

Winning a Negotiation: Do Tourism Entrepreneurs Need Political Skill?

Wee Melissa ^a, Noor Hazlina Ahmad ^b, Hasliza Halim ^c

^a *Faculty of Business and Management, Universiti Teknologi MARA, Malaysia (Corresponding author).*

^b *School of Management, Universiti Sains Malaysia, Malaysia.*

^c *School of Management, Universiti Sains Malaysia, Malaysia.*

Abstract

This paper investigates the effects of political skill among tourism entrepreneurs towards a winning negotiation outcome. Although previous studies have focused on the objective measurement, this study utterly depicts the subjective value of negotiation outcome which benefits a favorable and lasting relationship among the parties involved. A total sample of 123 tourism owners/managers in Malaysia participated in the questionnaire study and the sample was derived from the SME Corporation list of directories. The study applies the partial least square approach in testing the hypothesis and revealed the dimensions of political skill which are networking ability, social astuteness, and apparent sincerity positively affect the entrepreneurs' negotiation outcome. The only interpersonal influence was found not to have any effect towards such skill.

Keywords: Negotiation Outcome, Networking Ability, Interpersonal Influence, Social Astuteness, Apparent Sincerity

1. Introduction

Given the high amount of TSMEs establishments which accounted for 85% from the Malaysia tourism industry (Nair & Hussain, 2013), entails entrepreneurs need to leverage themselves in terms of social networks and the ability to effectively persuade their stakeholders. Additionally, in any business backgrounds, negotiations are bound to occur whether it involves sale and purchase contracts, obtaining resources from suppliers, gaining supports from the local communities, or eventually making sales to the consumers. In business negotiations, the ability to recognise opportunities and influencing counterparts is essential and could become the organisational core capability (Seller & Blancke, 2014). Grasping the fact that all the “formal and informal negotiation”, “conclusion of trade”, and “strategic partnership” are known as the political activities, it takes political skill to improve the business productivity and performance (Zhan & Kim, 2015). The concept of political skill is defined as the ability to understand, persuade, and influence others within the business relations so that they will act towards the ones’ own individual benefits or the organisational goals (Ahearn et al., 2004; Ferris et al., 2005). Interestingly, although the political skill is claimed to be a positive predictor towards negotiation (Mintzberg, 1981; Ferris et al., 2005; Ferris et al., 2007), to our best knowledge, only two studies on negotiation and political skill have been conducted. One study looked into studying the bargaining and political skill as the control variable (Giordano et al., 2007) while the second study examines political skill towards job negotiations (Solga et al., 2015). In the context of this study, this paper would like to investigate the effect of political skill towards business negotiation outcome among TSMEs, specifically into the social psychological outcome that affects the emotions involved between counterparts.

2. Literature Review

Tourism SMEs in Malaysia (TSMEs)

The contribution of the tourism industry in Malaysia is significant since it is reported that the number of tourist arrival has accumulated to 25.7 million and generated 14.9% of the Malaysia total GDP in the year 2014 (World Travel and Tourism Council, 2015). As a matter of fact, the Ministry of Tourism and Cultural Malaysia (MOTAC) is expecting to earn RM3 billion each week by the year 2020 with a total of revenue of RM168 billion. According to Nair & Hussain (2013), TSMEs within the tourism industry have accounted up to 85% since the nature of such industry that requires a low-cost operation and low capital. Furthermore, based on the Tourism Satellite Accounts (TSA), the Malaysia government has adopted six characteristics of such industry which are:-

1. Accommodation services
2. Food and beverage serving services
3. Passenger transport services
4. Travel agency, tour operator and tour guide services
5. Cultural services, recreation and other entertainment services
6. Miscellaneous tourism service

Accordingly, Malaysia is ranked 26th in the overall Travel and Tourism Competitiveness Index Ranking in 2017, 22nd on the index component of human resources and labour market, and 18th in the degree of customer orientation. Realising the potential of TSMEs in Malaysia, there is a strong need of such

industry to be able to discover and exploit themselves in order to add values and utilise every opportunity that comes through the possession of political skill among entrepreneurs.

Political skill among TSMEs

Realising the need for TSMEs owners to develop social networks within its community which consist of customers, suppliers, and the locals (Anuar et al, 2012), they should be able to vibrantly operate and become highly competitive through the possession of a set of capabilities (Set, 2013). A study by Zhan & Kim (2015) has mentioned that despite the limited amount of study on political skill among entrepreneurs, a positive relationship was derived between such skill and the performance of the SMEs. Thus, the possession of political skill becomes necessary since such skill allows the utilisation of opportunities and eventually capitalising it for the success of the organisation (McAllister et al., 2015). Such construct is treated as a multi-dimensional construct (Ferris et al., 2005) and the dimensions of political skill are divided into four known as:-

1. Networking ability

It is known as the ability to develop and utilise various interpersonal relations which eventually becomes advantageous to them (Zhan & Kim, 2015).

