



Likeability and its effect on outcomes of interpersonal interaction

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ABSTRACT

Interpersonal interactions between boundary spanning individuals have a fundamental role in how inter-organizational interactions develop. This study examines interpersonal interaction and the effects of likeability on two attributes that are central to many organizations: commodity prices as negotiation outcomes and a partner's willingness to engage in collaboration. Specifically, we aim to answer: how does interpersonal likeability impact negotiation outcomes in terms of commodity prices and how does it affect a partner's willingness to engage in collaboration? Based on social exchange theory we draw hypotheses that are tested using data gathered from experiments with 220 participants. The findings indicate that likeability significantly influences a partner's willingness to engage in collaboration but does not significantly influence negotiation profits. The implications of these findings for research and practice are discussed.

1. Introduction

The importance of effective interorganizational interaction has been well-documented in the literature. The way in which partners perceive each other in these interactions, has been argued to be an important predictor for the performance benefits of both parties (e.g., McCarter & Northcraft, 2007). Concepts such as trust, power, attractiveness and satisfaction (Cox, 2001; Ireland & Webb, 2007; Pulles, Schiele, Veldman, & Hüttinger, 2016) play a crucial role in how organizations interact. However, business relationships tend to be conceptualized on an organization-to-organization level (Hald, 2012; Haytko, 2004) in which the role of interpersonal interaction is often neglected.

Personal relationships and interactions between “boundary spanners” are argued to have a fundamental role in the interaction between organizations (Ellegaard, 2012; Gligor & Autry, 2012; Haytko, 2004). Indeed, earlier work addressed how economic exchanges are embedded in social systems (Granovetter, 1985) and how social ties can influence economic outcomes both positively and negatively (Uzzi, 1997). During negotiations, for example, representatives from each organization seek agreement on items such as pricing and delivery terms which influence the organization-level profits. Therefore, to increase our understanding of interorganizational relationships, it is important to understand the human behavior in interpersonal interaction (Bendoly, Donohue, & Schultz, 2006). Studies that do focus on the effects of interpersonal interactions in a business setting mainly focused on basic negotiation strategies (Krause, Terpend, & Petersen, 2006; Thomas,

Thomas, Manrodt, & Rutner, 2013), the effects of gender (Faes, Swinnen, & Snellinx, 2010), trust (Huang, Gattiker, & Schwarz, 2008) or cultural differences (Ribbink & Grimm, 2014). However, what seems to be missing is an examination of more nuanced aspects such as personal characteristics (similarly observed by Thomas et al., 2013).

Intuitively, personal liking can be expected to have an important influence on how individuals interact. Indeed, anecdotally likeability is often raised as a substantial factor in business related interactions (Ellegaard, 2012; Mandják, Szalkai, Neumann-Bódi, Magyar, & Simon, 2016). However, with few exceptions (Abosag & Naudé, 2014; Doney & Cannon, 1997; Tellefsen & Thomas, 2005) the question of how likeability influences the outcomes of interpersonal interaction in a business context remains unaddressed. What is specifically missing is an examination into the effects of likeability on two attributes that are central to many organizations: commodity prices as negotiation outcomes and a partner's willingness to engage in collaboration. Therefore, this paper's main research question is: How does interpersonal likeability impact negotiation outcomes in terms of commodity prices and how does it affect a partner's willingness to engage in collaboration? We aim to answer this question by building on social exchange theory to theorize on likeability and its effects in an exchange interaction. We test our hypotheses using an experimental design to simulate an interaction between buyer and supplier.

In the following, we first discuss current studies on interpersonal interaction and conceptualize the likeability construct. Then, we discuss social exchange theory and our hypotheses. The methodology section describes the experimental design and the adopted negotiation

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simulation. Finally, after detailing this study's results, we end with a discussion of our contributions, the managerial implications of our findings, the limitations and potential directions for future research.

2. Literature background

2.1. Interpersonal and interorganizational interaction

Interorganizational relations involve various levels of analysis (Bergenholtz & Waldström, 2011) which offers many opportunities for research (Geiger & Guenzi, 2009). Particularly interpersonal relationships appear to play an important role in the way interorganizational relationships develop (Hohenschwert & Geiger, 2015). For instance, Hutt, Stafford, Walker, and Reingen (2000) argue that many alliances fail because little attention is given to fostering personal relationships between boundary spanners that shape and modify the evolving partnership. They discuss how “cultivating strong interpersonal ties unites managers in the partnering organizations, and continuing boundary spanning activities at multiple managerial levels helps the relationship develop” (Hutt et al., 2000, p. 61). Interpersonal factors also affect a partner's intention to switch to alternative partners. Although Wathne, Biong, and Heide (2001) found that interpersonal relationships do not play an important role as switching barrier, Bolton, Smith, and Wagner (2003) discuss that switching intentions might be reduced when a partner has made substantial investments in building interpersonal relationships. In the advertising industry, Haytko (2004) identified personnel turnover as one of the main reasons that clients change agencies. Business relations are contingent of personal interaction. The behavioral dynamics that emerge from the individuals' perceptions influence the organizational dynamics (Andersen & Kumar, 2006).

