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Subjective Value versus Economic Value in
Predicting Longitudinal Job Outcomes from Job Offer Negotiations

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Getting Off on the Right Foot:
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Predicting Longitudinal Job Outcomes from Job Offer Negotiations

Abstract

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, we test the degree to which economic and subjective value achieved in job offer negotiations predicts employees' subsequent job attitudes and intentions to turnover. Results indicate that subjective value predicts greater compensation satisfaction and job satisfaction and lower turnover intention measured one 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, compensation 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 paper, 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 recently have become increasingly interested in social psychological factors in negotiation (for a review, see Bazerman, Curhan, & Moore, 2001). The present study focuses 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, Mussweiler, & Medvec, 2002). For instance, negotiators who received false feedback indicating that their counterpart was happy felt less successful than those 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. 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 subjective value (SV), which encompasses the social psychological consequences of a negotiation—i.e., feelings, perceptions, and emotions.

Specifically, subjective value 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, subjective value 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). 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 et al., 1994). Finally, subjective value 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. 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

We sample MBA graduates who negotiated their full-time job offers, and examine their subjective negotiation experience and tangible concessions as predictors of their job satisfaction, compensation satisfaction, and intention to remain within their organizations one year later. Given that two of the arguments for the importance of subjective value emphasize the shadow that it casts 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, Mestagh and Buelens (2003) reported that only 2.5% of studies were conducted in field settings. The prevalence of lab studies also has tended to preclude longitudinal designs—indeed, all but 2.9% of studies employ discrete, one-shot negotiations (Mestagh & 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 yet 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 setting is an important context for study because of its high stakes. Gerhart and Rynes (1991) estimated that negotiating one’s first job offer after college graduation can increase starting salary of anywhere

from \$1,000 to \$7,000 per year ($M = \$1,785$). Given that 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, subjective value 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, 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. Schwartz 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 et al. (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: (a) affective experiences, (b) evaluative judgments, and (c) 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 cast a shadow 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, in the realm of negotiation, prior research has indicated that impressions of negotiators in one domain can transfer to other domains (Tinsley, O'Connor, & Sullivan, 2002). In this study, we consider the consequences of subjective value formed during job-offer negotiations for three categories of job attitudes.

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) 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. In addition to affecting the quality of subsequent relations between negotiators, subjective value in negotiations may 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 determinant. Oliver, Balakrishnan, and Barry (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—e.g., 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, SV is likely to be a better predictor of future behavior 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 will predict their future compensation satisfaction. Compensation satisfaction, in turn, can feed into general job satisfaction and turnover intentions (Dreher et al., 1988; Williams et al., 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 subjective value is a better predictor than economic value of attitudes and behavioral intentions (e.g., Curhan et al., 2006). Further, objective pay levels do not always correlate with pay satisfaction (Currall et al., 2005), which supports the idea that subjective

perceptions can be more proximal to generalized job attitudes than economic characteristics.

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

Method

Participants

Members of the graduating class of 2005 at an elite Master's of Business Administration (MBA) program in the United States completed two surveys via the Internet—in March 2005, prior to graduation, and 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 total response rate of 46.4%. Analyses of a range of demographic and control variables indicated minimal concerns of response bias.¹ To address our research questions, we created a sub-sample of all participants who indicated that they had negotiated and accepted a job offer as of March 2005 and who completed the alumni survey in May 2006.² These 70 participants accepted jobs at 56 different companies across 23 different industries, with a median age of 30.2 years. Four participants with missing data on control variables were retained in the sample, with the mean value substituted in analyses.³

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.*⁴ 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 the first and second authors, both of whom teach MBA-level negotiations courses and coach graduating students about their job negotiations (inter-rater agreement $r=.99$). Participants then were instructed to monetize their concessions by answering the following question: “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 one 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 ($r = .20, p < .10$),⁵ which is comparable to Curhan et al.’s (2006) correlation of .16 between total subjective value 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, Ash, and Bretz’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 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 were more than 3 SD above the mean, vs. 0.14% in a normal distribution). 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 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). Using reverse rank ordering, with “ties” awarded the same rank, the criteria for normality reached 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).⁶ This ranking transformation maintained a high correlation with the original measures of economic value of 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 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 1=“*strongly disagree*” to 7=“*strongly agree*”; see Scarpello & Campbell, 1983, on the benefits of using a global measure of overall JS). The second was adapted from the Job-In-General Faces scale (Kunin, 1955) and asked participants to select the face (out of five faces) that “best expresses how you feel about your job in general”.⁷

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 1= “*not at all*” to 7=“*very much*”). We examine 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 subjective value, women may evaluate their own performance less favorably, even in the absence of performance differences (Kray & Thompson, 2005; Watson & Hoffman, 1996).