2. Interpersonal Influence

The ability to exert a strong persuasive power and influence towards another party (Zhan & Kim, 2015)

3. Social Astuteness

It is the capacity of individuals to understand others and being sensitive towards them within the social structure (Ferris et al., 2007)

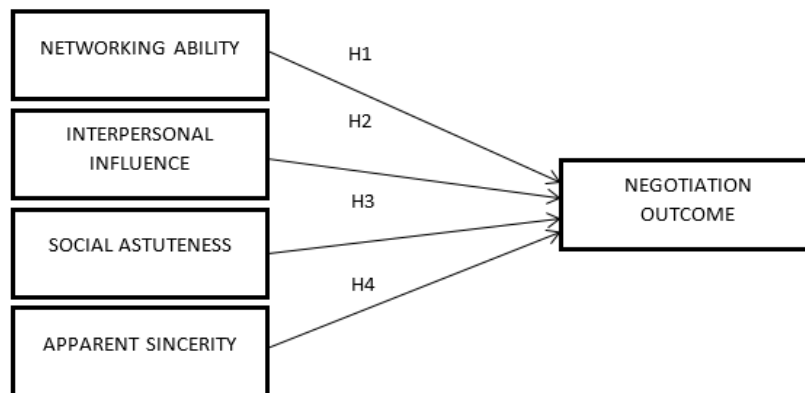
4. Apparent Sincerity

It is known as the ability to appear sincere, reliable, and honest within the social network (Ferris et al., 2007).

Negotiation outcome among TSMEs

Meanwhile, the role of negotiation is undeniably important and crucial (Thompson & Hastie, 1990). In the commercial setting, negotiation becomes essential since it is related to how well a person is able to bargain and influence its stakeholders and customers (Sellers & Blancke, 2014). The consequences of the negotiation process are known as negotiation outcome and categorised into two classes which are known as economical outcome and social psychological outcome (Thompson et al., 2010). Many of the negotiation studies have concentrated on the economical outcome which seems to be more tangible and concrete, however, this study will look into the social psychological outcome (Curhan et al., 2006). The social psychological outcome examines the subjective value in negotiation as it serves its own benefits, especially in the creation of solid and long-lasting relationships among parties which eventually develop appealing reputations for future cooperation (O'Connor & Sullivan, 2002). The factors of negotiation outcomes are known as feelings about the instrumental outcomes, feelings about the self, feelings about the negotiation, and feelings about the relationship which are treated as unidimensional (Curhan et al., 2006). Despite the scarce literature on the subjective value of negotiation outcome, it serves many benefits toward the negotiation process, especially in building a solid relationship with their stakeholders

and also developing positive reputations which in future exchanges (Tenbrunsel, Wade-Benzoni, Moag, & Bazerman, 1999; Tinsley, O'Connor, & Sullivan, 2002).



Based on the research model, the following hypotheses were depicted in this research as follows:

H1: Networking ability has a positive effect on negotiation outcome

H2: Interpersonal Influence has a positive effect on negotiation outcome

H3: Social Astuteness has a positive effect on negotiation outcome

H4: Apparent Sincerity has a positive effect on negotiation outcome

3. Methodology

A total of 123 TSMEs entrepreneurs participated in this study and the respondents' data were derived from the SME Corporation directory and Malaysian SME which consist of 331 companies which yielded 37.16 percent response rate. The distributed questionnaire consists of two sections where the first section is the respondents' demographic and the second section posited questions regarding the model of this study. Political skill which consists of four dimensions and are known as networking ability, interpersonal influence, social astuteness, and apparent sincerity were measures that were adopted from Ferris et al., (2007). As for the measurement of negotiation outcomes which consists of feelings about the instrumental, feelings about the self, feelings about the process and feelings about the relationship which were adopted from Curhan et al., (2006) and both constructs were measured with a 7-point Likert scale. In answering this section, the entrepreneurs were asked to consider any one of the negotiations that they have had within a year.

