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Dispute Thinkers - Festinger - Why Every Contractor Knows What the Other Contractor Was Paid

I've never met a contractor who wasn't interested in what somebody else got paid for doing roughly the same job.

Not the quality.

Not the programme.

Not the risk.

The money.

Somewhere on every project, usually shortly before goodwill collapses, somebody asks:

"What did they get?"

And that is often the moment a perfectly tolerable commercial arrangement develops a personality disorder.

Because, on the face of it, the question is reasonable.

If another contractor was paid more, you might want to know why.

Different scope? More risk? Better negotiation? Or perhaps they simply asked for more.

But here's the psychological point: people often don't want the information.

They want the **comparison**.

And that is not the same thing.

The psychologist Leon Festinger developed what became known as **social comparison theory**.

The idea is wonderfully simple.

We work out how well we're doing by looking sideways.

Most people don't really know whether they're rich.

They know whether they’re richer than their neighbour.

They don’t know whether they’re successful.

They know whether they’re more successful than the person from school who keeps posting photographs from Dubai.

Construction is exactly the same.

Take two subcontractors.

Both make £200,000 profit.

Both are delighted.

Excellent job. Good margin. Drinks all round.

Then one discovers the other made £230,000.

Instantly, £200,000 stops being a success and becomes evidence for the prosecution.

But notice what has actually changed.

The scope hasn’t changed.

The risk hasn’t changed.

The profit hasn’t changed.

The only new fact is that somebody else did slightly better.

And suddenly the whole deal feels unfair.

Because people rarely ask:

“Did I do well?”

They ask:

“Did I do as well as them?”

Employers compare contractors.

Contractors compare competitors.

Consultants compare fees.

Lawyers compare charge-out rates.

And everyone pretends this is merely useful market intelligence.

Festinger's point was more uncomfortable.

We don't just want to know where we stand.

We want to know where we stand relative to everyone else.

Which means one of the quickest ways to make a contractor unhappy isn’t to give them a bad deal.

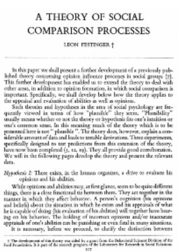
It’s to show them somebody else got a better one.

#Construction #Contractors #CommercialManagement #QuantitySurveying #ConstructionLaw #ConstructionPsychology #SocialComparison #Festinger #Negotiation #Procurement #Claims #DisputeResolution #ProjectManagement #ConstructionIndustry #BehaviouralPsychology

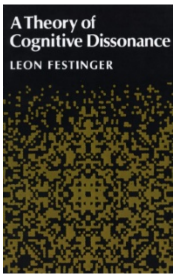
Video:

Sources and additional information:

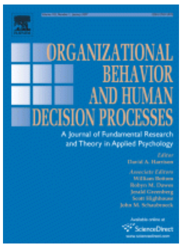
1. Festinger, L. (1954). A Theory of Social Comparison Processes. *Human Relations*, 7(2), 117– 140. https://doi.org/10.1177/001872675400700202. This is the original paper in which Festinger proposed that individuals evaluate their opinions and abilities by comparing themselves with others. It remains the foundational statement of social comparison theory


A THEORY OF SOCIAL
COMPARISON PROCESSES
LEON FESTINGER

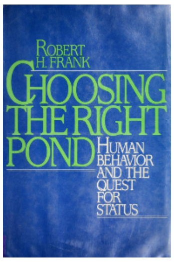
2. Festinger, L. (1957). A Theory of Cognitive Dissonance. Stanford University Press. Festinger later developed the related concept of cognitive dissonance, explaining how individuals experience discomfort when confronted with information that conflicts with their beliefs or self-perceptions. Comparisons with others frequently trigger such tensions.



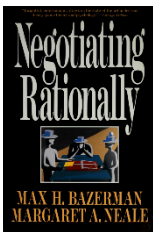
3. Buunk, B. P., & Gibbons, F. X. (2007). Social Comparison: The End of a Theory and the Emergence of a Field. Organisational Behaviour and Human Decision Processes, 102(1), 3–21. https://doi.org/10.1016/j.obhdp.2006.09.007. This review explains how Festinger's original ideas developed into a broader field of research examining status, performance, fairness and self-evaluation.



4. Frank, R. H. (1985). Choosing the Right Pond: Human Behaviour and the Quest for Status. Oxford University Press. Frank argued that satisfaction is often determined not by absolute outcomes but by relative standing. Individuals frequently care as much about where they rank as about the underlying reward itself.

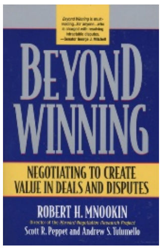


5. Bazerman, M. H., & Neale, M. A. (1992). Negotiating Rationally. New York: Free Press. Negotiation researchers have long observed that perceptions of fairness and comparisons with other outcomes often influence negotiating behaviour more strongly than objective economic value.



6. Mnookin, R. H., Peppet, S. R., & Tulumello, A. S. (2000). Beyond Winning: Negotiating to Create Value in Deals and Disputes. Harvard University Press. Beyond Winning. In negotiations and disputes, parties frequently focus on comparative treatment, legitimacy and perceived fairness

rather than purely financial outcomes.



7. Kahneman, D., Knetsch, J. L., & Thaler, R. H. (1986). Fairness as a Constraint on Profit Seeking: Entitlements in the Market. American Economic Review, 76(4), 728–741. https://www.jstor.org/stable/1806070. The authors demonstrated that perceptions of fairness are heavily influenced by expectations and comparisons, helping explain why similar outcomes can be perceived very differently depending on what others receive.


Fairness as a Constraint on Profit Seeking:
Entitlements in the Market

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