

THE ROLE OF EMOTIONAL INTELLIGENCE ON THE OUTCOME OF
NEGOTIATION IN CONSTRUCTION PROCUREMENT

LEE WAI KHWAN

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ABSTRACT

Negotiation is a process that involves the interaction of emotion. In the other word, Emotion has significant impact in manipulate the result of negotiation. Both of these elements are relevant to each other indirectly. The interesting facts inspire the thought to create this research. This research was conducted to recognize the effect of the dimensions of Emotional Intelligence (EI) on the outcome of negotiation in construction procurement. There are two main objectives in this study, to identify the dimension of EI that affects the outcome of negotiation in construction procurement conflict and to determine the component of EI that has the greatest influential to the outcome of negotiation in construction procurement conflict. Sets of questionnaires were distributed and data was collected by mail and walk-in. Based on feedbacks from the respondents, most of them are aware about the importance of EI in negotiation. The result from the analysis shown that, the four dimensions of EI is identified as factor which can affects the outcome of negotiation in construction procurement conflict. Lastly, the result of comparison of average mean between all dimensions shown relationship management is the main factors which influencing the outcome of negotiation in construction procurement conflict.

ABSTRAK

Perundingan adalah satu proses yang melibatkan interaksi emosi. Dalam perkataan lain, Emosi mempunyai kesan yang ketara dalam memanipulasi hasil usaha rundingan. Kedua-dua elemen ini adalah berkaitan antara satu sama lain secara tidak langsung. Fakta menarik inspirasi pemikiran untuk mewujudkan penyelidikan ini. Tesis ini dijalankan untuk mengkaji peranan kecerdasan emosi mengenai hasil rundingan dalam perolehan pembinaan. Dua objektif utama dalam kajian ini ialah mengenal pasti dimensi EI yang memberi kesan kepada hasil rundingan bercanggah perolehan pembinaan dan untuk menentukan komponen EI yang mempunyai impak yang paling besar terhadap hasil rundingan dalam pembinaan. Set soal selidik telah diedarkan dan data dikumpulkan melalui pos dan temu duga. Berdasarkan maklum balas daripada responden, kebanyakan tidak menyedari kepentingan EI dalam rundingan. Hasil daripada analisis menunjukkan bahawa empat dimensi EI telah dikenal pasti sebagai faktor yang boleh memberi kesan kepada hasil rundingan dalam pembinaan. Akhir sekali, hasil daripada perbandingan purata min di antara empat dimensi menunjukkan pengurusan perhubungan adalah faktor utama untuk hasil rundingan dalam pembinaan.

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α -value Cronbach's Alpha coefficient value

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The purpose of this research is to study the role of Emotional Intelligence (EI) on the outcome of negotiation in construction procurement. This chapter mainly describe about the nature of EI of negotiator which inherent in the negotiation that may positively or negatively affect the outcome of negotiation in term of achieve desire agreement from both or more parties, encourage future negotiation and resolve the conflict.

1.2 BACKGROUND OF STUDY

Conflict is a natural phenomenon in the construction project and continue rising in the construction industry due its high uncertainty, complexity nature and involvement of different categories of project participants (Tashi & Peansupap, 2013). Conflict could bring negative impact to the project such as claims, lawsuits, project delays and project abandonment (Dada, 2013). The dispute occurs within the project is one of the factors that affect the completion of the project within objectives and goal. A result of mismatch of expectations of stakeholders will prolong the project due to the time consume on resolve conflict lead to unable complete the project on time. In addition, the conflict resolution process incurs extra administrative and neutrals fee for the involved mediators.

With respect to the construction industry, Ng et al. (2007) stated that project conflicts were always happened in between various parties in a design and construction project. The various parties included clients, suppliers, contractors, sub-contractors, regulators and the community. As mentioned by Chong (2011), internal team conflict that exist between projects team, which usually due to misaligned opinion and miscommunication. Therefore, there is a must for the project members to understand the real interests, goals and needs of the project and set it as the common goal.

