

# Getting Off on the Right Foot: Subjective Value Versus Economic Value in Predicting Longitudinal Job Outcomes From Job Offer Negotiations

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Although negotiation experiences can affect a negotiator's ensuing attitudes and behavior, little is known about their long-term consequences. Using a longitudinal survey design, the authors tested the degree to which economic and subjective value achieved in job offer negotiations predicts employees' subsequent job attitudes and intentions concerning turnover. Results indicate that subjective value predicts greater compensation satisfaction and job satisfaction and lower turnover intention measured 1 year later. Surprisingly, the economic outcomes that negotiators achieved had no apparent effects on these factors. Implications, limitations, and future directions are discussed.

*Keywords:* employment negotiation, subjective value, economic outcomes, job satisfaction, turnover

High stakes negotiation can be a memorable experience with lasting consequences. To date, however, researchers have focused on the immediate outcomes of negotiations while largely ignoring their long-term implications. In this article, we attempt to fill this void by examining the effects of real-world job offer negotiations on employees' subsequent levels of satisfaction and intentions to remain within their organizations. Further, we compare the relative predictive power of two different types of negotiation outcomes—employees' subjective evaluations of their job offer negotiations versus their economic outcomes achieved.

To supplement the negotiation field's longstanding rationalist perspective, researchers have recently become increasingly interested in social-psychological factors in negotiation (for a review, see Bazerman, Curhan, & Moore, 2001). The present study focused on negotiators' feelings of satisfaction, which can be influenced by a range of factors, including aspiration levels (Galinsky, Mussweiler, & Medvec, 2002), the timing of concessions (Kwon & Weingart, 2004), and the number of negotiation issues (Naquin, 2003). Because many factors other than the objective terms of the deal can influence negotiator satisfaction, negotiator satisfaction can become disconnected from the economic value of settlements (Galinsky et al., 2002). For instance, negotiators who received

false feedback indicating that their counterpart was happy felt less successful than did those who were told that their counterpart was disappointed, even though there was no difference in the economic outcomes across these conditions (Thompson, Valley, & Kramer, 1995). In fact, in certain situations, economic value can be negatively correlated with subjective value (SV). Notably, negotiators who were induced to set high aspiration levels achieved greater economic gains but felt less satisfied with their outcomes, given the greater difficulty in achieving these more ambitious goals (Galinsky et al., 2002).

In an effort to integrate the growing body of research on negotiator satisfaction and other social-psychological outcomes such as trust and self-image, Curhan, Elfenbein, and Xu (2006) recently introduced the umbrella construct of SV, which encompasses the social psychological consequences of a negotiation (i.e., feelings, perceptions, and emotions). Specifically, SV consists of four interrelated dimensions: (a) feelings about the *instrumental* outcome (i.e., the terms of the deal), including subjective perceptions about whether the economic outcome was desirable, balanced, and consistent with principles of legitimacy and precedent; (b) feelings about the *self*, including losing face versus feeling competent and satisfied that one has behaved appropriately; (c) feelings about the negotiation *process*, including the perception that one has been heard and been treated fairly; and (d) feelings about the *relationship* among the negotiators, including positive impressions, trust, and a solid foundation for working together in the future. Although related to the concept of *justice*—which has been defined as “perceived fairness” (Greenberg & Colquitt, 2005, p. xi)—SV encompasses additional factors that are outside the bounds of the justice construct, such as time efficiency and self-esteem. Further, unlike justice, SV refers specifically to the dispute resolution context.

Curhan et al. (2006) argued that SV is important for several reasons. First, SV may be a good in itself; that is, negotiators may value feelings of satisfaction, pride, and connection separate from any associated economic outcomes (Miller, 1999; Mills, 1940). Indeed, a negotiator might even forgo objective gains, either consciously or unconsciously, to foster a relationship with the

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other party (Curhan, Neale, Ross, & Rosencranz-Engelmann, in press). Second, negotiators may use their feelings about a negotiation as intuition about their performance in the negotiation. In most real-life negotiation settings there is no economic measure of performance readily available. For example, evaluating the economic outcome of buying a used car would require complete information about the dealer's interests and alternatives, the deals reached by others making similar purchases, and even the true value of the car—including information about quality and reliability that may be unknowable at the time. To supplement their imperfect information in evaluating their performance, negotiators often draw upon their own subjective intuitions. This imperfect analysis, in turn, can have important implications for future behavior, such as whether to negotiate again with the same counterpart (Oliver, Balakrishnan, & Barry, 1994). Finally, SV may serve as a predictor of future economic value. Feelings about the negotiation may influence subsequent behaviors that, in turn, influence performance. For instance, Drolet and Morris (2000) found that greater rapport developed in one negotiation led to greater information sharing in a second negotiation, which resulted in increased joint gains (also see Curhan, Elfenbein, & Eisenkraft, in press; O'Connor & Arnold, 2001; O'Connor, Arnold, & Burris, 2005). Thus, a positive subjective experience in negotiation may be considered a kind of asset that improves the tangible quality of working relationships.

### The Present Study

In the present study, we sampled MBA graduates who negotiated their full-time job offers and examined their subjective negotiation experience and tangible concessions as predictors of their job satisfaction, compensation satisfaction, and intention to remain within their organizations 1 year later. Given that two of the arguments for the importance of SV emphasize its effects on the future, it is worthwhile to examine its consequences in a long-term, real-world setting with high stakes. However, our research setting also retains a relatively high degree of control, given that all participants exited the same graduate business school at the same time.

