



FlashReport

Improving the future by considering the past: The impact of upward counterfactual reflection and implicit beliefs on negotiation performance

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ABSTRACT

Reflecting on previous experiences and considering how things could have been better (*upward counterfactual reflection*) is central to learning. While researchers have identified a number of situational antecedents to upward counterfactual generation, less is known about individual differences in counterfactual reflection. We address this gap by considering how implicit beliefs regarding the fixedness or malleability of basic characteristics influence counterfactual generation. In a negotiation context, we show that individuals who believe that negotiation ability is changeable are more likely to consider how things could have been better following a negotiation experience compared to individuals who believe that negotiation ability is fixed. We further demonstrate the impact of upward counterfactual reflection on learning and performance: Negotiators who hold malleable beliefs are better able to discover creative agreements that benefit both parties in a negotiation, and these performance differences are mediated by upward counterfactual generation.

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To learn from past experiences, we often consider how reality could have been better (Roese, 1994). Thoughts of alternatives better than reality are *upward counterfactuals*, and serve the function of preparing for the future. Reflecting upon and communicating upward counterfactuals increases success-facilitating intentions and improves subsequent performance (e.g., Roese, 1994; Wong, 2007).

Given the central role of upward counterfactual reflection for learning, it is important to understand the conditions that promote this type of thinking. For example, past research has found that people frequently generate counterfactuals after unexpected or negative outcomes (Roese & Hur, 1997; see also Roese & Olsen, 1993). While this research has increased our understanding of the *situational* characteristics that produce upward counterfactuals, we know little about the *personal* characteristics of individuals affecting the degree of counterfactual reflection (Kasmitis & Wells, 1995). Understanding individual differences related to counterfactual generation may have important implications for learning and development. In this paper, we identify an individual difference that predicts upward counterfactual generation: implicit beliefs regarding the malleability of basic characteristics.

Individuals hold *implicit beliefs* about the fixedness or malleability of personal attributes, such as intelligence and leadership (Dweck,

1996). Some people believe that basic qualities characterizing a person can change (*incremental* or malleable implicit beliefs), while others believe that basic qualities are immutable (*entity* or fixed beliefs; Chiu, Hong, & Dweck, 1997; Dweck & Leggett, 1988; Dweck, Hong, & Chiu, 1993). We predict that malleable implicit beliefs will be associated with upward counterfactual generation. We base this prediction on two aspects of the implicit belief construct. First, considering how things could have been better is consistent with the fundamental motivation of those with malleable implicit beliefs to grow and improve over time. For instance, Nussbaum and Dweck (2008) found that individuals with malleable beliefs were more likely to engage in self-improvement strategies by making upward social comparisons. We expect a similar process with regard to counterfactual reflection, whereby individuals with malleable beliefs will draw lessons from the past in order to improve their future performance. Second, for individuals with relatively fixed beliefs, reflecting on how things could have been better may simply highlight shortcomings presumed to be unfixable. In order to maintain a positive self-image, individuals with fixed implicit beliefs may be motivated to avoid such considerations (Plaks, Grant, & Dweck, 2005).

We test our prediction in a negotiation context for three reasons. First, negotiation is a ubiquitous tool for resolving conflict (Thompson, 2005). Second, upward counterfactuals can improve negotiation performance (Kray, Galinsky, & Markman, 2009). Third, individuals with malleable beliefs about negotiating ability show growth as negotiators over time (Kray & Haselhuhn, 2007). Thus, by linking implicit beliefs to upward counterfactual generation, we not only gain a

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broad understanding of the social-cognitive underpinnings of counterfactual reflection, but also bridge two heretofore distinct domains of the negotiation literature.

We conducted three studies to test our hypotheses. **Study 1** measured individual differences in implicit negotiation beliefs (INBs) and assessed upward counterfactual reflection after reading a scenario designed to elicit counterfactual thoughts. In **Study 2**, we induced INBs and measured counterfactual reflection following an actual negotiation. **Study 3** examined how individual differences in INBs affect negotiation performance, and the mediating role of upward counterfactual generation.

Study 1

Study 1 was designed to test whether malleable INBs predict the generation of upward counterfactuals. We explored a negotiation context in which considerations of better possible worlds are common—following the immediate acceptance of a first offer (Galinsky, Seiden, Kim, & Medvec, 2002; Kray & Gelfand, 2009).