Many of the above studies refer to the work of Granovetter (1985) and Uzzi (1997). These authors stress the importance of interpersonal relationships in business relationships. Granovetter (1985) argues that, departing from pure economic motives, economic relations are often overlaid with social content that carries expectations of trust and abstention of opportunism and in this way reduces transaction costs. At the same time, social ties can also stifle effective economic interaction if the social aspects of exchange surpass the economic objectives. Feelings of obligation to reciprocate and friendship may create inefficient allocation of resources to weaker business partners (Uzzi, 1997). Similar to these works, social exchange theory suggests that exchanges are not limited to material goods but also include intangible value (Blau, 1964; Thibaut & Kelley, 1959). Partners adjust their behavior and actions towards each other not only based on economic motives, but also on relational benefits. This rationale implies that interpersonal and social interactions between boundary spanners have an important role in how interorganizational interactions develop. In Section 3, we build on social exchange theory to theorize on the impact of likeability in an exchange interaction.

Boundary spanners can be seen as agents representing their organizations contractually to achieve specific goals (Hald, 2012). Arguably, interaction between boundary spanners is particularly relevant in a negotiation setting. The outcome of negotiations is important as the exchange conditions that are negotiated (e.g., price, delivery arrangements, guaranteed warranties) largely determine the benefits that a partner gains from the engagement (Herbst, Voeth, & Meister, 2011). The boundary spanners that engage in these negotiations therefore have an important role in negotiating their organization a good deal. At the same time, negotiators need to cooperate to secure some joint benefits (Graham, Mintu, & Rodgers, 1994). Because a negotiation is an inherently interpersonal interaction, personal characteristics of the negotiators can have a major influence on the negotiation outcomes (Maddux, Mullen, & Galinsky, 2008). For example, physical appearances of negotiators showed to influence offers and demands negotiators make (Solnick & Schweitzer, 1999). Similarly, the influence of gender on both the strategy and outcome of negotiations has been

widely discussed in the literature (Faes et al., 2010). Yet, as observed by Thomas et al. (2013), more nuanced aspects of negotiations such as personal likeability remain under examined.

2.2. Likeability

Likeability of an individual can be seen as the degree to which this person is perceived as friendly, nice, polite and pleasant to be around (Doney & Cannon, 1997; Ellegaard, 2012; Tellefsen & Thomas, 2005). People who are likeable are naturally more pleasant to be around. Although several studies have related likeability to concepts as similarity, familiarity, attractiveness and friendship (e.g., Hogg, CooperShaw, & Holzworth, 1993; Jayanti & Whipple, 2008), likeability should be seen as a distinct construct with different implications than related concepts. For example, although close friends typically like each other, people that like each other are not necessarily close friends. In their discussion on commercial friendship, for instance, Price and Arnould (1999) discuss that, although friendship positively relates to trust and perceptions of similarity, it is important to distinguish between these related yet different characteristics. Similarly, likeability has often been associated with attractiveness. Yet again, two individuals that like each other are not necessarily attracted to each other. Hence, likeability is conceptually different from concepts such as friendship, similarity and attractiveness.

Doney and Cannon (1997) discuss the concept of likeability in buyer-supplier interaction and argue that partner likeability influences a person's confidence in predicting this partner's future behavior. Social psychology studies have examined the effects of likeability on interpersonal interaction. For instance, Chaiken and Eagly (1983, p. 253) found a positive relations between likeability and persuasiveness “as people generally agree with persons they like”. In a meta-analysis Collins and Miller (1994) found that likeability is related to the extent that people disclose information. They argue that people disclose information in an effort to let others know they like them.

Even though the above studies imply that likeability has an important influence in interpersonal interaction, it is unclear how the concept of likeability influences the outcomes in interactions in a business setting. Studies that do refer to likeability in business interactions mention the potential relevance of the concept in social transactions (Urda & Loch, 2013), or refer to likeability as an attribute of attractiveness (Ellegaard, 2012). Yet, little studies on business interactions explicitly examine the impact of likeability. Exceptions are the studies of Tellefsen and Thomas (2005), who found that likeability is strongly related to personal commitment and Abosag and Naudé (2014) who found a positive link between likeability and the development of a Guanxi relationship.

3. Social exchange theory

To theorize on the effects of likeability, we build on social exchange theory (SET). SET postulates that exchange interactions between individuals involve both economic and social outcomes (Lambe, Wittmann, & Spekman, 2001). According to SET, individuals are argued to enter into new relationships, and maintain old ones, based on the expectations and perceptions that these relationships are rewarding (Blau, 1964; Thibaut & Kelley, 1959). Initial interactions are crucial in determining how relationships will develop. Exchange partners evaluate both the economic as well as the social outcomes from their (future) transactions and compare them to their expectations as well as to the value provided by other potential partners (Dwyer, Schurr, & Oh, 1987; Lambe et al., 2001).

Central to SET are norms of reciprocity that influence interactions between partners based on the expectation of giving and receiving relational benefits (Blau, 1964; Lambe et al., 2001). Below we theorize how likeability can influence the outcomes of an interaction (negotiation). We argue that likeability of an individual influences interpersonal

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