This real-world longitudinal field study was intended to address past critiques of negotiation research for limiting itself to settings that are highly controlled and somewhat artificial. Barley (1991) characterized such work as “decontextualized,” arguing, “No matter how realistic the task . . . negotiations [conducted in the laboratory] have no history or future outside the confines of the experiment” (p. 168). In contrast, Barley noted that most real-life disputes “have histories” and that “most disputants continue to have futures together” (p. 169). In a recent large-scale review of the negotiation literature from 1993 to 2002, Mestdagh and Buelens (2003) reported that only 2.5% of studies were conducted in field settings. The prevalence of lab studies has also tended to preclude longitudinal designs—indeed, all but 2.9% of studies employed discrete, one-shot negotiations (Mestdagh & Buelens, 2003). However, many real-world negotiations are a part of long-term interactions that are embedded within ongoing relationships rather than isolated incidents (Barley, 1991; Sacks, Riechart, & Proffitt, 1999). To our knowledge, no previous research has examined the consequences of negotiation experiences on long-term working relationships.

In addition to the specter of the future and real-world validity, the job offer's high stakes make its setting an important context for study. Gerhart and Rynes (1991) estimated that negotiating one's first job offer after college graduation can increase the starting salary by anywhere from \$1,000 to \$7,000 per year ( $M = \$1,785$ ). Given that the starting compensation level sets a reference point for future years, even moderate initial increases in salary can add up to tens or hundreds of thousands of dollars over the course of a career (Gerhart & Rynes, 1991).

### Subjective Value and Subsequent Attitudes

A tradition within the field has been to construe negotiation as a decision-making process—with rationality and optimality as the gold standards of performance (Bazerman et al., 2001; Neale & Bazerman, 1991). Consequently, SV has been seen as no more than a perceptual bias, a fleeting focus of attention that can distract us from the objective negotiation task at hand. Indeed, acting with the goal of maximizing one's subjective experience “does not meet the standards of most rational choice models . . . because [feeling good] is of no material consequence” (Miller, 1999, pp. 1053–1054).

By contrast, we draw from psychological theories on the information value of affect to argue that SV can provide negotiators with a robust and long-lasting “gut check” about their experience. Schwarz and Clore's (1983) mood-as-information theory maintains that our affective states provide us with information about the world around us—such as whether there is safety for exploration or a problem to be solved. Clore, Schwartz, & Conway (1994) argued that affect tends to be a particularly influential source of information for judgments that concern preferences and liking and in domains for which the feelings seem most relevant. Accordingly, affect predicts job satisfaction and other job attitudes such as turnover intentions (Brief & Weiss, 2002; Thoresen, Kaplan, Barsky, Warren, & de Chermont, 2003). Indeed, Weiss and Cropanzano's (1996) affective events theory argues that job satisfaction results from three distinct factors: affective experiences, evaluative judgments, and beliefs about one's job. We argue that job offer negotiation—as a highly salient, memorable, and emotionally charged experience—is likely to be an affective event that shapes future job attitudes. Further, given that attitudes derived from affect appear to be more strongly held than those derived from judgments and beliefs (Brief & Weiss, 2002), we argue that this influence of SV will persist over time. Thus, we argue SV is more than a fleeting bias and, indeed, that SV is likely to be robust:

*Hypothesis 1:* Levels of subjective value are highly consistent over time.

Feelings about a job offer negotiation are likely not only to endure but also to spread to important attitudes. The job offer negotiation experience may be critical for employees' first impressions and attitudes about their new jobs. Research in the “zero acquaintance” tradition reveals that people can form lasting and often highly accurate impressions from very brief periods of observation or interaction (Levesque & Kenny, 1993). For instance, studies on employment interviews have indicated that interviewers form their impressions of candidates in the early stages of the interview and that these impressions tend to persist throughout the interaction (Prickett, Gada-Jain, & Bernieri, 2000; Webster, 1964).

Given that job offer negotiations take place relatively early in the employee–employer relationship, while incoming employees are often still developing impressions of their future employers, such initial negotiations may serve as pivotal experiences upon which lasting attitudes are based. Further, halo effects might cause people’s memories of the experience to generalize to attitudes in other domains (Balzer & Sulsky, 1992; Thorndike, 1920), spreading across aspects of their job and the employing organization, particularly given that job offer negotiations take place at a time when job attitudes may not be fully formed. Indeed, prior research has indicated that in the realm of negotiation, impressions of negotiators in one domain can transfer to other domains (Tinsley, O’Connor, & Sullivan, 2002). In this study, we considered the consequences of SV formed during job offer negotiations for three categories of job attitudes: compensation satisfaction, job satisfaction, and turnover intention.

### *Compensation Satisfaction*

Given that job offer negotiations largely concern the terms of compensation, we expect incoming employees’ positive subjective evaluations of their job offer negotiation experience to predict greater long-term satisfaction with their resulting compensation.

### *Job Satisfaction*

General job satisfaction is another job attitude likely to be influenced by the job offer negotiation experience. *Job satisfaction* has been defined as “one’s affective attachment to the job” (Tett & Meyer, 1993, p.261) and, as an affective judgment, is likely to be particularly influenced by the subjective feelings coming out of a negotiation. A subjectively positive negotiation experience generally engenders positive impressions of one’s counterpart as a person as well as the pair’s relationship, whereas a negative negotiation experience has the opposite effect. For example, Lawler & Yoon (1993) reported that repeated agreements between negotiators lead to positive emotions surrounding their relationship, which in turn lead to higher levels of affective commitment. At the other extreme, coercive tactics lead negotiators to report that their relationships have been damaged (Greenhalgh & Chapman, 1998). We argue that the attitudes formed on the basis of one or more negotiation counterparts in an employment negotiation spread, in turn, to satisfaction with one’s job as a whole. Previous research has demonstrated that job satisfaction can result from the quality of employees’ relationships with key individuals such as supervisors (Settoon, Bennett, & Liden, 1996; Yukl, 1989) or close friends at work (Winstead, Derlega, Montgomery, & Pilkington, 1995). We argue that incoming employees see their negotiation counterparts as representatives of their employing organizations and likely generalize from the relationship that they developed during the negotiation.

