

The Cost of Compliments: How Positive Performance Feedback Shapes Compensation Demands

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Abstract

Individuals frequently praise their service providers for good performance. While prior literature has shown that positive performance feedback fosters recipients' motivation and self-efficacy and thereby leads to high levels of future performance, this research proposes a neglected and unintended side effect: Receiving positive performance feedback can increase compensation demands, as such feedback increases negotiation power. We show evidence for this effect across three studies, including an observational study of web-scraped data, a multi-method experiment, and a traditional randomized experiment with providers of clickworker services. The results suggest that service providers do indeed base future compensation demands on the feedback they receive. By integrating performance feedback theory and social exchange theory, this research enhances our understanding of the potential downsides of positive performance feedback in sales and service relationships.

Track: Sales Management and Personal Selling