Negotiation Guide

A CDO guide to negotiating job offers
The Guide to Negotiation is designed to help finalize your internship or employment offer. It offers guidance on whether you should actively negotiate or simply clarify some of the finer points of the offer. As a resource, it also provides a structured framework with specific suggestions on how to negotiate the offer and improve your current situation. This guide is organized into four distinct sections, outlined and described below.

Section 1: A Pivotal Decision: Clarification or Negotiation
Do you really need to negotiate?
Many companies source employee talent through a formal MBA hiring program. They hire MBA's year after year in "classes." They understand the market, know MBA buyer values and have refined their employment and compensation policies to address the market. Many of these companies are also the most attractive employers for MBA's and, therefore, have a sizeable supply of desirable MBA candidates.
If you receive an offer from an organization similar to this, it's prudent to ask, "Do I really need to negotiate," and if so, "what is really negotiable?"
We strongly recommend you read this section before you make the decision to negotiate.

Section 2: Offer Negotiation – "The Skinny"
This section provides an overall process framework for negotiating. It begins with "Do your Homework" and ends with "Get the Offer in Writing."
It also provides specific suggestions for how to react to specific situations you may encounter during the negotiations process by providing potential responses to common questions or suggested language for advancing a typical concern. This is designed to help prepare yourself to respond to the anticipated exchanges you will encounter.

Section 3: Negotiating Basics and Techniques
This section provides some of theories for negotiating. It is composed of summary notes from Professor Daylain Cain's "Negotiation's Workshop" and the book, "Getting to Yes" by Roger Fisher and William Ury.
It also contains some recommendations on the "do's and don'ts" of negotiation. Finally, the section focuses on the dynamics and inherent relationship between a job candidate and a potential future employer.

Section 4: FAQ - Frequently Asked Questions
Answers and guidance to frequently asked questions.
Section 1: A Pivotal Decision: Clarification or Negotiation

Do you really want to negotiate?

Even though MBAs are trained to negotiate everything, don't feel you "have to" negotiate. It may be better to have a discussion that is much more focused on "seeking to understand." Clarification of some of the finer points of the offer, such as start date, work location, specific mentors, or certification test, and expenses may be areas that once defined create an improved employment situation . . .

Please keep in mind that for determining future compensation adjustments, once employed, performance will significantly outweigh starting salary, especially for demanding MBA positions.

It is far better to get started on the right foot. Overall, avoid becoming, or being known as, a difficult employee.

Is it a standard MBA offer?

This question is especially relevant for those firms that typically hire groups of MBAs on an annual basis. Such examples are firms that offer LDP programs. These often include consulting, investment banking firms, and many large technology and consumer products organizations.

These firms have really thought their approach to MBA hiring and compensation and as a result the offer is standardized so that everyone essentially receives the same, or very similar, package. Below are typical scenarios to better evaluate how to approach the offer, below are typical scenarios.

*Yes - The offer appears to be the company’s standard offer.*

- Are you a standard MBA candidate or do you have a unique and differentiated background?
  - Provide example areas of differentiation
    - Experience - years of employment, specific relevant experiences, extensive military experiences in related areas,
    - Education or Certificate - CPA, MD-MBA, specific and relevant dual degrees,
    - Work authorization – requirements /sponsorship / additional cost to employer

- Avoid fretting over perceived offer differences between your offer and perhaps what you’ve heard from a friend or peer.
  - They may not be "honest" in their representation
  - They may have a noted and recognized difference in the employers eyes between their skill set and yours

- Recommendation: Approach the employer with a focus on ensuring your understanding of the specifics with perhaps some opportunity to refine the finer points of the offer as described above.
No - The offer doesn't appear to be standard, or it's standard, but I'm not.

- Is the offer consistent for this industry and geography? Although different, it’s important to do your homework and find out more about the offer.

- Is the offer consistent for the specific firm? This question is very relevant for premium firms, non-profit, healthcare organizations, and organizations in Midwestern and Southern geographies. Recognize different firms have different buying power. More reputable firms may actually offer lower salaries because the experience of working for the reputable firm actually has market value. Locations have different cost of living standards, which often affect salary ranges.

- If you realize the offer is different, but the differences can be accounted for, approach finalizing the offer more as a discussion to clarify and understand what is being offered, refining some of the details. On the other hand, if the offer is really different than expected and not in line with other MBA offers, take time to re-examine and determine specifically what is missing and focus on what additions it has.

- Before you jump in the negotiation process, reflect on the value of negotiating with the objective to achieve a significantly improved offer.

Expectation setting: What is typically negotiable in firms that offer standard MBA packages?

- Generally speaking, base salary and sign-on bonuses are less-negotiable for firms that aggressively hire “classes” of MBA’s. Employers tend to show little flexibility in making dramatic moves with these numbers.
  - You need to have a compelling case and, even in such situations, the expectations should be low.

- Items that are typically more negotiable are:
  - Performance bonus parameters, benefits, relocation expenses, and
  - Office location.