Method

Participants

Fifty MBA students enrolled in a negotiation course participated as a class requirement. Four students failed to complete all measures and were removed from analyses.

Procedure

Participants completed the study as part of an online survey. First, we measured INBs. Then, following several filler tasks, participants read a scenario adapted from Galinsky et al. (2002). The scenario asked participants to imagine themselves in the role of a job candidate negotiating a starting salary with a HR Representative. The scenario described the job and negotiation context, followed by a description of the negotiation itself:

The HR Rep asks you what it will take in terms of salary to get you to join the company. Given your level of uncertainty regarding the job, you decide to make an initial offer of \$100,000. The Rep immediately accepts your offer.

After reading the scenario, participants provided their reactions to the negotiation.

INB measure

We measured INBs using the scale developed by Kray and Haselhuhn (2007). Participants indicated their agreement with statements regarding the fixedness or malleability of negotiation ability on 7-point scales, with higher numbers indicating more malleable beliefs ($\alpha = .70$). Sample statements include: “Good negotiators are born that way” and “In negotiations, experience is a great teacher” (reverse-scored).

Counterfactual thoughts

Participants indicated three thoughts they would be likely to have following the meeting with the Representative. We coded whether each statement indicated an upward counterfactual thought. Statements specifying something specific that could have been done differently to improve the candidate's outcome were coded “1” and all other statements were coded “0” (Mean = 1.77, range = 0–3).

Results and discussion

We hypothesized that INBs would predict the generation of upward counterfactual thoughts. As expected, a significant positive correlation between INBs and upward counterfactual generation emerged, $r = .33$,

$p = .02$.¹ Individuals holding malleable beliefs generated a greater number of upward counterfactuals after imagining having their first offer accepted than individuals holding fixed beliefs.

Study 2

The current study builds on **Study 1** in two important ways. First, **Study 2** manipulates, rather than measures, INBs. By inducing either fixed or malleable beliefs, we aim to establish the causal role of implicit beliefs in upward counterfactual generation. Second, we complement the scenario methodology of **Study 1** by examining upward counterfactual generation following an actual negotiation.

Method

Participants

Seventy-one undergraduate students participated in exchange for \$10.00. Participants were randomly assigned to either a fixed-belief ($n = 38$) or malleable-belief ($n = 33$) condition. All participants were assigned to the same role in a negotiation exercise and negotiated against a randomly-assigned counterpart drawn from a separate sample.

Procedure

Participants first engaged in a simple face-to-face exercise in which they negotiated over the sale of several commodities (*Commodities Brokers*; Thompson & Van Boven, 1998). Following the negotiation, participants read an essay containing the INB manipulation. Finally, participants considered how the negotiation could have gone differently.

INB manipulation

Following the negotiation, participants read either a fixed or a malleable version of an essay, ostensibly to test their ability to remember key information about negotiation (see Kray & Haselhuhn, 2007). The essays were titled “Negotiation Ability is Changeable and Can be Developed” and “Negotiation Ability, Like Plaster, is Pretty Stable over Time,” respectively. In these essays, fictitious reports supporting each article's main thesis were described. After reading the essay, participants completed the following manipulation check: To what extent are people's negotiating abilities stable? (1 = Not at all stable, 9 = Extremely stable).

Counterfactual thoughts

Following the INB induction, participants were asked to reflect upon their negotiation experience by describing up to five thoughts of how things could have gone differently. As in **Study 1**, we created a dichotomous measure that indicated whether each statement referred to something specific that, had it gone differently, could have improved the negotiation outcome (Mean = 1.37, range = 0–5). Statements coded as upward counterfactuals included: “It could have gone better—I could have been the person to take control of the conversation and led rather than followed.” Statements coded as non-upward counterfactual statements included: “Both negotiators were very cooperative and friendly.”

¹ Non-upward counterfactual statements included both thoughts of how things could have been worse (i.e., downward counterfactual statements) as well as statements that did not consider how things could have been different at all. INBs were negatively related to the number of downward counterfactuals generated in **Study 1** ($r = -.34$, $p = .02$), but did not relate to the number of downward counterfactual statements generated in **Studies 2 and 3**, both $p > .57$. The lack of a relationship in **Studies 2 and 3** may be due in part to a floor effect, as participants generated an average of less than one downward counterfactual in both studies. INBs did not relate to the total number of statements generated in any of the three studies, all $p > .45$.

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