### *Turnover Intention*

SV in negotiations may, in addition to affecting the quality of subsequent relations between negotiators, influence the extent to which negotiators want to maintain any relationship at all. Research examining negotiators’ desire for future interaction with each other supports the idea that SV could be an important deter-

minant. Oliver et al. (1994) found that high satisfaction with negotiation outcomes, independent of actual outcomes, predicted greater desire to negotiate with the same counterpart in the future. Similarly, positive perceptions of team performance among negotiators working together predicted their intentions to remain part of the team, and this effect was not mediated by actual performance (Bayazit & Mannix, 2003). At the level of individual differences, negotiators who are especially sensitive about their sense of self—in the form of chronic sensitivity to issues of face saving and face threat—are more likely than their less sensitive peers to reach impasses as job candidates in simulated employment negotiations (White, Tynan, Galinsky, & Thompson, 2004). Although organizational employees have greater transaction costs in changing relationship partners than do those in simulated employment negotiations, they do have the option of pursuing alternatives to their current employer. We argue that the same factors may lead real job candidates who experience low SV to withdraw effort from their working relationship and, thus, to consider terminating employment with the organization whose representative invoked that poor experience. Further, past work shows that turnover intentions appear to be influenced less by overall compensation levels than by changes to compensation—for example, lump-sum bonuses (Sturman & Short, 2000)—which suggests that the concessions and experience from a job negotiation may be influential as well.

*Hypothesis 2:* High subjective value in job offer negotiations predicts more positive future job attitudes.

To the extent that negotiators have limited access to their own economic performance, future behavior is likely to be better predicted by SV than economic value. For example, Curhan et al. (2006) found that high SV reported immediately following a negotiation predicted whether negotiators chose a former counterpart as a teammate on an exercise for which course grades were at stake, whereas objective scores had no such predictive power (also see Curhan, Elfenbein, & Eisenkraft, in press). Given that job offer negotiations focus ostensibly on compensation, we might also expect that the tangible economic outcomes achieved by incoming employees would predict their future compensation satisfaction. Compensation satisfaction, in turn, can feed into general job satisfaction and turnover intentions (Dreher, Ash, & Bretz, 1988; Williams, McDaniel, & Nguyen, 2006). However, SV and economic value tend to be only weakly correlated (e.g., Curhan et al., 2006; Galinsky et al., 2002), and there are theoretical arguments and empirical data suggesting that attitudes and behavioral intentions are better predicted by SV than economic value (e.g., Curhan et al., 2006). Further, objective pay levels do not always correlate with pay satisfaction (Currall, Towler, Judge, & Kohn, 2005), which supports the idea that subjective perceptions can be more proximal to generalized job attitudes than can economic characteristics.

*Hypothesis 3:* The association between subjective value and future job attitudes will be stronger than the association between the economic value of concessions and future job attitudes.

## Method

### Participants

Members of the graduating class of 2005 at an elite MBA program in the United States completed two surveys via the Internet—one in March 2005, prior to graduation, and the other in May 2006, a year after graduation. They were assured of confidentiality and that data would be provided to us by university officials who would match the surveys and delete respondents' names. Of the 412 graduating students, 387 completed the first survey (the Employment Survey), and of these, 191 completed the second survey (the Alumni Survey), for a final response rate of 46.4%. Analyses of a range of demographic and control variables indicated minimal concerns of response bias.<sup>1</sup> To address our research questions, we created a subsample of all participants ( $n = 70$ ) who (a) indicated that they had negotiated and accepted a job offer as of March 2005 and (b) completed the Alumni Survey in May 2006.<sup>2</sup> These participants, with a median age of 30.2 years, accepted jobs at 56 different companies across 23 different industries. Four participants with missing data on control variables were retained in the sample, with the mean value substituted in analyses.<sup>3</sup>

### Measures

#### Subjective and Economic Value (Employment Survey)

*Subjective Value Inventory* ( $\alpha = .93$ ). On both surveys, participants who had negotiated job offers completed a 13-item version of the Subjective Value Inventory (SVI; Curhan et al., 2006) measure of the four-factor model of SV (see Appendix). In light of the limited time available, the participant organization asked that we reduce the original 16-item survey to the extent possible. For the three SVI subscales with the highest reliability, we removed the item with the lowest reported factor loading as reported in Curhan et al. (2006).

*Economic outcomes.*<sup>4</sup> Participants who negotiated their job offers also provided measures of their economic outcomes. First, they provided their first-year compensation in terms of their base salary (i.e., paid continuously over 12 months) plus their other guaranteed compensation (e.g., bonuses, relocation allowances, tuition reimbursement, and other commitments). We assessed total salary in light of a number of studies that indicate a link between pay and job attitudes (e.g., Williams et al., 2006). Second, respondents listed in free response all of the concessions that they received during their job offer negotiation. These were coded into 15 categories by two coders who teach MBA-level negotiations courses and coach graduating students about their job negotiations (interrater agreement  $r = .99$ ). Participants were then instructed to monetize their concessions by answering the following: "In order to assess the approximate dollar value of what you negotiated, please estimate the *minimum* amount of money you would be willing to accept (in dollars) in exchange for forfeiting all concessions you received in your negotiation." Given that it is challenging to quantify objectively the value of a negotiation outside of laboratory settings, this measure provided a proxy for the economic value of concessions and ensured that participants were aware of their own economic value. As suggestive evidence of the validity of this measure, test-retest reliability 1 year later was fairly robust,  $r(68) = .72, p < .01$ . The correlation between our

measures of SV and the economic value of concessions was relatively small ( $r = .20, p < .10$ ),<sup>5</sup> which is comparable to Curhan et al.'s (2006) correlation of .16 between total SV and economic value on a laboratory task in which economic value was objectively verifiable. This is also consistent with Currall et al.'s (2005) finding that objective pay levels did not correlate with pay satisfaction and Dreher et al.'s (1988) finding of a relationship between fringe benefit levels and satisfaction with these benefits only among participants who were knowledgeable about how their benefit levels compared with those of other employers in the same industry.