Please keep in mind...

- In reality, and from a long-term career perspective, a $10K to $15K difference in initial compensation isn’t material.

- Your direct performance as an employee is going to be the most material factor in your long-term success and compensation, including
  - Doing well on the job,
  - Delivering on commitments,
  - Providing measurable value in terms of revenue, savings, or business performance.
If you decide to negotiate, be careful not to “back yourself,” or the potential employer, into a corner with an ultimatum
  ○ Be prepared – the employer may call your bluff;
  ○ If the firm doesn’t budge, will you accept? On the flip side, will you look silly or unprofessional if you accept?

Also, be careful when negotiating with an alternate offer:
  ○ It has to be a monumental difference preventing you from going with your first choice; a-specific and glaring shortfall on negotiable items;
  ○ Remember their first response is going to be they are offering a materially different opportunity and career path and are likely to view themselves as a superior organization;
  ○ The impression you are likely to convey is that they are not your 1st choice, hurting your credibility.

After careful reflection, if you decide to negotiate –
  ○ Negotiate Professionally,
  ○ Negotiate Factually,
  ○ Negotiate Unemotionally.

Please read the section "Offer Negotiation."
Section 2: Offer Negotiation - "The Skinny"

Do your homework

Know your competitive market value.

- Know the numbers for Yale SOM MBA's
  - Yale SOM Employment Data brochure
  - Query Relationship Managers to better understand employer compensation approaches

- Check internet for salary-survey information.
  - [www.salarycalculator.com](http://www.salarycalculator.com)
  - [www.wageweb.com](http://www.wageweb.com)
  - [www.salary.com](http://www.salary.com)

Think through the value you can create, deliver, or commit to the company.

- This is especially true if you are in a business development role for new businesses or new clients.
- Spend time to calculate what your contribution (profitability, sales, and cost savings) to the company will be.
- This can serve as a basis for discussion on salary and bonus.

Develop “your range.”

- This should be a combination of market value, your value, and value in starting with a company knowing the upside.

Develop your approach for explaining why you’re worth "your range." Think of this as your "summary value proposition," an elevator pitch really focused on your value from the company’s perspective. You should really know this story and be prepared to share it, so spend time developing it and practice it.

Set the stage

Ideal setting for an offer negotiation is after …

1. You have a written offer in hand,
2. You have had time to reflect, and
3. You have developed a well thought out response.

Your objective is to get the offer in writing. You want to avoid negotiating during the interview and selection process. This is your time to sell yourself and ultimately to receive the offer. There’s an old negotiating rule: You sell when you are selling, and you negotiate when you are negotiating. Avoid being the first to give a definite salary figure. The ideal time for a discussion of salary is deep into the interviewing process. It’s best to discuss this when both know the interest in one another is real. If possible, find out the salary range before you are at that point.
Even though your objective is to delay the discussion on compensation, the employer’s objective may be the opposite and eagerly seeks guidance on your compensation expectations. What happens if the employer tries to either get some intelligence from you or tries to negotiate early in the interview process? How do you respond?

The first step is to assess whether the discussion is occurring early in the process well before any offer is being made. Below are some response options to various compensation questions asked early in the interview process.

**Option #1 - Delaying Tactic**
- **Employer:** "I assume you’ve seen our advertised salary range. Are you willing to accept a salary within that range?"
- **Job-Seeker:** "I applied for this position because I am very interested in the job and your company, and I know I can make an immediate impact once on the job, but I’d like to table salary discussions until we fully discuss your needs and we are both sure I’m right for the job."

**Option #2 - Deflect**
- **Job-Seeker:** “I’m sure you have a range of compensation that you’re working with, but I really think it is premature to get into details before you’re sure you want my services, and before I’m sure there is a good match between my skills and interests and what your organization has to offer. When you’re ready to make an offer, I’ll be eager to discuss the details, but until then I’d rather concentrate on what the position entails, what kind of performance is required, and what is required of me to get my first promotion.”

**Option #3 - Non-specific Response**
- **Job-Seeker:** "Frankly, I am seeking an MBA position that compensates at an MBA fair market level [similar to Yale SOM Employment data]. Based on what you’ve shared with me the role seems consistent with that, so I don’t foresee a problem.” Or,

- **Job-Seeker:** "I feel my salary should be based on the responsibilities of the job and the standards of the industry."

**Option #4 - Revert to the Employer**
- **Job-Seeker:** "While I am very interested in the job and the company, it really depends on the offer. What would a person with my background, skills, and qualifications typically earn in this position with your company?"

Late in the interview process, it is not uncommon for employers to probe on compensation expectations. This is especially true for start-ups and other organizations that don't readily hire MBA's or in situations where a student is crafting a position. Sometimes the employer may trial balloon offers, or ranges of offers, to get a sense of what you are expecting in order to help formulate an offer. How

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1 Scenario options and responses pulled directly from Career Services Center, St. Mary’s University, Center for Life Directions, [http://www.stmarytx.edu/services](http://www.stmarytx.edu/services).
should you respond in this situation? Your response varies depending upon how the range meets your expectations and the employment history of our MBA students.

