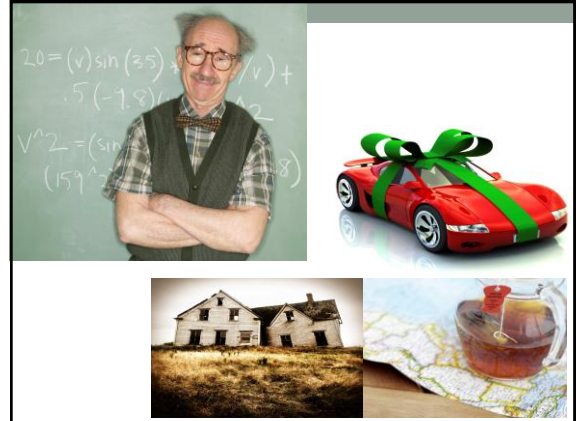


SALARY NEGOTIATIONS: BECAUSE YOU'RE WORTH IT



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Inspiration

- Pinkley & Northcraft 2003 **Get Paid What You're Worth: The Expert Negotiators Guide to Salary and Compensation**
- Fisher, Ury & Patton 2003 **Getting to Yes: The Secret to Successful Negotiation**

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Overview

- Why negotiate?
- The Basics: Key negotiation terms and ideas
- Stages of Negotiation
- Summary: Rules of Principled Negotiation
- Questions

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What is Negotiation?

Deciding what resources two or more parties will give and take in an exchange



What is Negotiation?

- Negotiation is a choice
- More than 50% of applicants don't negotiate at all
- Of MBA students, **57%** of men, but only **7%** of women, had negotiated their compensation (Babcock and Laschever, 2003)

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Why negotiate at all?

- Masters students who negotiated raised salaries by 7.4% (around \$4,000)
- If two 30 year old applicants get offers for \$100,000 and one negotiates and gets \$107,400, how much longer will the non-negotiating applicant have to work after 65 to make up the difference, assuming 5% raises each year?



Why Negotiate at all?



Why Negotiate at all?

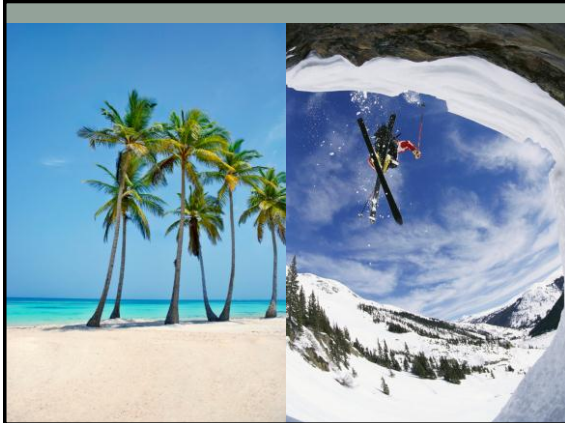
- People often don't negotiate due to **FEAR**
- ✗ Fear of [employer's perception](#)
- ✗ Fear of [losing the offer](#)
- ✗ Fear of [conflict/emotion](#)
- ✗ Fear of [employer's power](#)
- ✓ Fear of [negotiating poorly](#)
- **Bottom Line:** 100% of recruiters say it is appropriate to negotiate, as long as it is done professionally

The Basics



Some negotiation basics

- **Interests:** Why you want what you want
 - E.g. a comfortable life, prestige, equality, to pay off your mortgage
- **Positions:** What you tell the other party you want out of a negotiation
 - E.g. higher salary, car with all the bells and whistles, luxury apartment
- **Interests are the foundation of positions**
 - If the other party understands your interests, they can work to make them happen
 - Look to find alignment of interests



Some negotiation basics

- **BATNA: Best Alternative To a Negotiation Agreement**
 - If the negotiation falls apart, what is your next best option?
 - For example, if you and your employer can't agree on salary, what other offers do you have? Can you stay in school?
 - There is always a BATNA, it just might not be a great one
- **Know your BATNA!!!**
 - BATNA is a source of power.



Negotiation Basics: Types of Solutions

- **Distributive**
 - Different preferences
 - Same emphasis on preferences ("I want this as much as you want that")
 - Typical "fixed pie"



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Negotiation Basics: Types of Solutions

- **Distributive**
 - Different preferences
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 - Typical "fixed pie"
- **Congruent**
 - Same preferences
 - Not always evident
- **Integrative**
 - Different preferences (feels distributive)
 - But different emphasis on preferences
 - Allows for trades to help both sides
 - Are NOT compromises

In order to identify integrative solutions, you must discuss multiple issues at once!