The distribution for economic value was highly skewed to the right, with several major outliers (4.3% of the data points vs. 0.14% in a normal distribution were more than 3 *SDs* above the mean). In light of guidelines that "the shape of a distribution of continuous variables in a multivariate analysis should correspond to a (univariate) normal distribution" (Meyers, Gamst, & Guarino 2006, p. 67)—with the rule of thumb that the skewness and kurtosis statistics should be within the acceptable range of  $-1$  to  $1$  (George & Mallery, 2003)—we transformed initial measures of economic value of concessions (skewness 2.16, kurtosis 4.39), base salary (skewness 0.48, kurtosis 1.65), and SV (skewness  $-1.27$ , kurtosis 1.87). We used reverse rank ordering, with "ties" awarded the same rank, in order for the criteria for normality to reach acceptable values (economic value skewness 0.23, kurtosis  $-0.99$ ; base salary skewness  $-0.34$ , kurtosis  $-0.63$ ; SV skewness  $-0.37$ , kurtosis  $-0.95$ ).<sup>6</sup> This ranking transformation maintained a high correlation with the original measures of economic value of

<sup>1</sup> Students who were receiving an additional degree besides the MBA were slightly more likely to complete both surveys ( $r = .12, p < .05$ ), and the average GPA of students completing both surveys (4.63) was slightly higher than the average GPA of students who completed neither or just one of the surveys (4.55,  $p < .01$ ). No other variables showed differences between respondents and nonrespondents.

<sup>2</sup> We eliminated  $n = 17$  because they had not accepted new employment, largely due to company sponsorship or entrepreneurial ventures;  $n = 83$  because they had not negotiated their job offer;  $n = 15$  for nonresponse to the SV, economic value, or job attitudes questions; and  $n = 6$  because their responses to the question on economic value differed greatly between the Employment Survey and Alumni Survey (by a factor of 8 times or more), which suggests a typographical error in a key measure. Of the 15 respondents with missing data, 6 did not respond to the questions about SV on one or both surveys and 9 did not provide data about the economic value of their concessions. All participants responded to the job attitude questions. These 15 did not differ from the 70 who were included for analysis in terms of the three dependent measures,  $t_s(83) \leq 0.49, p_s \geq .63$ .

<sup>3</sup> Effect sizes and significance levels were essentially unchanged by deleting these 4 respondents with missing data.

<sup>4</sup> We use the term *economic outcomes* in keeping with Thompson (1990) to refer to the terms of a deal. Elsewhere (Curhan et al., 2006; Curhan et al., in press), we used the term *objective value* but not in this case, due to concerns raised by an anonymous reviewer that our measure is self-reported and interpreted by participants and is thus not entirely objective.

<sup>5</sup> The correlation between objective value and the instrumental dimension of SV was also small ( $r = .15, ns$ ).

<sup>6</sup> Logarithmic transformation, by contrast, did not bring these criteria into the acceptable range (SV skewness  $-1.97$ , kurtosis 5.10; economic value [with a constant of 1 added to account for 0 values] skewness  $-2.48$ , kurtosis 6.14; base salary skewness  $-0.73$ , kurtosis 2.86).

concessions ( $r = .85$ ), base salary ( $r = .94$ ), additional first-year compensation ( $r = .95$ ), and SV ( $r = .95$ ).

### *Job Attitudes (Alumni Survey)*

*Compensation satisfaction* ( $\alpha = .67$ ). Two items were adapted from the pay subscale of Spector's (1985) Job Satisfaction Survey: "I feel I am being compensated a fair amount for the work I do" and "I feel satisfied with my chances for increases in compensation" (scale range from 1 = *strongly disagree* to 7 = *strongly agree*).

*Job satisfaction* ( $\alpha = .84$ ). The first item was "In general, I am very satisfied with my job" (scale range from 1 = *strongly disagree* to 7 = *strongly agree*; see Scarpello & Campbell, 1983, on the benefits of using a global measure of overall job satisfaction). The second was adapted from Kunin's (1955) Faces Scale and asked participants to select the face (out of five faces) that "best expresses how you feel about your job in general."<sup>7</sup>

*Turnover intention* ( $\alpha = .87$ ). Two items were adapted from prior studies of turnover (Kraut, 1975; Nagy, 2002; Scholl, 1983): "How much would you like to leave your job within the next 12 months?" and "Have you thought seriously about looking for a new job elsewhere?" (scale range from 1 = *not at all* to 7 = *very much*). We examined turnover intentions rather than actual turnover because few members of our sample had voluntarily left their first positions within the first year of employment ( $n = 4$ ) and because it is challenging yet important theoretically to separate involuntary turnover (e.g., firings) from voluntary turnover (Tett & Meyer, 1993). Turnover intention, however, has been validated as a strong predictor of actual voluntary turnover (Tett & Meyer, 1993).

### *Control Variables*

*Sex*. Academic records provided the sex of each participant. We controlled for sex because it is the most widely studied individual difference in negotiation. Women appear to have lower expectations of material success and experience less certainty and comfort with the negotiation task (Kray & Thompson, 2005), which leads them to set lower goals (Stevens, Bavetta, & Gist, 1993). Stuhlmacher and Walters's (1999) meta-analysis showed that men tend to outperform women in claiming economic value. Further, in terms of SV, women may evaluate their own performance less favorably, even in the absence of performance differences (Kray & Thompson, 2005; C. Watson & Hoffman, 1996).

*Base salary before returning to school (Employment Survey)*. Participants indicated the base salary of the job that they held immediately prior to attending business school. This was included as a control due its potential role as a reference point against which employees might compare their current level of compensation.

*Expectations of future interaction (Employment Survey)*. To account for the possibility that negotiation experiences are more formative when the participant is interacting with a future colleague, we had participants indicate whether they expected future interaction with their employment negotiation counterpart ("Of the people with whom you negotiated, to what extent do you expect to interact again with any of them once you begin the position?"; scale range from 1 = *not at all* to 7 = *a great deal*).