**Response #1 - When the employer salary range seems acceptable be thankful but non-committal**

- "I really appreciate the confidence you have in making this job offer to me. I want to bring my talents and skills to work for this organization. Those figures you mentioned are within my expected starting range, depending on the entire salary and benefits package."

**Response #2 - When the employer salary range is only acceptable at the top of the range**

- "Thanks so much for asking me to be a part of your team. I know my unique mix of skills and abilities will be a great benefit to the organization. Based upon my research and what I’ve been discussing with other companies that are currently interested, I would have to say that only the upper end of that range would be acceptable. One reference that may help you understand compensation approaches for peer organizations is the Yale SOM Employment Data report. It is available on our portal and I could send you a copy or a link."

**Response #3 - When salary range is unacceptable**

- "Thank you so much for the offer. I want to bring my skills and talents to your organization. The other companies I am currently speaking with, however, are considering me at a salary somewhat higher than that range. Of course, money is only one element, and I will be evaluating each overall package. One reference that may help you understand compensation approaches for peer organizations is the Yale SOM Employment Data report. It is available on our portal and I could send you a copy or a link."

**Response #4 - When interviewer probes without giving a salary range or keeps pushing you for your salary expectations**

- Employer: "We want to get you onboard. What kind of salary would it take for you to accept a position with us?"

- Option #1 "I am very enthusiastic about the position, which I see as an MBA position. I am seeking an MBA offer consistent with what Yale SOM students are offered for similar positions and organizations. Yale SOM posts our employment data that shows ranges by functions, by industry, and by regions, which you can reference off of the portal or I can give you a copy. My reading shows a range from $xxx,xxx to $yyy,yyyy. Given that it is a year later and the geography is z I am seeing offers at the higher end and beyond."

- Option #2: "I am very interested in attaining a formal offer to consider. What is most important is the opportunity to work for you and your company. I am confident your offer will be competitive."

- Option #3: "I’m ready to consider your formal offer."
Receiving the Offer: This is not a time to negotiate and how to respond

1. **Repeat the offer and then pause** to think about it.
2. **Probe** to understand the full aspects of the offer.
   - What are the promotional opportunities of this position? To what position/level?
   - How and when will my performance be reviewed?
   - Will this include a salary review?
   - What are the titles below and above this position?
   - What kind of salary and title progression would be expected in the first three to five years?
   - Be sure to get the complete salary offer in writing!
3. **Ask for time** to reflect on the full package before you share your perspective.
   - I am excited about the opportunity.
   - Reiterate your interest and your summary value proposition.
4. **Ask for the offer in writing** so you can be thorough.
   - Avoid negotiating at the time the offer is presented

**Evaluate the entire offer**

- Base Salary
- Sign-on bonus
- Individual performance bonus
- Company performance bonus
- Commissions
- Salary review - 3,6,9, or 12 months
- Profit sharing
- Stock options
- Matching funds
- Stock purchase incentives
- Payroll deduction - 401k
- Keogh plan/other tax deferred pension plan
- Cost of living increases
- Pension plans
- Matching investment programs
- Health insurance
- Prescription drug plan
- Disability insurance
- Personal time
- Well care benefits (i.e. annual physical)
- Maternity leave
- Child care
- Life insurance
- Sabbatical leave
- Vacation (# of weeks)

- Holidays
- Expense account
- Phone allowance
- Parking
- Comp time for late hours/weekend work
- Flexible hours
- Work-at-homadays
- Club memberships
- Office (size, location, window)
- Relocation package
- Severance package (probably only in startup situation - especially if CEO or executive committee)
- Pre-retirement planning
- Educational tuition refunds
- Professional certifications (exams, training, etc.)
- Legal assistance
- CPA or tax assistance
- Financial planning assistance
- Business travel insurance

For non-profits and B-corps - Be sure to factor in the Yale SOM Loan Forgiveness program

For international students - Be sure to include sponsorship details such as start date and filing plans
Develop and refine your response

Review “your range” and factor in your perception of the employer situation.

- Just how badly does the employer need to fill the position?
- Determine their options and their flexibility.

Develop your negotiating options, items, and approach.

Consider all aspects of the offer (above table) and the long term opportunity. Next, develop an options worksheet. As you frame out options, keep in mind that on average, a reasonable negotiating goal, if any employer flexibility exists, may be 5% to 15% above the initial offer.

Be sure to look for ways to turn an unacceptable offer into an acceptable offer - be creative.

An excellent example of how one student creatively improved her offer occurred with a company that was B-Corp eligible but had not marked this designation on the employment application leaving students ineligible for any loan forgiveness under Yale SOM policies. The student’s desire was to increase her overall compensation so she could both afford her lifestyle and pay off her college loan. She very creatively discussed the option for the employer to include her filing the B-Corp application. If successful, she would create value to herself because she would receive substantial value from Yale SOM. Additionally, there was value to the company because it in turn could hire more Yale SOM students at the “non-profit” competitive rate factoring in the loan forgiveness subsidy. Ultimately, the company agreed to have her do this and included the B-Corp application in her employment contract.