Base salary before returning to school (Employment Survey). Participants indicated the base salary of their previous job that they held immediately prior to 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 interacting with a future colleague, participants indicated whether they expected future interaction with their job negotiation counterpart ("Of the people with whom you negotiated, to what extent you expect to interact again with any of them once you begin the position?", scale 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 one-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; Watson, Clark, & Tellegen, 1988), which about half of the participants had completed during their negotiations course in January of 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 allows us to control for common method bias, given that both subjective value 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—in addition to 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 subjective value and job attitudes as a result of underlying trait levels of dispositional affect (Staw et al., 1986).

Job Industries and Functions (Employment Survey). As a control for job characteristics, participants indicated the job industry⁸ and job function⁹ for the positions they accepted. In order to limit the proliferation of control variables, we conducted analyses of variance to determine whether there were differences in job attitudes across these categories for which $n \geq 3$, separately for job industries and functions. Given that Consulting/Strategic Planning was associated with increased compensation satisfaction, and Finance was associated with decreased intention to turnover, these two variables are controls in all hypothesis testing.

Results

Table 1 reports the means and standard deviations of the study measures, and Table 2 contains bivariate correlations among these variables. Table 3 lists the types of concessions reported by those $N=39$ individuals who completed the free-response measure. This corresponds to an effective response rate of 60% among the $n=65$ individuals who had reported a non-zero numerical dollar value for concessions. Although it would be valuable to analyze separately as a control variable the amount of base salary negotiated—and our data set does not allow us to do so—it is noteworthy that only 33% of participants negotiated their base salary and, of 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 subjective value are robust over time. In support of Hypothesis 2, Table 4 contains 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 non-significant in predicting later attitudes. Wald tests indicate 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, $F(1, 58) = 2.08, p = .16$, all values two-tailed.

In order to rule out a potential confounding factor by testing whether these results are robust to whether participants may have negotiated with their future supervisor, additional models included an interaction term of SV and their expectations of future interaction. These terms were negligible and non-significant for compensation satisfaction ($b = -.04$), job satisfaction ($b = .03$), and turnover intention ($b = .02$), and their inclusion changed the coefficients for SV by .01 or less.

Given research suggesting that attitudes towards 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, using the four guidelines for testing mediation outlined by Baron and Kenny (1986). For job satisfaction, (1) as reported in Model 6 in Table 4, SV predicts compensation satisfaction ($b = .41, t = 3.53$); (2) in models with the same controls, compensation satisfaction predicts greater job satisfaction ($b = .51, t = 3.73, p < .01$); (3) compensation satisfaction predicts job satisfaction when added to Model 6 ($b = .45, t = 2.93, p < .01$) while reducing the size of the coefficient for SV ($b = .16, t = 1.08, ns$), and (4) this decrease is significant according to a Sobel test ($t = 2.25, p < .05$). For turnover intentions, (1) as reported in Model 9 in Table 4, SV predicts turnover intention ($b = -.37, t = -2.89, p < .01$); (2) in models with the same controls, compensation satisfaction predicts lower turnover intention ($b = -.29, t = -2.16, p < .05$); (3) compensation satisfaction does not predict turnover intention when added to Model 9 ($b = -.16, t = -1.11, ns$) whereas SV is still a significant predictor ($b = -.31, t = -2.16, p < .05$), and (4) the decrease for the coefficient of SV is not significant according to a Sobel test ($t = 1.06, ns$). 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 subjective value 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 that could have affected their job attitudes, such as the characteristics of their jobs, their interactions with supervisors and co-workers, and the success of the company. Our results demonstrate not only the robustness of subjective value, 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 the shadow that it can cast 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—which may provide ample room for economic and subjective value 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, McDaniel, & Nguyen, 2006). This gives the present study broad relevance beyond the field of negotiations research.