*Positive and negative affect (Employment Survey)*. Participants indicated their levels of positive and negative affect with single-item measures on 7-point scales: "To what extent do you

generally feel positive emotions (e.g., active, alert, attentive, determined, enthusiastic, excited, inspired, interested, proud, strong)?" and "To what extent do you generally feel negative emotions (e.g., afraid, agitated, alarmed, antagonistic, apprehensive, ashamed, guilty, irritable, nervous, or upset)?" The two measures were not significantly correlated with one another ( $r = -.15$ , *ns*). Previous research using single-item affect scales has demonstrated acceptable psychometric properties. Russell, Weiss, and Mendelsohn (1989) found a correlation between their single-item scale for pleasantness–unpleasantness of .37 with positive affect and  $-.45$  with negative affect. Abdel-Khalek (2006) found a 1-week test–retest reliability of .86 for a single-item measure of happiness. We further validated our single-item scales by examining their convergence with the full-length Positive and Negative Affect Scale (PANAS; D. Watson, Clark, & Tellegen, 1988), which about half of the participants had completed during their negotiations course in January 2005. Based on  $N = 39$ , convergent validity coefficients were .23 for positive affect and .56 for negative affect, which indicated acceptable properties for these single-item measures.

The inclusion of these measures allowed us to control for common method bias, given that both SV and job attitudes were self-report measures using 7-point rating scales. Podsakoff, MacKenzie, Lee, and Podsakoff (2003) argued that controlling for measures that share the common method—as well as using longitudinal designs so that measures are collected during distinct sessions—are among the recommended practices to avoid the problems of common method bias. Further, including positive and negative affect allowed us to control for any potentially spurious relationships that might appear between SV and job attitudes as a result of underlying trait levels of dispositional affect (Staw, Bell, & Clausen, 1986).

*Job industries and functions (Employment Survey)*. In order to control for job characteristics, we had participants indicate the job industry<sup>8</sup> and job function<sup>9</sup> for the positions they accepted. To limit the proliferation of control variables, we conducted analyses of variance separately for job industries and job functions to determine whether there were differences in job attitudes across these categories for which  $n \geq 3$ . Given that Consulting/Strategic Planning was associated with increased compensation satisfaction, and Finance was associated with decreased intention to turnover, these two variables were controls in all hypothesis testing.

## Results

Table 1 reports the means and standard deviations of the study measures, and Table 2 presents bivariate correlations among these

<sup>7</sup> For aggregation, responses were converted to a 7-point scale by subtracting 1, multiplying by 1.5, and adding 1.

<sup>8</sup> Categories were Automotive/Aerospace, Computers/Electronics, Consumer Packaged Goods, Consulting, Diversified Financial Services, Government/Non-Profit, Investment Banking/Brokerage Investment, Management, Media/Entertainment, Oil/Energy, Pharmaceutical/Healthcare/Biotechnology, Real Estate, Retail Software, Telecommunications, Transportation/Equipment/Defense, Venture Capital, Manufacturing, and Service.

<sup>9</sup> Categories were Business Development, Consulting/Strategic Planning, Finance (Investment Banking, Sales & Trading, Investment Management Research, Other), General Management/Leadership Development Program, Information Technology, Marketing/Sales, Operations/Project Management, Product Management/Development, Other.

Table 1  
Descriptive Statistics ( $N = 70$ )

Variable	<i>M</i>	<i>SD</i>
Economic value	\$20,055	\$25,738
Subjective value (scale range 1–7)	5.83	0.90
Base salary	\$100,450	\$21,252
Total first year compensation (not including salary)	\$32,937	\$25,705
Compensation satisfaction (scale range 1–7)	5.04	1.50
Job satisfaction (scale range 1–7)	4.92	1.60
Turnover intention (scale range 1–7)	3.40	1.78
Sex (1 = female)	0.27	0.45
Prior base salary	\$73,218	\$29,459
Expectations of future interaction (scale range 1–7)	5.80	1.56
Positive affect (scale range 1–5)	3.86	0.67
Negative affect (scale range 1–5)	2.09	0.90
Job function (Consulting/Strategic Planning)	0.27	0.45
Job function (Finance)	0.11	0.32

variables. Table 3 lists the types of concessions reported by those individuals ( $N = 39$ ) who completed the free-response measure. This corresponds to an effective response rate of 60% among the individuals who had reported a nonzero numerical dollar value for concessions ( $n = 65$ ). Although it would be valuable to analyze separately as a control variable the amount of base salary negotiated, unfortunately our data set did not allow us to do so. It is noteworthy, however, that only 33% of participants negotiated their base salary, and among these, base pay was typically one of two issues on which they received concessions.

In support of Hypothesis 1, SV had high consistency across the two surveys ( $r = .74$ ), indicating that recollections of SV are robust over time. In support of Hypothesis 2, Table 4 presents the results of regression models predicting job attitudes, in which greater SV reported shortly after a job negotiation predicts greater compensation satisfaction, greater job satisfaction, and lower turnover intention a year later. In support of Hypothesis 3, by contrast with SV, coefficients for the economic value of concessions reported shortly after negotiations were negligible and nonsignificant in predicting later attitudes. Wald tests indicated that these regression coefficients for SV and concession values differed significantly for compensation satisfaction,  $F(1, 58) = 7.68, p < .01$ , but not for turnover intention,  $F(1, 58) = 2.75, p \leq .10$ , or job satisfaction,  $F(1, 58) = 2.08, p = .16$ .

