fisher & Ury, 1981; Pruitt & Carnevale, 1993). Such barriers might not occur for negotiators with a comprehensive, superordinate limit because they possess greater flexibility to satisfy their interests in integrative negotiations. Thus, the effects of limits delineated in the present work may also affect other integrative strategies.

Fifth and finally, future studies may investigate the impact of *culture* on negotiators' behavior and the ensuing outcomes in B2B practice. Previous empirical negotiation research indicates that cultural aspects may greatly affect negotiations (e.g., Adair & Brett, 2005; Adler & Graham, 1989; Aslani et al., 2016; Brett et al., 1998). For instance, business practices that vary across cultures can influence parties' behavior during and after the negotiation process (e.g., the interpretation of contracts as fixed vs. fluid agreements; Friedman et al., 2020). When contracts are seen as "living documents" or incomplete agreements (Hart, 2017), negotiators are more likely to anticipate renegotiations (Friedman et al., 2020). Thus, they may not feel the need to exploit the full potential in every single negotiation.

Consequently, these negotiators may interpret future negotiations and the implementation phase as opportunities to further improve the parties' outcomes (cf. Jang et al., 2018). This possibility could be explored in future research. A further example in accounting research illustrates how cultural values can affect the managers' interpretation of financial budgets: Douglas and Wier (2005) reported that conceptions of budget rigidity differ across cultures (US vs. Chinese managers). One may conclude that less rigid conceptions of budgets may leave practitioners with higher degrees of flexibility to exploit the outcome potential in their B2B negotiations (cf. Brett et al., 1999). Thus, extending the theoretical considerations of the present work, future research may examine the impact of different cultural settings and values on the process and outcomes of B2B negotiations.

The present work and future research that builds upon it have the potential to allow negotiation research to gain a more comprehensive understanding of how the specific characteristics of B2B negotiations affect negotiators' perceptions, behaviors, and negotiated outcomes. Such future studies could help to examine which extant findings from negotiation research can (vs. cannot) be applied to the context of B2B negotiations. Thus, this line of research may produce knowledge that is highly relevant to practitioners and may, thus, bridge the gap between science and practice (Hüffmeier et al., 2011; see also Bendersky & McGinn).

Implications for B2B Practice

To overcome the detrimental effects of budgeting and limit setting in negotiations, we derive recommendations for two different target groups in B2B practice: (i) for management and executives of B2B companies and (ii) for B2B negotiators.

Managers and executives should consider the significant impacts of financial budgets imposed on negotiating representatives when making budgetary decisions. Specifically, managers and executives are well-advised to carefully balance the necessary control over their employees achieved by financial budgets against the flexibility that allows these employees to exploit the outcome potential in B2B negotiations optimally, thereby maximizing the economic contributions for their organizations (cf. Heath & Soll, 1996; optimal level between the individual's autonomy and organizational control; Hofstede, 1968).

In light of this notion, we propose four approaches: First, management might choose more comprehensive performance standards when defining financial budgets (cf. higher-level standards; Brett et al., 1999), especially for the operating management, for which organizational goals and plans are mostly broken down (cf. Mintzberg, 1994). For instance, a sales manager could be assigned a comprehensive budget specifying an annual gross margin obligation for multiple customers instead of setting subordinate budgets that cover each customer's quarterly revenues and expenses separately. Second, the organization may prioritize the different financial budgets assigned to an employee. Management could, for instance, prioritize a sales representative's profit budget for a certain group of customers over price budgets that specify minimum transaction prices on the level of single products. With this priority-related information, negotiators may have greater flexibility as long as their decisions align with the high-priority budgets (e.g., the profit budget). They are, therefore, more likely to discover a greater number of integrative trade-off opportunities across dimensions, even if this requires violating relatively less important budgets (e.g., the price budgets). Third, management can provide negotiating representatives with a fast-track approval process and a contingency fund for attractive business opportunities that arise in the course of negotiations and require additional, unbudgeted financial resources (cf. Libby & Lindsay, 2010). With such extensions of their authorization (i.e., increased negotiator flexibility), negotiators can maximize economic profits when higher expenses or investments are necessary to generate more beneficial outcomes on a superordinate level. Fourth and finally, executives can take care that crucial negotiations are conducted at a higher management level (i.e., negotiations involving top executives on each side) to ensure those budget constraints are not as tight as they are on a more operational level (cf. Brett et al., 1999).

