

Negotiating a Job Offer

Laurie R. Weingart, Ph.D.
David A. Tepper School of Business
Carnegie Mellon University

Why not negotiate?

- Don't know it's an option
- Uncomfortable with negotiating
(it's not appropriate!)

Less than rational

Choosing to Negotiate

Linda Babcock examined the starting salaries of CMU MBA graduates. Starting salaries of men were 7.6% (or almost \$4,000) higher than those of women.

- Only 7% of the women, but 57% of the men had asked for more money (i.e., negotiated on salary).
- Those students who negotiated (most of whom were men) were able to increase their starting salaries by 7.4% (or just over \$4,000) – almost exactly the difference between men's and women's starting salaries!

The Cost of Not Negotiating

Suppose at age 30, two equally qualified applicants (Chris and Fraser) get job offers for \$100,000 per year. Chris negotiates and gets a salary increase of \$107,600 while Fraser accepts the \$100,000 – and they receive the same 5% annual raises each year. By age 65, what is the cost of Fraser's one-time decision not to negotiate?

Consider how much longer Fraser will have to work than Chris to make up the difference?

Nine years longer

Not negotiating: Quantifying the downside

But let's look at more realistic comparison:

What if Chris gets annual raises that are half a percent higher than those granted Fraser over those 35 years – how much longer then?

Nineteen years longer

What if the raise differential is one percent?

Forty-seven years longer

So the cost of not successfully negotiating one's salary is an additional **nine** to **forty-seven** years of work!

Negotiation as Problem Solving

- Breaking away from a win-lose orientation
- Topics:
 - How to prepare for a negotiation
 - Suggest strategies and tactics during negotiation
 - Address commonly asked questions about negotiating a job offer

Initial Contact

- When/How might you receive an offer?
- How much information will they provide?
- What should you do?
 - Be enthusiastic
 - Don't commit to anything

Negotiation Pre-work

- Collect information about the market.
- Identify the norms in your field regarding acceptable negotiation behavior.
- Identify the issues.
- Identify which issues are most important to you (i.e. rank them).
 - What are your underlying interests?
- Identify which issues are most important for the organization/practice/university.
 - What are their underlying interests?
- Know your alternatives

Power and Alternatives

- Power is a function of your alternatives
- BATNA - Best Alternative to a Negotiated Agreement
- Examples of BATNA
 - Alternative offer
 - Keep searching
 - Stay at current job, in school

Power

What if your BATNA is poor?

- Invest time in generating other alternatives
- Use objective standards in lieu of a BATNA
- Examples of objective standards
 - What other graduates/post-docs are being offered
 - What other companies in the industry are offering
 - What other companies in the region are offering

When Negotiating

- Remember that you are in a powerful position.
- Let the other party set the tone.
- Take notes.
- Find out how much time you have to decide.
- Don't commit during that call.

Effective Negotiation/ Problem-Solving Tactics

- Make the opening offer if you have enough information to do so effectively.
 - If they make the first offer, counter with your target.
- Discuss multiple issues simultaneously.
 - Trade off across issues.
- Do not reveal specifics of other offers.
- Exchange information about interests and priorities.

Effective Tactics II

- Provide valid justifications for your positions
 - Your interests
 - Their interests – focus on value added to them
- Be creative in generating potential solutions.
- If you decide to accept, get everything in writing.
- If you decide to reject, call up the person you were negotiating with to inform them and follow it up with a letter.

Exploding Offers

- An offer with an extremely short decision deadline, typically before other organizations have made their offers (or possibly even invited candidates)
- Why do they occur?
- Downside
- What to do?
 - Ask the recruiter to explain the deadline
 - Ask the recruiter to postpone the deadline
 - Inform alternative organizations about the deadline
 - Use the Farpoint Gambit

Two-Career Moves

- When to discuss the two-career issue
 - Interviewer tactics
 - Issues of timing
 - How to address the issue
- Coordination of two job searches
 - consider the options
 - open communication