In order to rule out a potential confounding factor, we tested whether these results were robust to whether participants may have negotiated with their future supervisor, by having additional models include an interaction term of SV and their expectations of future interaction. These terms were negligible and nonsignificant for compensation satisfaction ( $\beta = -.04$ ), job satisfaction ( $\beta = .03$ ), and turnover intention ( $\beta = .02$ ), and their inclusion changed the coefficients for SV by .01 or less.<sup>10</sup>

Given research suggesting that attitudes toward compensation are among the most formative on overall job satisfaction and other attitudes (Dreher et al., 1988; Williams et al., 2006), we conducted a further analysis to examine whether compensation satisfaction mediates the relationships between SV and job satisfaction or between SV and turnover intention by using the four guidelines for testing mediation outlined by Baron and Kenny (1986). For job

satisfaction, (a) as reported in Model 3 in Table 4, SV predicted compensation satisfaction ( $\beta = .41, t(58) = 3.53, p < .01$ ); (b) as reported in Model 6, SV predicted job satisfaction ( $\beta = .34, t(58) = 2.20, p < .05$ ); and (c) compensation satisfaction predicted job satisfaction when added to Model 6 ( $\beta = .45, t(57) = 2.93, p < .01$ , while (d) reducing the size of the coefficient for SV ( $\beta = .16, t(57) = 1.08, ns$ ). The indirect effect of SV on job satisfaction via compensation satisfaction was significant, according to a Sobel test ( $z = 2.25, p < .05$ ). For turnover intentions, (a) once again, as reported in Model 3 in Table 4, SV predicted compensation satisfaction ( $\beta = .41, t(58) = 3.53, p < .01$ ); (b) as reported in Model 9, SV predicted turnover intention ( $\beta = -.37, t(58) = -2.89, p < .01$ ); but (c) compensation satisfaction did not predict turnover intention when added to Model 9 ( $\beta = -.16, t(57) = -1.11, ns$ ); and (d) SV remained a significant predictor ( $\beta = -.31, t(57) = -2.16, p < .05$ ). The indirect effect of SV on turnover intention via compensation satisfaction was not significant, according to a Sobel test ( $z = 1.06, ns$ ). These tests indicate that compensation satisfaction mediates the relationship between SV and job satisfaction but not the relationship between SV and turnover intention.

## Discussion

These findings tell a provocative story about the potential power of SV in negotiation to predict subsequent attitudes and behavioral intentions. The SV that incoming employees achieved during their job offer negotiations significantly predicted compensation satisfaction, job satisfaction, and turnover intention measured over one full year after the negotiations had taken place. During this time, participants presumably were exposed to a wide range of other intervening factors—such as the characteristics of their jobs, their interactions with supervisors and coworkers, and the success of the company—that could have affected their job attitudes. Our results demonstrate not only the robustness of SV but also its important potential consequences. By contrast, the actual economic value achieved in these negotiations had no association with job attitudes or intentions to leave—a particularly striking finding given the high economic stakes of the job negotiation.

Our study is among the few field studies of real-world negotiations. Given that arguments for the value of SV emphasize its effects on the future, we examined its consequences in a long-term setting with high stakes. The sheer number of issues listed in Table 3 suggests that this was a complex negotiation—rather than a simple tug-of-war over base salary—that may provide ample room for economic value and SV to become decoupled from each other. Further, our field study context enabled us to measure consequences of SV—compensation satisfaction, job satisfaction, and turnover intentions—that have potentially far-reaching implications for both employees and the organizations that hire them (Bateman & Organ, 1983; Currall et al., 2005; Osterman, 1987; Williams et al., 2006). This gives the present study broad relevance beyond the field of negotiations research.

<sup>10</sup> We also conducted analyses with additional control variables— notably, individual differences in respondents' tendencies to maximize versus satisfice (Iyengar, Wells, & Schwartz, 2006; Schwartz et al., 2002), as well as expert ratings of the difficulty of negotiating in each particular industry. The inclusion of these variables did not alter the results of any of the hypothesis tests presented.

Table 2  
Bivariate Correlations Among Study Measures (N = 70)

Measure	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Economic value	—												
2. Subjective value	0.20*	—											
3. Base salary	0.21*	0.18	—										
4. Other first year compensation	0.00	-0.09	0.13	—									
5. Compensation satisfaction	0.16	0.30**	0.42***	0.21*	—								
6. Job satisfaction	0.09	0.23*	0.03	0.21*	0.47***	—							
7. Turnover intention	-0.14	-0.25**	-0.01	-0.39***	-0.35***	-0.61***	—						
8. Sex (1 = female)	-0.20	0.10	-0.17	-0.34***	-0.28**	-0.18	0.20	—					
9. Prior base salary	0.05	-0.15	0.24**	0.17***	-0.18	-0.24**	-0.04	0.02	—				
10. Expectations of future interaction	0.31***	0.14	0.16	0.00	0.15	0.10	-0.04	0.13	0.13	—			
11. Positive affect	0.05	0.41***	0.03	-0.16	-0.07	-0.10	0.15	0.23*	-0.22*	-0.07	—		
12. Negative affect	0.01	-0.39***	-0.14	-0.17	0.02	-0.09	0.12	-0.06	-0.21*	-0.22*	-0.15	—	
13. Job function (Consulting/Strategic Planning)	-0.08	0.09	0.15	-0.05	0.31**	0.05	0.00	0.06	-0.19	-0.05	0.08	0.01	—
14. Job function (Finance)	0.12	-0.24**	0.04	0.40***	0.10	0.01	-0.17	-0.12	0.03	-0.04	-0.26**	0.12*	-0.22*

\*  $p < .10$ . \*\*  $p < .05$ . \*\*\*  $p < .01$ .

Table 3  
Types of Concessions Received by Job Negotiators (N = 39)

Type of concession	Percentage reporting
Signing bonus	44
Salary	33
Relocation (e.g., moving expenses, housing, cost-of-living assistance)	21
Start date	13
Performance bonus	10
Stock options	8
Vacation time	8
Benefits (e.g., health insurance)	5
Debt refinancing	5
Additional training	5
Geographic location	3
Visa assistance	3
Calendar for considering promotions	3
Time to decide on offer	3
Level of position	3

Limitations and Future Research

Although the results of this study are provocative, our conclusions are tempered by a number of important shortcomings that are worth addressing in future work. First, all reported findings are observational, and we therefore cannot confirm causal inferences. Unmeasured variables may have influenced both predictor and dependent measures. For instance, certain employers may be more effective at making both job candidates and employees feel good, whereas other employers may treat both prospective and current employees poorly. Alternatively, certain individuals may tend to elicit good treatment from others, and as a result, those individuals might be treated well both during their job offer negotiations and on a daily basis at work. However, even if these alternative explanations were true, the present study still establishes job offer negotiation SV as an early indicator of future job-related attitudes—which is striking in that job offer negotiations represent only a first brief experience with one’s employer, in contrast to the entire first year of employment.