Negotiation Basics: Types of Solutions

• Key Ideas:

- It is crucial to **recognize congruent interests**, otherwise it is a lose-lose situation
- Successful negotiations often **end in integrative solutions**, with both parties getting most of what they want.
- What are the benefits of integrative solutions?
 - Are more stable than distributive because both parties leave satisfied
 - Can strengthen the relationship between parties

• **Bottom line:** Be creative and look for integrative solutions

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Negotiation - Steps

1. Preparation & planning (often overlooked!)
2. Defining the ground rules
3. Clarifying and justifying your case
4. Bargaining and problem solving
5. Closure and implementation



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1. Preparation and Planning



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1. Preparation and Planning

- Build your side of the negotiation
 - What you want to negotiate about- identify the issues
 - Interests underlying issues
 - Your positions
 - Your BATNA
- Information is power- collect as much as you can



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Some resources

Ontario Public Sector Salary Disclosures

http://www.fin.gov.on.ca/en/publications/salarydisclosure/psd/pdf/universities_2012.pdf

Some US states

<http://www.collegiatetimes.com/databases/salaries>

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2. Ground Rules



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- Find a personal connection
 - E.g. likes dogs and golf
- Set the tone as a collaboration
- Manage the flow of information
 - Ask lots of questions to identify *their* interests
 - Also understand the weight of their interests

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The Anchoring Effect

If you start the negotiation you are likely to anchor around what you want rather than what they want



3. Clarifying and justifying your case

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- Provide **data and justifications** for what you are asking for based in:
 - your own interests
 - the interests of the other party
 - external justifications (i.e. what other employers are offering) as objective standards
- **Share/provide information** about your interests
 - This allows for integrative solutions
 - If you don't tell them what you want, you won't get it



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4. Bargaining and Problem-Solving

- **Expand the pie- creating value through mutual gain**
 - Look for additional issues - "what else does the offer include?"
 - be flexible in what can create value to you
- **Strategies:**
 - Concede on low importance issues
 - Recognize compatibility
 - Negotiate multiple issues at a time
 - Focus on interests, not positions



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4. Bargaining and Problem-Solving

• Claim value

- Make suggestions you will be happy with
- Make suggestions you can justify
- Use your BATNA
 - It can be a source of power. Better BATNA= more gain
 - Also an anchor
 - Must be presented in terms of your value, not as a threat



4. Bargaining and Problem-Solving

• Obstacles to expanding the pie/claiming value

- Fixed pie bias
- Committing prematurely (generally under time constraint)
- People search for single answers, instead provide multiple equivalent offers
- People focus on meeting only one's own interests, instead focus on both parties' interests

Prisoner's Dilemma



Pick a partner Chose A or B

- A = Keep Money
- B = Share Money

- If both players pick A = neither gets the money
- If one player picks A and the other picks B = the player who picked A gets the money
- If both players pick B = they each get half of the money

You have 2 minutes to discuss what you are going to do with your partner.

4. Bargaining and Problem-Solving

• The goal is for both parties to leave happy

- You should NOT try to maximize difference between outcomes. Rather, maximize combined gain
 - This leads to mutual satisfaction and better future relationship
- Allow the other party to feel that they have gotten a satisfactory outcome
- This does NOT mean compromise

4. Bargaining and Problem-Solving

• Emotion

- Try not to let emotions get involved
- Happy negotiators separate people from problem and have greater gain, negative emotions tie people to problems
- Get around emotions by asking for deal in writing (if you have time)
 - Gives you time to think about it
 - Makes sure you both agree on terms



• Relationships

- Developing good relationships is an important part of negotiating
- Outcomes in early negotiations impact later negotiations- build trust

5. Closing the Deal

- Two ending moves
 - Formalize solution on paper or via a handshake
- Talking "walk away"
 - If you have alternative option with more value
 - Give other side opportunity to provide one more offer



Summary: Four Rules of Principled Negotiation (Fisher, Ury & Patton- *Getting to Yes*)

- **Separate** the people from the problem
 - Avoid personality issues or attacks
- **Focus on interests** not positions
 - If you know what others need, you can work to satisfy that
- Look for **mutual gains**
 - Be creative and brainstorm alternative solutions to issues
- Use **objective criteria**
 - Come prepared with data and standards to guide decision-making

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Why Negotiate at all?

- Fear of employer's perception
 - 80% of headhunters/placement officers were most impressed with individuals who negotiated professionally (compared to those who were unprofessional and those who didn't negotiate)

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 - In the same study, none of the informants had ever seen an offer revoked due to negotiations
- Fear of conflict
 - Negotiations don't have to be a conflict- try to enable both sides to win



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