Do your homework again

- Be sure you established your absolute bottom acceptable figure and be prepared to walk away if necessary. You should also know you BATNA – best alternative to a negotiated agreement.
- You may have to explain your salary history or use it to justify the desired salary.
- At the same time, if you are a career switcher (or have a geographic switch) you need to know what you are going to say if your prior compensation is irrelevant to the position and discussion.
  - This may include that you are pursuing an MBA position and expect that opportunities, challenges, and your deliverables are in line with this position level. Referring to the objective ranges provided in the Yale SOM Employment report, you also expect to be compensated as an MBA. You may also include the financial and time investment you’ve made to earn an MBA.
- Be prepared with facts and figures – salary comparisons.
- Anticipate any objections the employer might be able to raise and be prepared to justify your cost effectiveness.
- Negotiating a salary package reconfirms to the employer that the decision to hire you over other applicants was the right choice.
- Be prepared to make intelligent, well-informed salary statements and be sure your requested salary range is within the market value for your profession specific to the geographic area.
Final preparation

- Decide if you are going to negotiate on **paper or verbally** and **with whom** (HR versus the business hire).
  - Verbally is typically most effective
- Get in the **proper mindset**.
  - Demonstrate **excitement for the job** - Show your enthusiasm! The employer needs to know you are serious about joining the organization.
  - Be careful **not to bring personal needs** to the discussion; make it a discussion of **why the employer needs you**.
  - Make it a **friendly experience** because if you decide to accept the offer, this individual will very likely be your new boss. Demonstrate through your words and actions that you already consider yourself a part of the team.
  - Remain **calm and poised**, but be **creative, flexible** and, most importantly, **professional**

Discuss the salary

**NOTE:** Please read the negotiating basics and techniques segment before you discuss the salary offer with your potential employer.

The following is a question and answer series between a career services professional and Donald Asher². Answers to the questions are taken from the interview itself and paraphrased for easy reading and, where appropriate, edited slightly factoring in MBA tone considerations.

Mr. Asher is known throughout the United States as being an expert in all areas of the job search, including negotiations. He presented the salary negotiations session at the MBA CSC in 2013. He has published such books as *Cracking the Hidden Job Market; Who Gets Promoted, Who Doesn’t, and Why; How to Get Any Job; The Overnight Resume; Asher’s Bible of Executive Resumes and How to Write Them; From College to Career,* and several others.

**Question:** What parts of the compensation package can be negotiated?

**Answer:** Every student should seriously consider negotiating to increase his or her compensation offers. No part of this is easy. However, failure to do this correctly will result in lower compensation for your all your hard work and potential contribution. It must be thoroughly thought through and practiced to be done effectively.

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1. It is best to start your negotiations with base salary (cash compensation).
   - Do this because all future bonuses and raises are based upon that base.
   - How ...
     - “Would you consider what you are offering me a competitive salary, compared to other companies in the industry?”
     - “What is the most you offered anyone this year, and what is the difference between me and that person?”
     - “I really had in mind more than that, but I’m really excited by this opportunity. What can we do?”
     - “I’d like to move these numbers, if we could. How much room is there to move these numbers?”
     - “Who do we need to bring into the loop to get closer to the maximum you’re willing to offer?” (This is a little aggressive, you better be somebody special before bringing out that kind of statement.)
     - A last ditch effort is to accelerate your first salary review. This should be in writing. However, keep in mind it’s easy for employers to renege on such an agreement.
   - Additional notes:
     - When negotiating, talk in vague terms. Say such things as, “What range did you have in mind?”
     - If they ask you what you were earning you can say, “Well, what I was earning is not really relevant. That was really a different industry [or function]. I simply want to have a competitive compensation package based on what an MBA would earn in this position.” (This is an objective measure.)
     - Use a lot of vague terms to keep from talking about specific figures. You can also tell them the median offer from last year’s class. Ask them if they think they are going to come in above or below the median from last year.
     - Final note: The order of negotiations matters. What people will do is get distracted. They will want to talk about base and the company will say, “Well, we will give you a bonus.” Remember, you are negotiating with professionals and they are steering you away from a key vantage point. Always try to settle the issue of base before beginning any other aspect of negotiations. It is very important to maximize base salary, which sets a bar for raises and bonuses year after year; it’s not that big a deal to get a one-time bonus. Try to control the flow of the negotiations, finishing each issue before beginning another.
     - If they verbally low-ball you, don’t negotiate. Instead, you choose to a walk and say,
       - “That’s really way below what I believe I can make elsewhere. It’s a shame, too, because I really like your organization. Would you like me to make some recommendations of other students from my class who might be interested? And would you please keep me in mind for any positions that might pay more?”
○ They’ll respect that, but it’s not negotiating. Or, if you think they’re just trying to see what you’ll say you can come back with this, “I’m sure you have a range of compensation that you’re working with, but I really think it is premature to get into details before you’re sure you want my services, and before I’m sure there’s a good match between my skills and interests and what your organization has to offer. When you’re ready to make an offer, I’ll be eager to discuss the details, but until then I’d rather concentrate on what the position entails, what kind of performance is required, how I might get my first promotion, and that sort of thing.” Then immediately ask them a question related to these interests, and having nothing to do with compensation.