In addition to practical implications for managers and executives, our analysis also suggests different recommendations for B2B *negotiators*. Specifically, we encourage practitioners to examine the appropriateness of their negotiation limits on a regular basis during the bargaining process. When negotiators set their limits with a high level of detail (e.g., subordinate price limits for each product), they run the risk of getting stuck in relatively inflexible positions, which consequently reduces the range for potential agreements undermining the company's overall interests (cf. Brett et al., 1999; see also Fisher & Ury, 1981). In this context, practitioners may be better off when engaging in calculations or financial simulations of entire business cases. In doing so, B2B negotiators focus more on the overall negotiation profits by examining the impacts of different agreement options under consideration (cf. sensitivity analysis; Atkinson et al., 2012). In addition, negotiators could proactively consult their superiors, discuss potential negotiation outcomes on a superordinate level, and propose to adjust their mandates (i.e., increase their flexibility).

Limitations

Our considerations concerning the dilemma between the manifold trade-off opportunities and the rigid financial restrictions focus on buyer-seller interactions in B2B negotiations. This raises questions as to what extent our analysis is also applicable to other bargaining contexts or to negotiations that revolve less strongly around economic aspects. We want to address both aspects in the following paragraphs.

First, this research focuses on buyer-seller negotiations conducted between B2B organizations and may not (fully) generalize to certain business negotiations that do not meet all the characteristics of B2B negotiations defined in the present work. For instance, in negotiations of mergers and acquisitions, joint ventures, or litigation, restrictions other than financial budgets may play a more central role (e.g., legal aspects in takeovers; Subramanian, 2003). Although our considerations focus on B2B buyer-seller negotiations, they may also be relevant in other contexts beyond B2B negotiations (e.g., political or private negotiations; Eliashberg et al., 1995). With respect to the opportunities, one may argue that all contexts in which negotiations take place on a recurring basis with the same and/or multiple counterparts provide manifold opportunities that parallel those outlined in the present work (e.g., political negotiations between

neighboring countries). Regarding the restrictions, it is important to note that planning and budgeting processes are not exclusively applied in for-profit organizations but also in public and non-governmental organizations (Atkinson et al., 2012; Johansson & Siverbo, 2014). In addition, many private companies also negotiate the terms and conditions of their transactions with public sector organizations (i.e., business-to-administration) or consumers (business-to-consumers; Dwyer et al., 1987). Thus, we assume that the detrimental effects of financial restrictions may also play vital roles in other contexts.

Second, our reflections on B2B negotiations mainly focus on economic outcomes. However, we acknowledge that negotiated agreements in practice also contain non-financial outcomes (e.g., general terms and conditions, intangibles; Lewicki et al., 1999). These aspects may also affect contractual agreements between the B2B parties involved. Based on findings in the domain of contract theory (Cachon, 2003; Hart, 2017; Mayer & Arygyres, 2004), one could argue that the parties need time to learn to cooperate and may improve agreements continuously rather than fully exploiting the outcome potential in each and every negotiation. As a result, B2B practitioners are likely to consider how to further improve existing contracts through negotiations. In B2B practice, financial budgets are typically the ultimate performance evaluation measure (see Murphy, 2001; Sigurdardottir et al., 2019). Therefore, this article focuses on economic outcomes and views contracts as legally binding documentation of negotiated agreements rather than the actual negotiated outcomes in B2B negotiations.

Conclusion

Negotiations represent important determinants for the economic performance of B2B organizations. Despite their high relevance, however, B2B practitioners and researchers alike report that negotiators in business often leave money at the table (Thompson 2012; Voeth et al., 2020). Based on practice insights on organizational budgeting processes, this article suggests a potential explanation for this state of affairs by identifying a structural dilemma between the manifold opportunities in B2B practice and negotiators' restrictions imposed by financial budgets. We introduce directions for future research that aim at deepening our understanding of the unique characteristics of B2B negotiations and ultimately generating practically relevant knowledge that may help to narrow the science-practitioner divide (Hüffmeier et al., 2011; see also Bendersky & McGinn, 2010). In addition, we outline first recommendations on how to overcome the detrimental effects of financial budgeting in practice to assist B2B negotiators in maximizing economic outcomes in future negotiations.

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