Along these lines, one might speculate that SV influences future job attitudes merely because it reflects employees’ advance beliefs about how well they will be treated on a job. In order to address this possibility, we collected additional employment survey data from the MBA class of 2007 at the same institution (N = 119<sup>11</sup>) with the current measures and this additional item: “In general, how satisfied do you expect you will be while working at your new job” (rated on a 7-point scale ranging from 1 = *not at all satisfied* to 7 = *very satisfied*). Although we could not collect additional alumni survey data to use this measure as a covariate in hypothesis testing, we could demonstrate that it is conceptually distinct from SV. First, expected satisfaction and SV correlated at  $r = .30$ ,  $p < .01$ , which is moderate but well below 1.00 and well below the test–retest reliability of SV of .74—indicating that these are over-

<sup>11</sup> Among the class of 2007, there were 376 survey respondents as of July 2007, and of these, 272 had accepted a job offer for full-time employment, 129 reported negotiating this job offer, and 119 (92%) of those who reported negotiating responded to the survey items for the SVI and expected satisfaction.

Table 4  
 Multivariate Regression Models Predicting Compensation Satisfaction, Job Satisfaction, and Turnover Intention ( $N = 70$ )

Variable	Compensation satisfaction			Job satisfaction			Turnover intention		
	Model 1: Control variables	Model 2: Economic value of concessions	Model 3: Subjective value	Model 4: Control variables	Model 5: Economic value of concessions	Model 6: Subjective value	Model 7: Control variables	Model 8: Economic value of concessions	Model 9: Subjective value
Control variable									
Sex (1 = female)	-.17	-.17	-.19*	-.10	-.08	-.09	.04	.01	.02
Prior base salary	-.28**	-.28**	-.17	-.37***	-.37***	-.28**	.41***	.41***	.31**
Expectations of future interaction	.16	.16	.16	.12	.09	.09	-.06	-.03	-.03
Positive affect	-.06	-.06	-.18	-.15	-.17	-.26*	.18	.20	.30**
Negative affect	.02	.02	.15	-.12	-.13	-.02	.17	.17	.05
Job function									
(Consulting/Strategic Planning)	.19*	.19*	.19*	-.02	-.01	-.01	.03	.02	.02
Job function (Finance)	.03	.03	.07	-.10	-.11	-.07	.00	.01	-.03
Economic and subjective value									
Base salary	.41***	.41***	.34***	.05	.03	-.02	.01	.02	.08
Other 1st-year compensation	.16	.16	.19*	.22	.22	.25*	-.40***	-.40***	-.42***
Economic value		-.01	-.09		.08	.00		-.11	-.03
Subjective value			.41***			.34**			-.37***
Model diagnostics									
<i>F</i> test of model	<i>F</i> (9, 60)	<i>F</i> (10, 59)	<i>F</i> (11, 58)	<i>F</i> (9, 60)	<i>F</i> (10, 59)	<i>F</i> (11, 58)	<i>F</i> (9, 60)	<i>F</i> (10, 59)	<i>F</i> (11, 58)
Value of <i>F</i>	4.68***	4.14***	5.63***	1.54	1.41	1.91*	3.12***	2.87***	3.70***
$R^2$	.41	.41	.52	.19	.19	.27	.32	.33	.41
$\Delta R^2$ from control model		.00	.10		.01	.08		.01	.09
Adjusted $R^2$	.32	.31	.42	.07	.06	.13	.22	.21	.30
Change from control model		<i>F</i> (1, 59)	<i>F</i> (2, 58)		<i>F</i> (1, 59)	<i>F</i> (2, 58)		<i>F</i> (1, 59)	<i>F</i> (2, 58)
Value of <i>F</i>		0.00	6.22***		0.39	3.07*		0.76	4.61**

Note. Data for all terms other than model diagnostics are standardized regression coefficients. All objective and subjective value measures have been rank-transformed as described in the Results section.

\*  $p < .10$ . \*\*  $p < .05$ . \*\*\*  $p < .01$ .

lapping yet distinct constructs. Disattenuating for measurement error—for SV with the alpha of .93 and for the single-item expected satisfaction scale inferring the likely measurement error based on the interitem correlation of  $r = .72$  from the two-item job satisfaction scale in the Alumni Survey—yielded an estimated true correlation of .45, again well below 1.00. Second, the average bivariate correlation among the 13 items of the SVI is  $r = .49$ , whereas the average correlation between the individual SVI questions and expected satisfaction is much lower, at  $r = .23$ —again suggesting that SV captures a construct that is distinct from employees' prior beliefs about how well they will be treated.

That said, employees' expectations of a job are likely to be influenced by their experiences with representatives of that organization, and such expectations would be worthwhile to include as potential mediating variables in future work. Given that the correlation between SV and such expectations is lower than the standardized effect sizes in the present study, we expect that it could serve as a partial but not complete mediator. Further research should address in greater depth a range of potential mediating factors between SV and job attitudes. The results of our mediation analyses imply that job offer negotiation experience initially colors perceptions of compensation, which in turn spreads to satisfaction with the job in general. However, this was not the case for turnover intentions.

A second major limitation is the size and nature of the sample, along with the particular context from which the participants were drawn.<sup>12</sup> A larger sample size relative to the number of variables

studied would provide more precise effect size estimates. The sample size also limited our ability to distinguish findings across the four components of SV, which are aggregated together in the present analyses. Further, the generality of these findings may be limited by the idiosyncratic nature of the sample, in which MBA students from an elite university negotiated over entry-level positions with managerial potential. These students were all exposed to the fundamental concepts of negotiations in their required coursework, and many received further instruction through popular elective courses.