○ Learn some lines. Be ready with language to use until you get the offer; then and only then do you talk numbers. For example, you can say something like this over and over, changing the wording only slightly:

○ “As long as I am competitively compensated I am not going to be unhappy. Salary is not going to be a problem to us. I am really more interested in the opportunity, the people I will meet, and where this could lead in five years. This is way more important to me than a grand here or a grand there.”

2. After you get done with the performance benchmark component, then you might talk about your signing bonus. Signing bonuses vary year to year; they were big three years ago. You need to check with your MBA director to see what the status is in any given year. If you go in and try to negotiate a big bonus, and it’s a year in which they’re just not giving them out, you look like you’re un-savvy and you’re not up on the market. It is your job to know if they are giving out big ones or small ones. Bonuses vary between $2,000, $15,000, and zero.

○ How (This item is actually closely related to you covering your startup costs, so rationalizing it on those items makes sense and is reasonable.)

○ In addition to appealing to tradition and norm, you can present specific rationales for a signing bonus, such as ...

□ “I have to buy a new car,”

□ “I have to buy a complete professional wardrobe,” or

□ “I’ll have to relocate to Dallas on your behalf.” And remember, these are real expenses you are facing, so this is not just a gambit.

○ Final note: Only new hires from college or a graduate program get signing bonuses. People in the direct hiring market usually do not get them. Many ”just in time” hiring companies may not offer them either.

3. You can negotiate any equity participation or stock options next. In general, people don’t really understand stock options. Stock options depend on the fixed strike price established in the employment contract and typically have value only if the stock goes up. It is not the number of stock options; it’s the value of the stock options. One thousand shares of nothing are still worth nothing. The strike price is the price at which an option in the contract can be exercised. Currently, the trend is away from options and toward grants. Grants have vesting schedules and you need to understand them.
• How ...
  ○ “What types of equity participation are available to employees?”
  ○ “What kind of stock options do you typically give new people?”
  ○ “What is the most you have given somebody, and what is the difference between me and that person?”

4. You can also try to negotiate the annual management bonus. This is really not all that common in the first-job-after-MBA level, but it won’t hurt to bring it up. Almost always, the company retains the prerogative to pay whatever annual management bonus they want, but sometimes you can negotiate a minimum, or participation at a certain category or level. It’s important to understand standard management bonuses, how they are paid and if they are paid every year. At the very least, find out what the company has done over the last three to five years. Remember, you are trying to understand how you will be compensated. You have every right to ask detailed questions.

5. Benchmarked performance bonuses:
   • This is especially effective when it’s an operations role and you are in charge of something. For example, if I sign 10 new accounts in the first nine months I get an extra $10,000. It’s a quantified, overt, verifiable benchmark you should pass within the first year, and you attach a bonus to that. Companies are more responsive to this comp strategy if you are the only one they have in a particular role. If you are the 14th product analyst they have hired this year, you’re not going to get away with this. But, if you’re their only international sales rep, you are going to get away with this. Obviously, this is not for every MBA. All of these negotiating strategies are possible, but not all of them are advised for every candidate.

6. The last thing you negotiate is special terms. Special terms include start dates, vacation, leave time, and relocation allowances. Take an example of leave time. You and your buddies have rented a houseboat every year for the 4th of July ever since you were in college. Remember to bring these types of special consideration up last. By then it becomes a no brainer. They’re happy with you and things are moving along. Then you say, “I need a week off around the fourth of July every year, and I need that to be written into the offer because it is that important to me.” Perhaps your sister is getting married in September, or you need to take time off your first 6 months; these are the types of things you negotiate last. Companies have gotten a little looser with vacation in the past two or three years. They burned out an awful lot of workers in the last big crunch. However, a person fresh out of B school who is more concerned about her vacation than her assignments is going to be waving a big red flag to employers. But again, if you start with two weeks, you are a lot closer to four weeks after a few years, or ten, than if you start with one week. Be careful, vacation and leave time can become a trouble spot. Negotiate this after all other issues are decided. If you aggressively negotiate special terms you could turn off an employer that is otherwise excited to employ you.

Another thing to negotiate late in the process but before leave time is an unrestricted relocation allowance. Unrestricted simply means you do not have to turn in receipts making it a lot easier to process and collect once employed. This doesn’t always work for new MBAs because employers
are going to expect you to be an apartment person who can move in a car. If you say to them, “Look, I have kids; I have two cars and a motorcycle; and I have all of this other stuff,” they may say, “That’s fine, but I have this other student over here who can move in a car.” You should ask for it though, because if you don’t ask for it, you don’t know if you can get it.

