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Tapping the Subjective Values Present in Negotiations: Face, Feelings, and Friendships

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achieve them. Put another way, sales managers with a transformational style may engender a level of trust, confidence, and empowerment among salespeople that ultimately results in higher goal attainment—at least compared to salespeople working under other types of leaders.

In considering how climate and leadership factors influenced salesperson performance, Martin and Bush posed several hypotheses. First, they argued that the sales manager and sales person's perceptions of the firm's psychological climate should influence their feeling of empowerment. They also contended that sales managers' perception of the psychological climate and feeling of empowerment should influence their use of a transformational style of leadership. In turn, transformational leadership by sales managers should positively influence a salesperson's use of customer-oriented selling. Likewise, salespeople's perception of the psychological climate and their feelings about empowerment should influence their focus on customer-oriented selling which, in turn, should enhance overall sales performance.

Martin and Bush relied on survey methods and focused on examining pairs of sales managers and the salespeople that reported to them. In doing so, they sent questionnaires to over 300 sales managers and 1,400 salespeople. Martin and Bush rigorously analyzed their data, producing results that supported most of their hypotheses. Specifically, they found that sales managers' use of transformational leadership, as well as salespeople's feelings about the psychological climate and their own empowerment, strongly affected the use of customer-oriented selling behaviors. Interestingly, the most significant aspects of psychological climate were the level of support, autonomy, and cohesiveness that salespeople perceived was present.

Martin and Bush suggested that their results have some interesting implications for sales managers and their organizations. On a general level, sales managers seeking salespeople who can easily and successfully build customer relationships should be deeply concerned with establishing effective relationships with their sales staff. This would include letting salespeople make decisions in performing their jobs, helping to give them a sense of self-determination, fostering cohesion, and instilling a sense of *esprit de corps*. Sales managers should also pay greater attention to helping their employees learn and perfect selling techniques that provide significant returns for themselves as well as their customers. That said, for sales managers to feel empowered and become effective transformational leaders in their own right, Martin and Bush suggest that companies have a role to play. In particular, the results highlight the idea that to be effective leaders, sales managers must also be given appropriate support and autonomy while not being subjected to onerous time and performance pressures.

While more research needs to be done to better understand the effects of psychological climate and leadership styles on salespeople, Martin and Bush have given us important advice and food for thought. Indeed, their message to organizations, trainers, managers, and consultants is clear: When firms and managers emphasize relationship-building and empowerment for salespeople, it will help them function effectively as boundary-spanners and builders of successful relationships with customers. And that, as they say, is the bottom line.

Source: Martin, C. A., & Bush, A. J. (2006). Psychological climate, empowerment, and customer-oriented selling: An analysis of the sales manager–salesperson dyad. *Journal of the Academy of Marketing Science*, *34*(3), 419-438.

Tapping the Subjective Values Present in Negotiations: Face, Feelings, and Friendships

Research Brief by Clive Muir, Associate Professor of Business Administration, Winston-Salem State University

What do we seek when we negotiate anything—the price of a car, a starting salary, the corner office, a reduced interest rate? Conventional wisdom suggests that most people seek, and therefore value, the explicit, tangible products or resources that the parties are negotiating toward. In other words, most of us believe that the value of the deal is what we actually get after the negotiations are over (i.e., a better price, a higher salary, a larger office). Consequently, when we use the terms "compromise" and "win-win" to describe a negotiation, we think of what resources were gained and or lost between the parties. But what about the feelings or "subjective value" generated by the negotiation process?

That's the subject of a fascinating four-part study conducted by Jared Curhan and Heng Xu at the Massachusetts Institute of Technology, and Hillary Anger Elfenbein at the University of California, Berkeley. They set out to demonstrate that while the objective, economic value of negotiation are important and easily measured, the subjective, social psychological value or intangibles may be just as critical to the parties involved. That said, how the parties feel subjectively about the transaction is more difficult to assess. And as a result, subjective value is generally overlooked and understudied in the negotiation research and practice.

Curhan, Xu, and Elfenbein relied on a framework from a previous study to describe the social psychological outcomes of negotiation. In particular, they focused on the parties' feelings about the negotiation process itself, each party's feelings about the other, and the parties' feelings about themselves. This model presents negotiation as a sensitive process because the parties' self-efficacy, self-esteem, and pride are tested during negotiations, especially in confrontational and challenging situations. When a settlement is reached, the negotiators assess the tangible outcomes and as well as their own performance to determine how to behave in future negotiations.

The authors suggest that because negotiations often involve people with whom we have sustained relationships (e.g., friends, relatives, colleagues, and clients) and from whom we seek social approval, negotiators may consciously or unconsciously adjust their performance and not seek to maximize the terms in a negotiation. But if such bonds do not exist, then negotiators tend to focus more on the resources to be gained from the transaction.