A third limitation of our study is that the dependent measures were attitudinal as opposed to behavioral. Although prior research has linked compensation satisfaction, job satisfaction, and turnover intention to a range of important behavioral outcomes, we were not able to measure such behaviors in the present study.

Fourth, our measures were all self-reported by participants. SV and job attitudes are not readily amenable to non-self-reported methods, and Podsakoff et al.'s (2003) best practices assuaged concerns about common method bias to the extent possible. Our measure of economic value was not necessarily an objective assessment, in that many concessions received by participants are more subject to interpretation than others in terms of quantification in dollar terms (e.g., job title vs. starting bonus). Few studies of negotiation have taken place outside of

<sup>12</sup> We thank an anonymous reviewer for raising this point.



the laboratory, in part because it is challenging to find participants who engage in similar negotiations and whose outcomes can be measured with a consistent metric. In the present study, we attempted to address this concern by asking participants to provide a monetary equivalent of their negotiated concessions. High test–retest consistency speaks to the validity of this method. Further, the positive correlation between base salary and compensation satisfaction suggests that participants did reliably self-report other financial data. Even so, if SV had contaminated participants' reporting of economic value, then the influence of SV on future job attitudes would have created an illusory correlation between economic outcomes and job attitudes, which we did not see in these data. This suggests that our analysis represents a conservative test of the influence of economic concessions on job attitudes. That said, a truly objective measure of economic value, in addition to measures of actual job behavior, would be desirable.

The findings presented here point to a number of additional future directions for research on SV and negotiation. First, the present study focuses on the SV of job candidates but does not consider the SV of recruiters. During their job offer negotiations, incoming employees could make a lasting impression on their employers, and it would be interesting to track the consequences of recruiters' SV. Second, and more broadly, the present study treats SV as a predictor but leaves open the question of how it is fostered. In order for human resources departments or other negotiators to capitalize on the apparent beneficial effects of invoking high SV in their counterparts, the specific determinants of SV would need to be identified.

### Conclusion

We believe that our findings have important implications for research and practice. For researchers, our findings suggest that measuring economic outcomes alone may limit the generality of conclusions reached in studies of negotiation. Even in the high-stakes world of job offer negotiations, economic outcomes had no significant effect on the subsequent job attitudes of employees—by contrast with SV. Future studies would do well to measure subjective outcomes in addition to objective or economic outcomes.

For practitioners, hiring organizations might benefit by paying close attention to their job offer negotiations. What transpires in these negotiations may have lasting implications for the future employee–employer relationship. Given the apparent disconnect between economic value and long-term attitudes, employers should realize that conceding on objective issues may have a limited effect on evoking goodwill from their employees—except to the extent that doing so influences the employees' immediate SV. This suggests that employers need to make the value of concessions clear to employees to be fully appreciated. Conversely, engendering high SV in employees may not be objectively expensive for employers. Indeed, skilled negotiators may be able to achieve high economic value for themselves while simultaneously providing high SV for their counterparts. It should not cost employers more to negotiate with their future employees in a manner that emphasizes the logic and standards behind the job offer, that respects candidates' personal dignity, that gives candidates a voice and other

controls over the process, and thus, that treats candidates as valued relationship partners. Given our present findings, the factors that increase SV may truly allow employers and employees to get off on the right foot.

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## Appendix

### Thirteen-Item Subjective Value Inventory Adapted for the Employment Negotiation Setting

1. How satisfied are you with your own outcome—i.e., the extent to which the terms of your agreement benefit you?  
(1 = Not at all, 4 = Moderately, 7 = Perfectly; includes an option NA)
  2. Did you feel like you forfeited or “lost” in this negotiation?  
(1 = Not at all, 4 = Moderately, 7 = A great deal; includes an option NA)
  3. Do you think the terms of your agreement are consistent with principles of legitimacy or objective criteria (e.g., common standards of fairness, precedent, industry practice, legality, etc.)?  
(1 = Not at all, 4 = Moderately, 7 = Perfectly; includes an option NA)
  4. Did you “lose face” (i.e., damage your sense of pride) in the negotiation?  
(1 = Not at all, 4 = Moderately, 7 = A great deal; includes an option NA)
  5. Did this negotiation make you feel more or less competent as a negotiator?  
(1 = It made me feel LESS competent, 4 = It did not make me feel more or less competent, 7 = It made me feel MORE competent; includes an option NA)
  6. Did you behave according to your own principles and values?  
(1 = Not at all, 4 = Moderately, 7 = Perfectly; includes an option NA)
  7. Did this negotiation positively or negatively impact your self-image or your impression of yourself?  
(1 = It NEGATIVELY impacted my self-image, 4 = It did not positively or negatively impact my self-image, 7 = It POSITIVELY impacted my self-image; includes an option NA)
  8. Would you characterize the negotiation process as fair?  
(1 = Not at all, 4 = Moderately, 7 = Perfectly; includes an option NA)
  9. How satisfied are you with the ease (or difficulty) of reaching an agreement?  
(1 = Not at all satisfied, 4 = Moderately satisfied, 7 = Perfectly satisfied; includes an option NA)
  10. Did your counterpart consider your wishes, opinions, or needs?  
(1 = Not at all, 4 = Moderately, 7 = Perfectly; includes an option NA)
  11. What kind of “overall” impression did your counterpart make on you?  
(1 = Extremely NEGATIVE, 4 = Neither negative nor positive, 7 = Extremely POSITIVE; includes an option NA)
  12. Did the negotiation make you trust your counterpart?  
(1 = Not at all, 4 = Moderately, 7 = Perfectly; includes an option NA)
  13. Did the negotiation build a good foundation for a future relationship with your counterpart?  
(1 = Not at all, 4 = Moderately, 7 = Perfectly; includes an option NA)
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