Negotiating a Job Offer

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Why *not* negotiate?

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