Based on the previous studies, many researchers have explored the causes of conflicts and the management of conflict, but the conflicts still occurred in the construction project (Tashi & Peansupap, 2013). It means some of the major factors contribute to conflict still remain unidentified. These hidden factors can be considered as unknown risk which can threaten the performance of construction project.

The nature of construction procurement is brings individuals and groups into contact on projects (Li et al., 2012). The participants on the construction project can sometimes from the outsource organization which causes the interaction on the project lead to conflicts. Due to different culture background and principle, the employees from different organization may have certain level of difficulties to work together.

Communication skills and social skills are essential for the development of positive and effective relationships with colleague which can prevent the conflict from occurring. According to Jones (2004), emotion is inherent in the human conflict. Social skills are one of the social competences of EI which indicate EI play an important role in conflict management.

Conflict can be either destructive or constructive to a project. Conflict is an unavoidable issue in construction project due to the complexity and dynamic environment (Kassab et al., 2010; Ng & Tamaki, 2007). For an instance, variation order arises in construction contract during the progress of the work due to the quantity of work increase in the contract. The change of scope may cause dissatisfaction exist among others parties due to the benefit of one side is being omitted or shrink.

Since conflict is a natural part of human interaction, learning conflict-handling skills is crucial (Sajed & Mehdi, 2011). The result of the conflict is mainly depend on the approach of an individual apply to resolve the conflict. Goleman (2006) stated that a person with high level of EI can enhance the effectiveness of the conflict-handling skills. An individual with high EI is able to establish empathy and look at the positive side behind the negative behaviour instead of reacting negatively which deteriorate the conflict handling process.

The hardest part of conflict resolution is needed to identify the conflict at various phase of the project life cycle (Ogunbayo, 2013). Hudson et.al (2005) mentioned negotiation is one of the most used methods to solve the conflict but it requires significant communication competencies and social competencies. Therefore, it is necessary to evaluate and test the capabilities of the negotiator to achieve effective negotiation.

Project implementation is a continuous process of negotiation. In fact, people negotiate both consciously and unconsciously at all time to solve variety of issues (Anthopoulos & Xristianopoulou, 2012). Project negotiations can be categorized into formal and informal. Procurement negotiation which related to procurement tasks and developing contract is known as formal project negotiation. According to International Project Management Association (2006), negotiations play an important role in conflict resolution and construction procurement.

In brief, negotiation often involves the communication of emotions (Elfenbein, 2007; Van Kleef & Manstead, 2010). Negotiators will try to observe counterpart's emotion and try to predict the counterpart's behaviour. The information can be used to generate the strategy to negotiate with the third parties. As described by Van Keef and Manstead (2010), emotion is an important ingredient which has social function to conflict and negotiation. Negative emotion expressed by an individual can create adverse effect to the process of communication. The adverse effects are included communication breakdown, conflict due to disrespectful tone during the conversation and the others. Emotion control can prevent the contradiction and facilitate the process of negotiation.

1.3 PROBLEM STATEMENT

In construction field, conflict is an issue that the employees frequent deal with. Conflicts usually occur due to misunderstanding of two or more parties which lead to desired objective not able to achieve. In conflict resolution, negotiation is one of the most use methods to solve the dispute. Bellucci (2004) stated that negotiation is a process by which two or more parties conduct conversation by focus on the dispute resolution between them.

Emotions are naturally built in the process of negotiation. Therefore, it is important to understand how the negotiator will behave within the conflict (Barry, 1999). However, there is only a few research focuses on the role of EI in negotiation. Negotiation is an important process that uses to resolve conflicts by meeting both parties' desire objectives (Tim et al., 2013). During conflict resolution, the emotion of the negotiator could influence the outcome of negotiation by which two or more people agree on the resources allocation. Fulmer and Barry (2004) identify the reason that EI is an asset that could manipulate the outcome of negotiation. They had invented the theory that high level of EI negotiators is "more likely to induce the desire emotion in negotiation opponents".

In general, EI is defined as the ability to understand and use emotions adaptively in daily life (Mayer & Salovey, 1997). For example, an employee able to manage their emotion and react in a polite manner when complain by the customer. The employee self-report of EI has a positive relationship with the interpersonal facilitation and task performance (Law et al., 2004). It indicates EI is a capability that can be learned to improve the work performance. According to Mayer et al. (2008), EI has positive relationship with business settings.