Also, you can negotiate up to 90 days in a corporate apartment just to smooth your transition into a new town. The rationale here is that you don’t know the neighborhoods before you move there. You might say, “I want to see the lay of the land, and see what kind of condo, house or real estate deal I want to make.” Negotiate for this even if you do know the lay of the land, because 90 days rent-free is 90 days rent-free.

Question: What about your 401K?

Answer: Fresh out of B-school you’re most likely going to get a plan that is standardized. Ask for the details and be sure you understand it. Of course, ask if there is any method to maximize company contributions, but realize most of this will be formulaic. Always sign up for automatic contributions that get you the maximum match. To do less is foolish in the long-term. You won’t even miss the money if you never see it.

Finally, get the final offer in writing

- Get the final offer in writing
Section 3: Negotiating Basics and Techniques

The Basics on Key Negotiating Concepts

When approaching a negotiation the overall agreement can be broken into component of interest. These components can be mapped into three categories.

- Common interests
- Distributive interests
- Integrated interests

By definition, common interests are aligned between both parties; they essentially agree to win/win relationship. Both benefit by agreeing or agreeing to cooperate. This was exemplified by Professor Cain challenging a muscular student to an arm wrestling competition with the class trying to guess how many times Professor Cain or the student could win in 30 seconds. The award was to be $1 for each victory. The made their guesses, which were split between the student and Professor Cain and estimated to be 1, 2, 3, and possibly 4. Once the guesses were registered, Professor Cain then negotiated a deal with the student competitor, stating that if we agree to go back and forth cooperatively we can likely do these 30 or so times. The offer was made to cooperate and split the earnings, resulting in 30 victories in total, which they split. By agreeing to cooperate they maximized their value in total and to each other.

In terms of compensation packages, this could be a situation whereby agreeing to work in a location ideally suits both parties. Or, agreeing on a bonus structure increases linearly as a specific “volume” of revenue (or savings) is achieved.

Another scenario painted by Professor Cain was the Lamborghini - Toyota example. In this hypothetical scenario both parties agree that one party gets a Lamborghini and the other gets a new Toyota. Both win but one wins an item with a greater value. While one party may feel enormously happy and the other is only modestly happy, or even feels shorted, both parties benefit from agreeing. Sometimes in order to achieve the agreement the party receiving the Lamborghini may need to share part of its benefit with the other party. It is worth noting that although this is a common scenario it is not used in a one-on-one setting.

So, if the other party is getting the Lamborghini follow its lead. This will help you get what you want and potentially more. Learn to understand the other party’s value and be prepared to share and explain yours. Understanding the difference will help you negotiate additional value to the other party thereby influencing the willingness to share.

If you are the one getting the Lamborghini, seek to understand party alignment. In order to receive all you want to achieve, be prepared to lead and communicate your value while sharing some of your spoils.

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3 Notes from a presentation given by Daylain Cain, Associate Professor of Organizational Behavior, “Negotiations Workshop,” (Yale School of Management, New Haven, CT, November 13, 2013).
The approach for negotiating common interests is to simply advance them; to move them to agreement and to closure.

**Distributive interests** are inversely correlated so when one party wins the other loses. Salary is a good example. To agree on salary, it will be important for the parties to compromise. Splitting the difference is the best way to get optimal results in the negotiation.

Rather, make an initial offer by asking for a lot and be able to back it up a well-founded defense. Expect a counter offer, which if you are the one making the counter offer, should also be asking for a lot.

Make additional offers with successively small jumps – again being able to explain why each jump makes sense and how it can be defended or rationalized using objective criteria.

Ultimately, you will have to compromise to get agreement.

Approaching the negotiation in more of a holistic manner may allow you to integrate or combine interests in a creative way to attain agreement. This is sometimes referred to as **integrated interests**, principled negotiation, or interest based negotiation.

Some techniques for searching for an agreement include being firm on goals but flexible with how to reach them. Explore a line of questioning that looks something like,

- “Tell me what a perfect deal looks like to you.”
- “What are your priorities? How would you prioritize the deal parameters?”
- Determine amounts and values.
  - “If I give you a million dollars would you do that?”
  - “If I gave it to you for free would you want it?”
  - “Make an offer that is roughly equivalent – would you take it?” Why or why not? Help me understand.

A good example of solving a complex negotiation was shared earlier in the paper. It included the story of a student creatively improving her offer by getting the company to apply for B-Corp status so she then becomes eligible for loan forgiveness. Her original objective was to increase her compensation, which the company was uninterested in doing. She explained that one of her driving needs was to pay off her student loan while maintaining a standard of living. By getting the company to agree to filing B-Corp status she remedied her situation and created additional value for the company thereby making it more attractive to other Yale SOM students. She turned a win/lose situation into a win/win situation.

