SALARY NEGOTIATIONS: BECAUSE YOU'RE WORTH IT

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Inspiration

- Fisher, Ury & Patton 2003 Getting to Yes: The Secret to Successful Negotiation

Overview

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

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)
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?

- 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

- **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
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”

- **Congruent**
  - Same preferences
  - Not always evident

Negotiation Basics: Types of Solutions

- **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

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

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

Some resources

- Ontario Public Sector Salary Disclosures

- Some US states
2. Ground Rules

- 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

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

- **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

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
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

- **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

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**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.

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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

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**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

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)
- Fear of losing the offer
  - 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