As mentioned by Borland et al. (2010) and Foo et al. (2004), the success of a negotiation is dependent upon the EI of the participants. It shows the performance of the negotiation is closely linked to EI. Therefore, negotiation is a valuable conflict resolution technique that can be explored due to emotion is inherent in negotiation.

According to Van Kleef (2004), two parties will not carry out negotiation if they have difference of opinion and no emotional reaction.

EI can contribute to an improvement in managerial talent such as negotiation and conflict management (Van Kleef & Manstead, 2010). The effect of EI on negotiation should be paid extra attention due to different people's feeling will directly relate to the others. In this study, the main initiative is to identify whether EI is a factor to affect the economic outcomes: creating resources (win-win situation) and claiming resources (win-lose situation) of negotiation. The measurement of EI is based on the four dimensions which included self-awareness, self-management, social awareness and social skill.

1.4 RESEARCH OBJECTIVES

- i) To identify the dimension of EI that affects the outcome of negotiation in construction procurement conflict.
- ii) To determine the component of EI that has greatest influential to the outcome of negotiation in construction procurement conflict.

1.5 RESEARCH QUESTIONS

- 1) Can the dimension of EI be the factor to affect the outcome of negotiation in construction procurement conflict?
- 2) Which of the component of EI has greatest influential to the outcome of negotiation in construction procurement conflict?

1.6 SCOPE OF STUDY

The extent of this study is focus on the role of Emotional Intelligence (EI) on the outcome of negotiation in construction procurement conflict. The respondent will be selected who works in construction project based on project procurement negotiation background.

1.7 SIGNIFICANCE OF STUDY

The significance of the study is to identify the role of EI on the outcome of negotiation in construction procurement conflict. It can provide comprehensive understanding of the competencies of EI in manipulate the social outcome of negotiation. The result of this research can create public awareness about the importance of EI which can directly affect the performance of the negotiator, the opponent and in overall achieve the optimal objective of negotiation. Besides that, EI could be included in the human resource training program due to negotiation is one of the managerial talent which can be enhanced by high level of EI. Furthermore, it can be used as guideline for the future research of EI on economic outcome of negotiation.

1.8 EXPECTED RESULT

This research is expected to view EI as the factor to affect the negotiation outcome in economic measure and social psychological measure. There are four components of EI (self-awareness, self-management, social awareness and relationship management) being used in this study to relate to negotiation outcome and the influence level of each EI component is varied from one to another. Through this research, the negotiator can discover the new factor that affects negotiation outcome and able to fully understand EI as a tool to improve negotiation performance.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter will refer and summarize the review of the relevant journals, reference books, past literature and articles published by accredited scholars and researchers. The first section describes the construction industry. The second section is the explanation of construction project. The third section is the conflicts occur within the construction project follow by conflict resolution style. The fifth section is about the types of negotiation and sixth section is the negotiation performance. The seventh section is emotional intelligence and eighth section until eleventh section is the dimensions of emotional intelligence. Section twelve is emotional intelligence and negotiation performance and follow by last section which is conclusion.

2.2 CONSTRUCTION PROJECT AND PROJECT CONFLICTS

Construction projects are complex, time consuming and undertaking. It consists of several phases which require wide range of expertise service. Construction procurement helps to address the organizational and contractual structures which a project is brought about. Keoki et .al (2008) stated the construction processes acquire variety of input from financial organization, engineers, lawyers, insurance, contractors, suppliers and the others. Thus, those entire professional have to engage in the different stage of construction project.

Due to the various parties involved in construction projects, different objectives and perspective lead to variety of situation emerging cause the conflict take place.

Dispute happened all the time in construction project lead to a rapid development of conflict resolution systems in construction industry (Groton, 2005). Conflict is a major issue which need to resolve as soon as possible to prevent it easily develop into organizational conflicts, affecting several organizations participating in a construction project.