4. Results and Discussion

In terms of the demographic data, our study was able to obtain the respondents' gender, age, and their race. Meanwhile, in terms of the demographic data of the companies, the duration of the business operation and location of the company were derived from this study. Among the respondents, 54.5% were male and mostly at the age of 25-35 years old with 47.2%. Furthermore, 80.5% of the respondents were Malay and most of the SMEs have operated in less than 5 years and located on the West Coast of Peninsular Malaysia (40.7%).

Table 1: Demographic Data

Demographic Characteristics	Frequency	%
<i>Gender:</i>		
Male	67	54.5
Female	56	45.5
<i>Age:</i>		
Below 25 years old	18	14.6
25 – 35 years old	58	47.2
36 – 45 years old	29	23.6
46 – 55 years old	14	11.4
More than 55 years old	4	3.3
<i>Race</i>		
Malay	99	80.5
Chinese	20	16.3
Indian	4	3.3
<i>Year of company operation :</i>		
Less than 5 years	44	35.8
5-10 years	42	34.1
11-15 years	16	13.0
16-20 years	11	8.9
More than 20 years	10	8.1
<i>Location :</i>		
Southern part of Peninsular Malaysia	28	22.8
West Coast of Peninsular Malaysia	50	40.7
East Malaysia	5	4.1
Northern part of Peninsular Malaysia	25	20.3
East Coast of Peninsular Malaysia	15	12.2

A Common Method Variance (CMV) analysis was conducted in this study to determine the existence of method bias, especially in a situation where responses were derived from a single source. Based on Harman's single factor test, only 29.33% variance was explained by the individual factor and there are no single factor accounts of the covariance in the measurement. In analysing the research model, a partial least square (PLS) analysis using the SmartPLS 3.0 software (Ringle, Wende & Becker, 2015). The two stage analytical procedures were tested which are the measurement model (validity and reliability) and the structural model (hypotheses relationship testing) (Ramayah et al, 2015). Finally, a bootstrapping method was employed (5000 samples was used) to test the path coefficients and loadings for this study (Hair et al., 2014).

Measurement Model

In the process of assessing the measurement model, convergent validity and discriminant validity were analysed. In measuring the convergent validity, the loadings, average variance extracted (AVE), and the

composite reliability (Gholami et al., 2013) were examined. The loadings from this study were more than 0.6 and the AVE was also higher than 0.5 which is in accordance with the suggestion by Hair et al., (2014). The discriminant validity of the measure was examined by Fornell-Larker (1981) criterion which looks into the square root of the AVE that exceeds the correlation between all other measures and heteroite-monotrait of correlations (HTMT) which according to Kline, (2011) if the value of HTMT is more than 0.85, there is a problem on the discriminant validity. Both of these measurements were fulfilled in this study and the adequacy of the discriminant validity was verified.

Table 2: Measurement Model

Construct	Item	Loadings	AVE	CR
Negotiation Outcome (NO)	NO1	0.671	0.543	0.950
	NO2	0.652		
	NO3	0.685		
	NO4	0.813		
	NO5	0.746		
	NO6	0.766		
	NO7	0.692		
	NO8	0.725		
	NO9	0.802		
	NO10	0.697		
	NO11	0.692		
	NO12	0.766		
	NO13	0.774		
	NO14	0.773		
	NO15	0.810		
	NO16	0.692		
Networking Ability (PS1)	NA1	0.639	0.594	0.897
	NA2	0.789		
	NA3	0.839		
	NA4	0.795		
	NA5	0.771		
	NA6	0.775		
Interpersonal Influence (PS2)	II1	0.774	0.638	0.876
	II2	0.804		
	II3	0.803		
	II4	0.812		
Social Astuteness (PS3)	SA1	0.692	0.637	0.897
	SA2	0.804		
	SA3	0.877		
	SA4	0.814		
	SA5	0.793		

Apparent Sincerity (PS4)	AS1	0.835	0.687	0.868
	AS2	0.853		
	AS3	0.797		

Table 3: Fornell-Larcker

	NO	PS1	PS2	PS3	PS4
NO	0.737				
PS1	0.567	0.771			
PS2	0.449	0.497	0.798		
PS3	0.649	0.665	0.497	0.798	
PS4	0.599	0.477	0.341	0.670	0.829

Note: Values on the diagonal (bolded) are square root of the AVE while the off-diagonals are correlations