Recommendation: For a “crash course” on these concepts you should attend Professor Daylaim Cain’s *Negotiating Workshop* offered during the year. In addition to the lecture, he presents an excellent exercise designed to apply concepts and practice negotiation skills.
Negotiating Techniques

Separate the people from the problem.

- Know the people; especially HR roles versus business roles.
- Value the relationship; look to improve your relationship and your image through the process.
  - Make proposals consistent with their values; allow them to be face-saving.
  - If you need to fix a misperception; look for opportunities to act inconsistent with their perceptions, demonstrating concern for their interests.

Focus on interests not positions.

- How do you identify interests?
  - Explore the reasoning behind positions.
    - Why do you want a given position?
    - What are the drivers or concerns leading to that position? What are you trying to get or prevent?
  - Explore alternatives not necessarily as an offer, as a means to better explore the interests around the position and how they may be bounded, constrained, or opened by alternatives.
  - Explore with the other party the pros and cons for key decisions.
  - Explore interests for MBA’s in salary negotiations.

Invent options for mutual gain

- Avoid getting locked into a solution a position:
  - Avoid premature judgment.
  - Avoid having only one answer.
  - Avoid the assumption of a fixed pie.
  - Avoid thinking that their problem is only their problem because it is your problem, too.
- Brainstorm together
  - Brainstorming and thinking through alternatives is not deciding.
  - Cycle:
    - Seek to understand the issue and the underlying causes
    - Stretch understanding by thinking theoretically.
    - Think through solution alternatives in theory; not constraining real life.
    - Finally, apply real life constraints to sharpen focus on best alternatives.

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Insist on using **objective criteria**:

- These include:
  
  - Industry standards
  - Medium salaries offered
  - MBA salaries
  - “Best offer made this year”
  - Profiles of other recent hires.

Know your BATNA – Best alternative to a negotiated agreement – “backing out.”

This is the value if no agreement is reached. Essentially, it’s what you’re left with if you fail in the negotiation. This would be your best option without the agreement. The more you know your BATNA the better able you are to value and weigh alternatives and compromises.

For a more in depth discussion on these concepts, please read the book, *Getting to Yes* by Roger Fisher and William Ury.
Negotiating Do’s and Don’ts

- **When stuck in the negotiation** seek to understand the other party’s interests, motivations, constraints, and ranges of value.
  - Don’t attack their position, look behind it.
    - “What is the principle behind your actions?”
    - “Let me see if I understand what you’re saying.”
    - “Let me show you where I have trouble following some of your reasoning.”
  - Don’t defend your ideas, invite criticism and advice.
    - Stating an understanding or a position, and then ... “Please correct me if I am wrong.”
    - “Could I ask you a few questions to see whether my facts are right?”
  - Recast an attack on you as an attack on the problem.
  - Look to achieve fairness and balance based on objective criteria.
    - “My concern is fairness, I don’t want any more than someone else with my credentials deserves.”
    - “I would like to settle this on the basis self-interest but on principle.”
    - “One fair solution might be ...”
  - Ask questions and pause.
    - “If we agree ...”
  - Build or support the relationship of the negotiator.
    - “I appreciate what you’ve done for me.”
    - “It has been a pleasure working through this with you.”
- **Be aggressive but diplomatically so** (overly polite, pleasant). Be enthusiastic but aggressive on what you’re asking.
  - Get in the mindset to ask for a lot.
  - Be prepared to make concessions – ask for extras which you can offer as concessions.
  - Also once you ask for a lot you make offers for less much more attractive.
- Prepare and be overly prepared.
  - Assemble a spreadsheet/checklist of things that you are going to negotiate.
  - Score your issues (your “asks”) and put a price on them. Exactly how much are they worth to you? This will help you adjust and commit during a negotiation.
- Frame your request in their terms and in accordance with their values.
- Negotiate in person for richer communication and feedback and is typically more effective.

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• **Act in a good faith manner:**
  ○ Example: Be true to your statements.
    • If you state, “Give me XYZ and I would sign right now” then you need to follow through if given XYZ. Not following through would be a disaster, especially since the offer to commit is so valuable.

• Yes, you can, and you should, use post settlements to improve the deal.
  ○ Objective: Is to use it to find additional improvements to the deal.
  ○ Technique:
    • “Tell me what part of the deal in which you are not satisfied.”
    • “Let’s explore ways I can help improve the deal.”
Section 4: FAQ – Frequently Asked Questions

Below are additional points from a question and answer series between a career services professional and Donald Asher. Answers to the questions are taken from the interview itself and paraphrased for easy reading, and where appropriate, edited slightly, factoring in MBA tone considerations.

Question: How do you keep from seeming too aggressive or too arrogant?

Answer: There are three things to do. First, use win-win language. Second, don’t be too rigid. Third, remind them constantly of the contributions you are going to make.

How...