According to Harmon et al. (2003), the construction industry has managed to develop and apply many ways to address the potential risks of conflicts. These concepts and systems are included partnering, realistic risk allocation, stepped negotiations and dispute review boards. As mentioned by Richard (2006), the prior consideration to implement the procedure mainly based upon contractual requirements, government regulations, past experience and financial background of an organization. The poor financial background of the company lead to the decision of having partnering with the better performance company in term of financial aspect. Thus, the company can share the strength of the partner and allocate the risk in between of them which can contribute to positive grow in a very short period.

Conflicts can be either involves internal or external stakeholder conflict or a combination of both. The internal stakeholder conflicts occurred due to the blame culture and intend to use litigation in solving conflicts (Colledge, 2005). The top management that frequently blame on the mistake of employees will easily cause conflict. The significance drawback in apply litigation to solve project conflict is damage the relationship between the work partners lead to antagonistic status (Richard, 2006). The litigation process is incurs huge cost and time consuming lead to delay of project progress.

Conflicts between external stakeholders are more difficult to resolve compare to internal stakeholder conflicts due to lack of standardized procedures to handle all those hidden and existing stakeholders. For example, in develop societies, the public will opponent to a construction projects which bring some environmental impact. However, in less developed countries, the public eager to accept the project aim to solve the infrastructure needs even it will pollute and damage the surrounding. Therefore, the way

to manage and resolve conflict is look specifically to each of the parties needs rather than establish a formal procedure that tries to solve all types of conflict.

2.3 STRUCTURAL CONFLICT RESOLUTION IN PROJECT

The structural aspects in the project organization are included procedures, personnel, resources and reporting relationships which may cause conflict. Structural conflict resolutions techniques focus on the issue occur within the structural features (Spaho, 2013). There are total three changes which contribute to structural conflicts which included procedural changes, personnel changes, authority changes and layout changes.

Procedural changes can be described as adjustment of work procedure to avoid conflict (Buddhodev , 2011). For an example, a project manager or technical expert evaluate and choose a vendor for a technical contract. The purchasing department adopt the traditional procedure which causes delay that lead to conflict. The conflict can be prevented by alter the process of evaluating bids.

Personnel changes involve the changes on human resources within the project to solve personality conflicts (Verma, 2000). For an instance, a personal conflict between two technicians may affect the project output. By transferring one technician to another project, dispute will be resolved lead to positive output.

Authority changes mean the changing line of authority to reduce conflict (Buddhodev , 2011). This usually arises in matrix structures, where functional managers use their authority to direct the employee who assigned to project managers. Alteration of authority lines may reduce typical structural conflicts between the project manager and functional manager.

Layout changes refer to the way to resolve conflict by rearrange work space (Verma, 2000). It is important to separate two project team when one of them keep harass another. The best way to resolve this conflict is eliminate the interaction in between them.

2.4 NEGOTIATION FOR CONSTRUCTION PROCUREMENT

In the construction industry, the clients obtain competent construction services from the construction procurement activities. In order to reach the final contractual agreement, the project manager or purchaser has to negotiate during procurement of construction materials (Dzeng et al., 2012). Therefore, negotiate is a very useful skill that should be highlighted in construction procurement.

Procurement negotiation in the construction project can be viewed as a process of seeking an agreement point within a situation when the existing of different interests. According to Dzeng and Lin (2004), they had conducted a survey to identify key negotiable issues that may arise during construction material procurement negotiation. There were several key issues being identified which included price, payment term, payment period, advance payment, resource provision, delivery and opportunities for extended procurement and future procurement (Dzeng & Lin, 2005). Negotiation allows the parties to point out the issue that they did not satisfy and try to get a best offer within the process by discussion.

Among the issue identified, only price, payment term and delivery are considered negotiable. List of items and option for future procurement are not considered because they arise in a negotiation which wholly determined by the contractor (Dzeng & Lin, 2005). For example, a contractor only offers an opportunity for extended procurement to a supplier when there is no extended procurement been tendered. However, it is uncommon for a supplier to make a contractor to squeeze out new procurement during the negotiation. As a result, these issues considered non-negotiable issues and are determined solely by a contractor.