Table 4: HTMT

	NO	PS1	PS2	PS3	PS4
NO					
PS1	0.614				
PS2	0.498	0.589			
PS3	0.711	0.759	0.588		
PS4	0.693	0.588	0.442	0.816	

Structural Model

In assessing the structural model Hair et al. (2014) have strongly recommended to look into the R^2 , beta, and the t-values via bootstrapping procedure with a 5,000 resample. Additionally, the predictive relevance (Q^2) and the effect sizes (f^2) should also be measured. The networking ability ($\beta = 0.190$, t-value =2.107, $p < 0.05$), social astuteness ($\beta = 0.271$, t-value =2.25, $p < 0.05$), and apparent sincerity ($\beta = 0.285$, t-value =2.817, $p < 0.05$) were positively related to negotiation outcome. Only interpersonal influence ($\beta = 0.123$, t-value =1.371, $p < 0.05$) is found to be not significantly related to negotiation outcome. Thus, H1, H3, and H4 were supported in this study and the R^2 of this study is 0.509 which indicates that 50.9% variance can be explained by negotiation outcome (NO). Next, the effect sizes (f^2) were also assessed based on Cohen (1988) who describes the f^2 values of 0.02, 0.15, and 0.35 have small, medium and large effects, respectively. Based on this study, all variables have small effects in producing of R^2 from the study. In terms of the predictive relevance of the endogenous construct, it will only exist if the Q^2 value is more than 0 (Hair et al., 2014). The Q^2 value is 0.261 which is more than 0 suggests that the model has sufficient predictive relevance.

Table 5: Hypotheses Testing

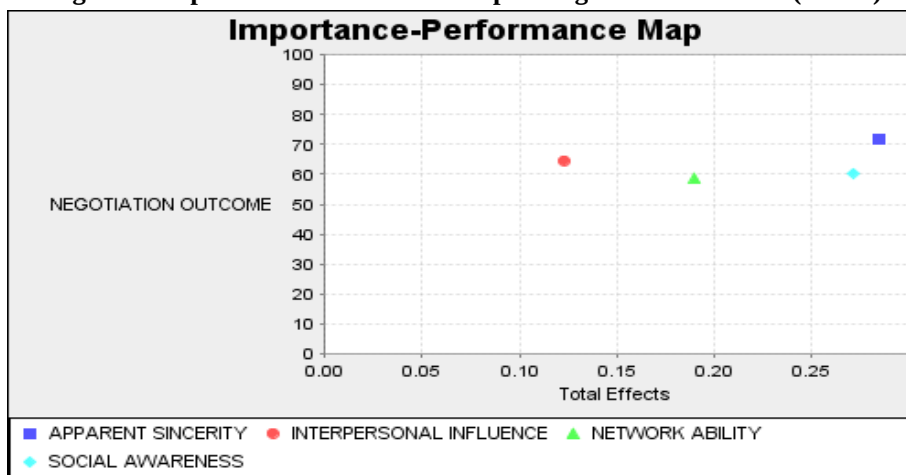
Relationship	Std Beta	Std Error	t-value	Decision	f^2
NA -> NO	0.190	0.090	2.107	Supported	0.038

II -> NO	0.123	0.089	1.371	Not Supported	0.022
SA -> NO	0.271	0.121	2.250	Supported	0.057
AS -> NO	0.285	0.101	2.817	Supported	0.091

Lastly, the researcher conducted an Importance- Performance Matrix Analysis. Hair et al. (2013) mentioned that the importance-performance matrix analysis will be useful in extending findings from PLS as it provides direct, indirect, total relationships, and extract the analysis to include another dimension which is the actual performance of each construct.

5. Conclusion

Figure 1: Importance-Performance Map of Negotiation Outcome (IPMA)



The findings from this study have revealed that the dimensions of political skill which are networking ability, social astuteness, and apparent sincerity do positively affect the negotiation outcome among TSMEs in Malaysia. A possible explanation for the positive effect of networking ability and negotiation outcome is because political skill involves the ability of entrepreneurs to develop diverse networks and ties in securing assets for the success of the organisation (McAllister et al., 2015). Additionally, Tod et al., (2009) highlighted that such positive relationship can maximise the tangible outcome while maintaining rapport relations with other parties. In terms of social astuteness, Baron & Markman (2000) highlighted that the ability to possess high social astuteness will influence the success of new ventures establishments. Lastly, appearing sincere will definitely allow individuals to look genuine and aspires liking and trust when negotiations are involved (Solga et al., 2012).

Given the importance of tourism industry towards a country, it is necessary for the government to provide adequate training and coaching for the TSMEs owners/managers in enhancing their social competencies, specifically political skill which is deemed as beneficial for the success of the TSMEs. Based on the IPMA Map, entrepreneurs should realise the importance of dimension of apparent sincerity and social

awareness since both of them were seen as highly important toward negotiation outcome and performed well within the dimension of political skill.

