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What makes negotiators happy? The differential effects of internal and external social comparisons on negotiator satisfaction

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Abstract

This paper examines the role of internal and external social comparisons in negotiator satisfaction. Internal comparisons involve another party to the negotiation (e.g., buyer compared to seller), while external comparisons focus on someone outside of the negotiation (e.g., buyer compared to other buyers). Negotiator satisfaction can influence a range of post-negotiation behavior, but relatively little is known about what makes negotiators more or less satisfied. In many contexts negotiators receive little objective feedback and lack benchmarks against which to judge their outcome. Prior work has modeled negotiator satisfaction as a function of utility maximization, expectancy disconfirmation, and internal social comparisons (social utility). In this paper we identify another particularly important driver of negotiator satisfaction, external social comparisons. Across five studies we demonstrate that *external* social comparisons affect satisfaction and that the effects of external social comparisons are qualitatively different from those of internal social comparisons. In particular, we find that downward external social comparisons increase satisfaction, while downward internal social comparisons decrease satisfaction. These results inform important prescriptions, and we discuss implications of these results for managing negotiator satisfaction.

Keywords: Negotiation; Satisfaction; Social comparison

Introduction

While some goods and services are exchanged in transparent markets at fixed market clearing prices, many other exchanges are characterized by a zone of indeterminacy (Rees, 1993) and involve negotiations. In these latter cases, people may have a poor sense of how good their outcome actually was (Blount, Thomas-Hunt, & Neale, 1996). Despite this uncertainty, negotiators assess their satisfaction with a negotiated outcome, and these satisfaction judgments have important implications for future behavior. For example, dissatisfied negotiators may be less likely to follow through on an agreement and less likely to negotiate with the same counterpart in the future (Barry & Oliver, 1996).

In this paper we investigate the satisfaction process, and conceptualize negotiator satisfaction as a labile and manipulable construct. While prior work has identified a number of important determinants of negotiator satisfaction, we identify an important omission in this literature. Prior work has identified self-interested utility maximization (e.g., how low was the price I paid for the car), expectancy disconfirmation (e.g., how does the price I paid compare to the amount I expected to pay), and internal social comparisons (or social utility; e.g., how does the surplus I earned from this deal compare to the amount of surplus the seller earned from the

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deal) as important determinants of negotiator satisfaction. In this paper we examine the role of *external social comparisons* (e.g., how does the price I paid compare to the price others in a similar situation paid) in satisfaction judgments. We demonstrate that external social comparisons significantly influence negotiator satisfaction, and that external social comparisons have independent and qualitatively different effects on satisfaction from internal social comparisons.

Negotiator satisfaction

While prior work finds that negotiators tend to be more satisfied when they earn higher outcomes (Gillespie, Brett, & Weingart, 2000), negotiators often have difficulty evaluating their outcome. In many cases objective measures do not exist, and disputants lack information to guide their evaluation process (Hsee, 1996). Instead, negotiator satisfaction is likely to be heavily influenced by psychological factors.

Prior research largely focuses on two psychological determinants of satisfaction—expectancy disconfirmation and internal social comparisons. Oliver, Balakrishnan, and Barry (1994) formalize an expectancy disconfirmation model of negotiator satisfaction. In their model, negotiators develop expectations prior to a negotiation and evaluate their outcome relative to these expectations. Consistent with their model, Oliver et al. (1994) find that the difference between negotiators' expectations and outcomes is significantly correlated with negotiator satisfaction. These results are consistent with Conlon and Ross' (1993) findings in a series of mediation studies. They find that negotiators who set lower expectations are more satisfied with their outcomes. In many cases, however, the link between expectations and satisfaction is likely to be complicated. Negotiators' expectations shift during the negotiation process (Brett, Northcraft, & Pinkley, 1999), and negotiator expectations themselves can influence outcomes (White & Neale, 1994).

A second stream of satisfaction research involves internal social comparisons and considers the importance of evaluating one's outcome relative to one's counterpart's outcome. Loewenstein, Thompson, and Bazerman (1989) refer to this construct as social utility, and they develop a model to predict satisfaction in a bargaining context. Across three experiments they find support for their model that includes terms for the difference between one's own outcome and one's counterpart's outcome.

Internal versus external social comparison

In this work we consider a different type of social comparison, external social comparison. External social comparisons are particularly important in situations that lack objective standards (Festinger, 1954), and consequently, we expect external social comparison judgments to play an important role in negotiator satisfaction.

In contrast to Loewenstein et al.'s (1989) focus on comparisons with others in the same negotiation, we consider the influence of comparisons with others *outside* of the negotiation. This distinction is important for several reasons. First, internal social comparisons and external social comparisons are conceptually distinct. These two types of comparisons focus attention in different ways, and we expect internal and external social comparisons to influence negotiator satisfaction very differently. Specifically, internal social comparisons focus attention on the part of the bargaining zone that the negotiator did not claim. While this focus alone may lower satisfaction, the tendency for negotiators to assume that they claimed most of the available surplus (Larrick & Wu, 2003) might enhance the likelihood that an internal comparison will induce disappointment. As a result, we propose that internal social comparison values, even those that inform a negotiator that she captured most of the bargaining zone (i.e., downward comparisons), are likely to lower satisfaction.

The proposition that even downward internal social comparison values may lower satisfaction is consistent with prior work that has found that negotiators tend to be less satisfied when they believe that they could have earned higher outcomes. For example, Galinsky, Seiden, Kim, and Medvec (2002) find that even when negotiators earned more surplus, they were less satisfied when their counterpart immediately accepted their first offer than when their counterpart did not immediately accept their first offer. In other work, Naquin (2003) finds that negotiators are less satisfied when their negotiation involves a large number of issues than when their negotiation involves a small number of issues, because negotiators are concerned that they will miss opportunities for increasing their surplus—a legitimate concern (Moran & Ritov, 2002; Pinkley, Griffith, & Northcraft, 1995).

External social comparisons are less clearly related to forgone opportunities than are internal social comparisons. Therefore, we expect upward external social comparisons to decrease satisfaction and downward external social comparisons to increase satisfaction.

Another difference between internal and external comparisons is that unlike external social comparisons, internal social comparisons confound relative performance with fairness. In fact, fairness considerations are an essential part of Loewenstein et al.'s (1989) framework, prompting them to use scenarios with equal surplus outcomes as the baseline case. In our studies we use the absence of comparison information as our control condition to examine the absolute influence of introducing comparison information.