In real practice, each negotiating party values the option for negotiate are different. A multidimensional trade-off can be made over the possible agreement points. Dzeng and Lin (2004) stated that a negotiator will only give up the choice if his desire outcome is not match with the offer.

In conclusion, there are only certain issues treated as negotiable issue in the material procurement. Legal and obligation of the contract are serving as the limitation for those non-negotiable issues.

2.4.1 Integrative Negotiation

The integrative negotiation strategy is applied in a situation where the relationship between the two parties is important. The negotiators need to accommodate both one's own goal and the other party's goal. This is to ensure the outcomes being reached can provide high levels of satisfaction for all parties. Thereby, it creates a situation known as 'win-win' which indicates no loses for the parties involve in negotiation (Watkins, 2005). However, it is very rare for all parties get what they intend to get. In fact, they are trade-offs in the negotiation.

According to Schermerhorn (2009), integrative negotiation strategy is considering the interest of all parties and serves each party's desires as much as possible. The negotiator has to display integrative behaviour to increase the chance of successful integrative negotiation occurs. Integrative behaviour means willingness to concern for parties, and the confidence and capability to reach integrative outcome (Arif , 2004). Throughout the process of exchange information in between both parties, can create an option which is mutual beneficial. The free flow of information between negotiators can ensure the both parties understand each other's interests. As a result, the negotiators can provide creative solution to accommodate both parties' goal.

Based on five traits model discovered by Chris Laubach, there are traits possessed by a successful integrative negotiator which included honesty and integrity, abundance mentality, maturity, systems orientation and superior listening skills. (Lewiski et al., 2007) This behaviour does not inherent naturally to all negotiators which have to build up gradually from numerous of negotiation experience.

Bertram (2003) stated that a negotiator needs to analyse comprehensively about the bargaining situation, develop an effective strategy and implement the tactics accordingly to deal with the challenge exist in the integrative negotiation. With the

proper planning of negotiation strategy, it could prevent the conflict occur and maintain the good relationship between the two parties.

One of the advantages of successful integrative negotiation is build a good relationship (Winkler, 2006). If the relationship is of importance for the parties involved then this can be interpret as the best result in long run. Besides that, integrative negotiation can bring in the possibility to expand the pie. (Kiel & Hansen, 2010) Expansion of the pie is a situation where the party satisfy one's own interest which does not interference the possibility to satisfy counterpart's interest. However, there is a high possibility for the other party to take advantage from the openness of the integrative negotiator and claim the most value for themselves.

2.4.2 Distributive Negotiation

The origin definition of distributive negotiation is referred to an event occurring as several parties communicate to allocate the resources (Thompson, 1990). The distributive negotiation is characterized by a bargaining situation where the goals of the different parties are most likely contradict with each other's. Conflict occurred due to the scarce resources within the pool of negotiation. As a result, the negotiators endeavour to strive for the much possible shares from the limited resources which term as fixed pie.

In the distributive negotiation, the negotiator will set a target and a resistance point. The reason to set the resistance point is to leave enough room to negotiate without crossing one owns limit (Mitchell, 2010). Furthermore, resistance point can provide the bargaining range for the negotiator either positive or negative. For an example, in a sales negotiation, there is a positive bargaining range if the buyer's resistance point is above the seller's. In addition, resistance point can determine how much the other party can offer which allow the negotiator to know the quantity that can gain from the bargaining.

According to Kiel and Hansen (2010), there are four tactics can apply to enhance the result of distributive strategies which shown as followed:

Table 2.1: Four Tactics to Enhance the Result of Distributive Strategies

Tactical task	Implementation
Evaluate the other party's target, resistance point and cost of terminating negotiation.	The negotiator attempt to assess the other party's actions and reaction.
Manage the other party's impression of the negotiator's target, resistance point and cost of terminating negotiation.	The distributive negotiator make selective presentation on own data.
Modify the other party's perception of his or her own target resistance point and cost of terminating the negotiations.	The distributive negotiator will manipulate information to make the counterpart believe they are in a worse position.
Manipulating the actual cost of delaying or terminating the negotiations.	The distributive negotiator will manipulate a deadline and try to threaten the others by terminate the negotiation.