As with other studies, this study is not without its limits. The study has only focused on the Tourism SMEs and this hinders the generalisations of findings to other sectors. It is important to consider that this study is especially focused on TSMEs in Malaysia and the results should be contemplated carefully when being applied to different cultural contexts.

References

- Ahearn, K.K., Ferris, G.R., Hochwarter, W.A., Douglas, C. and Ammeter, A. P. (2004). Leader political skill and team performance. *Journal of Management*, 30(3), 309–327.
- Anuar, A. N. A., Ahmad, H., Jusoh, H., & Hussain, M. Y. (2012a). Understanding the Factors Influencing Formation of Tourist Friendly Destination Concept. *Journal of Management and Sustainability*, 2(1), 106–114. doi:10.5539/jms.v2n1p106
- Baron, R. a, & Markman, G. D. (2003). Beyond social capital: the role of entrepreneurs' social competence in their financial success. *Journal of Business Venturing*, 18(1), 41–60. doi:10.1016/S0883-9026(00)00069-0
- Cohen.J. (1988). Statistically power analysis for the behaviorial sciences (2nd ed.).Hillsdale, NJ:Lawrence Erlbaum Associates.
- Curhan, J. R., Elfeinbein, H. A., & Xu, H. (2006). What do people value when they negotiate? Mapping the domain of subjective value in negotiation. *Journal of Personality and Social Psychology*, 91(2), 493-512.
- Ferris, G. R. (2005). Development and Validation of the Political Skill Inventory. *Journal of Management*, 31(1), 126–152. doi:10.1177/0149206304271386
- Ferris, G. R., Treadway, D. C., Perrewew, P. L., Brouer, R. L., Douglas, C., & Lux, S. (2007). Political Skill in Organizations. *Journal of Management*, 33(3), 290–320. doi:10.1177/0149206307300813
- Giordano, GA., Stoner, J.S., Brouer, R.L. and Georger, J.F. (2007), "The influences of deception and computer-mediation on dyadic negotiations", *Journal of Computer-Mediated Communication*, Vol.12 No2, pp.362-383
- Gholami, R., Sulaiman, A. B., Ramayah, T., & Molla, A. (2013). Senior managers' perception on green information systems (IS) adoption and environmental performance: Results from a field survey. *Information and Management*, 50(7), 431-438.
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014) A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publication: Los Angeles.
- McAllister, C. P., Ellen, B. P. Pamela, L. P., Ferris, G. R., Hirsch, D. J. (2015). Checkmate: Using political skill to recognize and capitalize on opportunities in the 'game' of organizational life. *Business Horizons*, 58(1), 25-34.
- Mintzberg, H. (1983). Power in and around organizations. Englewood Cliffs, 1983.
- Nair, V., & Hussain, K. (2013). Conclusions: contemporary responsible rural tourism innovations: What are the emerging contemporary rural tourism innovations and how are they enhancing responsible tourism practices in Malaysia? *Worldwide Hospitality and Tourism Themes*, 5(4), 412–416. doi:10.1108/WHATT-04-2013-0023

- Sellers, E., & Blancke, B. (2014). Developing Negotiation as a Corporate Capability, 1–2.
- Set, K. (2013). Tourism Small and Medium Enterprises (TSMEs) in Malaysia. *International Journal of Business and Social Science*, 4(16), 58–67.
- Solga. M, Düsenberg.J.B.M, Ostermann.H , (2015),"Political skill in job negotiations: a two-study constructive replication", *International Journal of Conflict Management*, Vol. 26 Iss 1 pp. 2 - 24
- Ramayah, T.,Yeap, J. A. L., & Ignatius, J. (2013). An empirical inquiry on knowledge sharing among academicians in higher learning institutions. *Minerva: A Review of Science, Learning and Policy*, 51(2), 131-154.
- Ringle, C.M., Wende, S., & Becker, J.-M. (2015). "SmartPLS 3," www.smartpls.com
- Thompson, L. L. (2010). Negotiation. *Annual Review of Psychology*, 61, 491–515.
- Thompson, L., & Hastie, R. (1990). Social perception in negotiation. *Organizational Behavior and Human Decision Processes*, 47, 98–123. *Organizational Behavior and Human Decision Processes*, (47), 98–123.
- World Travel and Tourism Council, (2015), Economic Impact on Malaysia.
- Zhan, X., & Kim, C. (2015). Nankai Business Review International Article information : Nankai Business Review International, 6(3).