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## **HANDLING INTER-ORGANISATIONAL CONFLICT BASED ON BARGAINING POWER: POWER DISTANCE ORIENTATION MATTERS**

### **Abstract:**

In construction projects, conflicts between parties are difficult to avoid. Negotiation is an important means to handle inter-organisational conflicts. In bilateral negotiations, the power that one party has relative to its counterpart (i.e., an organisation's bargaining power) may affect its negotiation strategy. However, there has been mixed empirical evidence on the relationships between bargaining power and negotiating behaviours. As bargaining power increases, some organisations tend to adopt dominating behaviour for their own interests even at the expense of the counterpart's profits, while some other organisations would consider the counterpart's interests and resolve problems in a friendly manner.

To provide a possible explanation for the controversy, based on the approach-inhibition theory of power, we identify power distance orientation of an organisation (a dimension of culture, defined as the extent to which the members expect and accept that power is distributed unequally in the organisation) as a contingent factor. A questionnaire survey of 219 practitioners in the Chinese construction industry was conducted to test the hypotheses. The results show that an organisation's bargaining power is positively associated with dominating and integrating behaviours but negatively associated with obliging and avoiding behaviours. Additionally, only when the organisation has a high power distance orientation, bargaining power negatively influences compromising behaviour. What's more, as power distance orientation increases, the bargaining power's positive impact on dominating behaviour will be strengthened while its positive impact on integrating behaviour will be weakened.

This study creatively applies the approach-inhibition theory of power to the context of inter-organisational negotiations and provides empirical support for it. Unlike much of the current literature on culture and negotiation which only focuses on power distance orientation at the national level, this study investigates the role of power distance orientation at the organisational level, which can help to explain negotiating behaviours of organisations more clearly. In addition, this paper reveals that the influence of organisational culture is not limited to matters within the organisation but may also spill over to interactions between organisations. The findings can guide practitioners in inter-organisational negotiations to predict the counterpart's negotiating behaviours according to its bargaining power and power distance, so that the practitioners can adjust their own strategies to achieve the desired outcome.

### **Keywords:**

Bargaining power, Organisational culture, Power distance, Conflict management styles, Inter-organisational conflict

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