- “I really had in mind more than that. What can we do?” That puts both of you on the same side of the table; you are both trying to solve the problem.
  - Win-lose language is, “I need $10,000 more than that,” “I can’t live on that,” or “You’ve got to be kidding.” It is all about the language.

- Next, be “open ended” about potential solutions.
  - “Is this the best offer you’ve given to anyone this year?” You try to find out how much room there is, by saying things like this.
  - “I would like to discuss the difference between me and the highest paid person you have picked this year, and see if I am not close enough to that person’s skill set to warrant having the kind of salary offer that they received.” With this type of language you are exploring solutions; you are willing to talk about your skills and experience comparatively, to present evidence of past performance and make promises about future performance; you are not just being a tough negotiator and a jerk. Tough negotiators and jerks might win a negotiation, but they don’t have a good relationship afterwards. Some companies will tell you flat out they don’t negotiate. In the current market an aggressive negotiator can get passed over, and they will pick someone else, someone who looks a little hungrier.

- The third thing you can do is constantly remind them of the contributions you are going to make. Say things like “I would really like to have a better offer than this because I am going to be able to do this, this and this for you in the first year. I think my contributions will be valuable to your company.”

Question: Who within the company do you want to negotiate with; the HR manager, the recruiter, or with line management? Which of these people have the power to negotiate?

Likely Answer: You are negotiating with three people, the recruiter, the line manager, and the HR manager. Behind the HR manager are the comp analysts, but you’ll probably never get access to them. Most companies want you to do your negotiating with the recruiter, often before you even have a real offer.

How to work this ...

- What you want to do is enlist the line manager on your side, because that is the person who wants you. You want that person, the line manager, to take your argument to HR and take your
argument to the recruiter. Make your comp rationale to the line manager, as well as the recruiter. But remember, if your rationale is stupid, the line manager will be most sensitive to that stupidity. If they've got six product managers making $100,000 apiece and you insist on $120,000, they're going to be able to tell you what a stupid idea you have. You are going to get better data from the line manager, in terms of what's the norm and what's possible. In an ideal world, they will be your advocate to HR, your advocate to the comp people, and your advocate to the recruiter.

**Question:** What are the best settings for negotiations?

**Answer:**
- The best setting in the world is to fly to their HQ and get in a room with the HR person, the line manager, and the recruiter. Take up a lot of their time. The more investment they put into this process the more they are willing to try to recover their investment.
- The second best setting is a conference call with all the same parties but in the live presence of the recruiter. Once again, the more investment you can require of them in terms of participation, the more power you have in the negotiation. The third best is a conference call with all three, and the fourth best setting is on the phone with the recruiter only.
- Email can be done but it is the least ideal. Just remember, if it is not written in an offering letter, it did not happen and all conversations disappear. Email negotiations are least preferred, because they require the least investment on the part of the person you're negotiating with.

**Question:** What if they refuse to negotiate and you believe the offer is not an MBA offer?

**Answer:** This is aggressive but could be warranted.

How ...
- Ask them, “Who would need to be involved for us to negotiate this compensation package outside the parameters you are using right now?” If they say nobody, then you are going to have to accept or decline based on what is on the table right then. If they say, “We have to bring the comp person in from HQ,” that is not bad; it is actually good. Be rational. If you are made a good offer, and it is in the top half of the offers they have made this year, and you’re going to be earning more than you did before, you have to be somewhat sane. Because if you involve the comp analyst from HQ and it was a really solid offer, you don’t look that smart. But, if they are out of alignment with the market and other people are paying more, then this is a way to get to the root of the problem. However, this technique may not work if they need a decision by Friday, because it can be hard to get HQ involved, and it takes time.

**Question:** Let’s say that the negotiations are over and you may or may not have gotten what you wanted. How do you make sure you keep in good relations with the company and the individuals you have been working with?

**Answer:** Use win-win language and be pleasant. Don’t act like this is a battle and it will take care of itself. Also, business school students need to be better at making a graceful decline. A letter is the best way to do this. Say something like the following: “I really truly appreciate all of the hard work you went through to get this offer. I even feel somewhat guilty letting you know there is another offer at a company that I actually feel I have a better fit with. I appreciate your work on my behalf. You went above and beyond the call of duty and I recognize and acknowledge that. I will always think fondly of
XYZ Corp. and it is mainly due to your efforts. I am sure our paths will cross in the future, and if I can ever do anything for you, you can count on me.”

Business is a small community. You are going to see each other in meetings and you are going to cross paths. So, make this a graceful decline and your interactions will not be a problem. Plus, any company that was interested in you is a potential employer at a later date. For that reason, you need to be graceful, and for self-interest, if nothing else.

**Question:** Once the negotiations are over and you have gotten most of what you wanted, should you ever feel obligated to take the job?

**Answer:** You should never feel obligated to accept a job. If you do accept, then you *are* obligated. If you have not accepted, you have no moral obligation to accept no matter how much work you have put them through.
Bibliography


Career Services Center, St. Mary’s University, Center for Life Directions, http://www.stmarytx.edu/services.