In the first step of their study, Curhan, Xu, and Elfenbein surveyed 103 individuals and generated a list of 20 elements that are valued in negotiation. The elements generated included respect, fairness, trust, good attitude, effective process, resolution, relationship quality, listening, satisfaction, saving face, and winning, among others. Next, a group of negotiation research experts sorted the 20 elements into four broad categories: 1) feelings about the terms of the negotiation; 2) feelings about the self (e.g., saving face, ethical behavior); 3) feelings about the process (e.g., professionalism, effective communication, fairness); and 4) feelings about the relationship (trust, feelings not hurt).

Curhan, Xu, and Elfenbein then developed a questionnaire instrument (the "Subjective Value Inventory") to measure the social psychological values based on these four categories. Sample questions included: How satisfied are you with the balance between your own outcome and your counterpart's outcome? Did you lose face? Did you behave according to your own principles and values? Do you feel your counterpart listened to your concerns? Did the negotiation make you trust your counterpart?

This questionnaire was then distributed to a sample of graduate-level business students with the goal of producing some initial evidence for the validity of the Subjective Value Inventory. In a nutshell, Curhan, Xu, and Elfenbein found evidence in this sample for the convergent, divergent, and predictive validity of their new instrument. Particularly impressive was the predictive validity evidence showing that when greater subjective value is achieved in a negotiation, it predicts the subsequent willingness of the negotiating parties to engage in cooperative dialog. Consequently, a preliminary conclusion to draw from their research is that the Subjective Value Inventory is a useful instrument for evaluating and predicting the subjective aspects of negotiations.

Indeed, the collective results of this study should prove helpful in several ways. First, negotiation trainers may begin to emphasize that subjective value matters and train their clients to develop ways of maximizing their counterparts' subjective values. It's likely that good sales persons have always known this, though some may have used the concept to manipulate their clients and customers. Regardless, in an increasingly competitive marketplace more negotiators should recognize that subjective values can make the difference in building market share. Moreover, we now have a tool (the Subjective Value Inventory) that may help facilitate that recognition.

Another reason this study is valuable is that organizations often claim to value collegiality and rapport, yet unwittingly engage in processes that undermine the subjective value of their members. Managers at all levels should begin to examine the types of negotiations that often occur among members (starting salaries and benefits, job descriptions and duties, special assignments, raises, promotions, grievances, etc.) and how those negotiations may be conducted in ways that would increase the subjective values of participants. That could mean the difference between satisfied, cooperative employees, and cynical, disgruntled ones.

Source: Curhan, J. R., Elfenbein, H. A., & Xu, H. (2006). What do people value when they negotiate? Mapping the domain of subjective value in negotiation. *Journal of Personality and Social Psychology,* 91(3), 493-512.

What Drives Compensation for China's CEOs?

Research Brief by Kathleen Rehbein, Associate Professor of Management, Marquette University

China has been growing remarkably fast over the last 25 years. But with this phenomenal growth comes concern about its sustainability. One of the keys to China's continued economic growth is a healthy and profitable corporate sector. There, one finds many positive signs. For instance, the corporate sector has made major strides in the privatization process, with state owned enterprises (SOEs) now accounting for just one-third of China's GDP. In addition, the role of shareholders has increased while the control of the state has decreased. Yet, it's still difficult for experienced investors to earn decent shareholder returns because China has many corporate duds, including a good number of SOEs.

So China continues to face challenges about how to improve the financial performance of its firms as well as increase returns to shareholders. In a fascinating study, Michael Firth of The Hong Kong Polytechnic University, Peter Fung of Hong Kong Community College, and Oliver Rui of the Chinese University of Hong Kong look at corporate financial performance, specifically the relationship between Chinese executive compensation and firm performance. They argue that executives play an important role in establishing profitability as an objective for Chinese firms. And since relatively little is known about Chinese executive compensation, this study provides some important insights about the unique characteristics of Chinese corporate governance.

To start, the authors look at shareholder rules. For example, each Chinese corporation has a dominant shareholder, with the next largest shareholder being a distant second. Firth, Fung, and Rui note that the median dominant shareholder in China owns 46% of the firm, with the next largest shareholder owning only 7% of the firm. The dominant shareholder has substantial influence over corporate decisions since they are part of the board of directors and have substantial voting rights. And while significant progress has been made to privatize the Chinese corporate sector, the state still plays a central role with respect to corporate control. In fact, the state decides who the dominant shareholder will be for each firm; in some cases the state may determine who the CEO will be as well as what he or she is paid. Lastly, the liquidity of shares (as well as their price) depends on the type of dominant shareholder.

A second area the authors look at is executive pay levels in China. They focus on 1998-2000 time period, when data about executive compensation in China began to be available. With respect to executive pay levels, Firth, Fung, and Rui argue that the level of executive compensation will depend on the type of dominant shareholder. Basically, five different types of dominant share-

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