(Source: Emotional Intelligence in Negotiation: Strategic Use of Emotion, 2010)

On the other hand, some of the distributive negotiators use non-ethnics tactic such as extreme offers, threats, power play, hiding of important information and withholding damaging data. (De Dreu & C.K.W, 2004) (Raiffa et al., 2007) These tactics are called hardball tactics. (Kiel & Hansen, 2010) However, it doesn't represent all negotiators display unethical behaviour in the distributive negotiation process.

Distributive negotiation will place the parties into a conflict zone. It is characterized as dominant kind of negotiating strategy which tends to increase the probability of conflict (Narlikar, 2010). This is because each of the parties only maintains focus on their objectives. Therefore, the relationship between the two parties in the distributive negotiation can be considered less important.

One of the advantages using distributive strategy is it enable the negotiator to maximize their individual gain in the negotiation. (Paavola, 2014) From business perspective, the massive gain of resources usually refers to money. The downside of this strategy is some of the parties involved may not even have chance to negotiate due to the competitive nature of the distributive negotiation.

2.5 NEGOTIATION OUTCOME IN ECONOMIC MEASURE

There are total three types of significant measure in economic measures which included mutual agreement, creating resources and claiming resources (Kihwan, 2010). Raiffa (2007) stated that the usefulness of mutual agreement is determined by the zone of agreement defined by negotiators' resistance point and reservation point. If the reservation point offer by both parties is close, a positive zone exists which enables the negotiators to gain from the mutual agreement. . Reservation point is the point of the worst outcome that one is willing to receive before leave the negotiation (Jared et al., 2008). Reservation point of both parties are almost similar can contribute to continuous negotiation which allow the negotiator compete to gain benefit from it.

The economic measure can be manipulated by the strategic of negotiation that included integrative and distributive. Integrative negotiation enable the negotiators have the chance to explore more additional value, benefits and resources. Integrative strategic will adopt only if negotiators do not have competitive interests with their opponents rather than just share the resources (Kihwan, 2010). An integrative negotiation outcome refers to the outcome is efficient in a form of joint profit. It usually occur when the negotiator appreciate the relationship with the other party and willing to provide more space to negotiate. Therefore, the negotiators are more likely to achieve mutual agreement by creating resources which able to satisfy both parties.

In contrary, both parties have compatible interest in the negotiation which contributes to a gain of one party result in equal losses for the opposite party. Basically, the negotiation that involves distributive issues, the negotiator will try their best to claim more resources against the opponent. Based on this situation, it is less likely to achieve mutual agreement in the negotiation.

2.6 NEGOTIATION OUTCOME IN SOCIAL PSYCHOLOGICAL MEASURE

In 1990, Thompson proposed social psychological measures in negotiation which emphasize on social perception. It consists of three important elements: perceptions of the bargaining situation, perceptions of the other party, and perceptions of oneself (Thompson & Hastie, 1990). According to Kihwan (2010), the researchers start to focus on the importance of social psychological negotiation outcome because they believe these factors have huge impact in determine long term outcomes

According to Wesson and et al., the perception of the bargaining includes judgement and feelings about the negotiation process such as context, structure, norms and fairness involved (Curhan et al., 2006). People assess the fairness of the negotiation procedures, outcomes and information sharing within the negotiation.

The second category of social psychological measure is perceptions of the other party (Thompson & Hastie, 1990). It involves a person perception and impression toward the other party's personality, cooperative and own relationship with the counterpart. However, it is hard to separate the perception of the bargaining and perceptions of the other party in real practice.

As mentioned by Thompson's (1990), third category, perception of oneself is emphasize on how negotiators judge their own characteristic, performance and own attitude when interact with others. The uniqueness of this perception is that the issues are origin from oneself which requires self-enhancement, positive thinking and self-esteem to improve it. White and et al. argued that negotiation is an inclusive experience for individual because it involves personal effort and the confrontation of the public.

Trust among negotiators is another prominent social psychological outcome. A strong relationship can be built on between the buyer and seller based on numerous factors including trust and reliability (Tu, 2007). People attempt to evaluate the trustworthiness of the counterpart and try to make the opponent trust themselves.