Limitations and Future Research

Although the results of this study are intriguing, our conclusions are tempered by a number of important shortcomings that are worth addressing in future work. First, all reported findings are observational, and as such, we 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 their 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 with the MBA class of 2007 ($N=119^{10}$), using the current measures and an additional item "In general, how satisfied do you expect you will be while working at your new job" (7-point scale from *strongly disagree* to *strongly agree*). 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 subjective value. First, expected satisfaction and SV correlated at $r=.30$, $p<.01$, which is moderate but well below one, and well below the test-retest reliability of SV of $.74$ —indicating that these are overlapping yet distinct constructs. Disattenuating for measurement error—for SV using the alpha of $.93$, and for the single-item expected satisfaction scale inferring the likely measurement error based on the inter-item correlation of $r=.72$ from the two-item job satisfaction scale in the alumni survey—yields an estimated true correlation of $.45$, again well below one. 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.¹¹ 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. Subjective value 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 the laboratory in part because it is challenging to find participants who engage in similar negotiations and whose outcomes can be measured using 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, high correlations between base salary and high compensation satisfaction, high job satisfaction, and low turnover intention suggest 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 analyses represent 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 subjective value 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 voice and other control over the process, and thus, that treats candidates as valued relationship partners. Given our present findings, the factors that increase subjective value may truly allow employers and employees to get off on the right foot.

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Table 1
Descriptive Statistics

	<i>M</i>	<i>SD.</i>
Economic Value	20,055.20	25,738.00
Subjective Value (1-7 scale)	5.83	0.90
Base salary	100,450.00	21,251.99
Total first year compensation (not including salary)	32,936.91	25,704.54

Compensation Satisfaction (1-7 scale)	5.04	1.50
Job Satisfaction (1-7 scale)	4.92	1.60
Turnover Intention (1-7 scale)	3.40	1.78

Sex (Female=1)	0.27	0.45
Prior base salary	73,218.34	29,458.63
Expectations of future interaction (1-7 scale)	5.80	1.56
Positive affect (1-5 scale)	3.86	0.67
Negative affect (1-5 scale)	2.09	0.90
Job Function -- Consulting/Strategic Planning	0.27	0.45
Job Function -- Finance	0.11	0.32

Note: $N=70$.

Table 2
Bivariate correlations among study measures (N=70)

	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 (Female=1)	-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 *	0.25 *	-0.09					
10. Expectations of future interaction	0.31 **	0.14	0.16	0.00	0.15	0.10	-0.04	0.02	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 ~

Note: N=70.

~p < .10; *p < .05; **p < .01; all values two-tailed.

Table 3
Types of concessions received by job negotiators (N=39)

Type of concession	Percent 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%

Table 4
Multivariate regression models predicting compensation satisfaction, job satisfaction, and turnover intention

	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
<i>Control Variables</i>									
Sex (Female=1)	-.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
<i>Economic and Subjective Value</i>									
Base salary	.41 **	.41 **	.34 **	.05	.03	-.02	.01	.02	.08
Other first year compensation	.16	.16	.19 ~	.22	.22	.25 ~	-.40 **	-.40 **	-.42 **
Economic Value		-.01	-.09		.08	.00		-.11	-.03
Subjective Value			.41 **			.34 *			-.37 **
<i>Model diagnostics</i>									
<i>F</i> test of model	F(9, 60)	F(10, 59)	F(11, 58)	F(9, 60)	F(10, 59)	F(11, 58)	F(9, 60)	F(10, 59)	F(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
Change in 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		F(1, 59)	F(2, 58)		F(1, 59)	F(2, 58)		F(1, 59)	F(2, 58)
Value of <i>F</i>	-	.00	6.22 **	-	.39	3.07 ~	-	.76	4.61 *

Note. All terms other than model diagnostics are standardized regression coefficients. $N = 70$.

All objective and subjective value measures have been rank-transformed as described in the Results section

~ $p < .10$; * $p < .05$; ** $p < .01$; all values two-tailed.

Appendix

Thirteen-Item Subjective Value Inventory (SVI) 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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Footnotes

¹ 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 was slightly higher than the average GPA of students who completed neither or just one of the surveys (4.63 vs. 4.55, $p < .01$). No other variables showed differences between respondents and non-respondents.

² 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 non-response 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 subjective value 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, $t_s(83) \leq 0.49, p_s \geq .63$.

³ Effect sizes and significance levels were essentially unchanged by deleting these four respondents with missing data.

⁴ 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, Elfenbein, & Eisenkraft, in press), we use 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. Thus, it is not entirely objective.

⁵ The correlation between objective value and the instrumental dimension of subjective value was also small ($r = .15$, *ns*).

⁶ Logarithmic transformation, by contrast, did not bring these criteria into the acceptable range (subjective value skewness -1.97, kurtosis 5.10; economic value [with a constant of 1 added to account for zero values] skewness -2.48, kurtosis 6.14; base salary skewness -.73, kurtosis 2.86).

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

⁸ 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.

⁹Categories 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)

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

¹¹ We thank an anonymous reviewer for raising this point.