

## NEGOTIATION: Finances and Salary

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This document includes a synopsis of a skills workshop presented by the Leadership Institute at Harvard College which focused on (i) positions and interests in a negotiation, (ii) anchoring with the first number, (iii) analysis of the role-play exercise.

What is difficult about negotiation?

- Ensuring that you will not hurt feelings or undermine an important relationship
- How to make what you want palatable to the other party
- How to work with people who are unwilling to negotiate
- How to clearly communicate the reasoning for what you want
- Handling bureaucracy and red tape
- Empathizing with the other person (difficult in a situation of information asymmetry)

Position – statement of what you (or the other party) wants. Typical, this is the basis of negotiations.

Interest – reason or motive behind what you (or the other party) wants

- It is key to find out not only the other party's position but also their interests – because there are generally more possibilities for satisfying interests (i.e, you might be able to find ways to grant their interests without necessarily accepting their original position)

Story – Three girls want one orange, after screaming to their mother, the mom just divides the orange in three even pieces and gives one section to each child. Child 1 plants the seeds for a tree, Child 2 uses her rind to bake a pie crust and Child 3 eats her section.

Analysis – The position of each girl was “I want the orange” but they had different reasons for it. If the girls or mother had asked why (interests), each girl could have gotten 100% of what she wanted.

So – you should ask for the “why” behind the other party's position. For instance, if the employer is not willing to offer a higher salary, it helps to find out whether this is because they have budget constraints or because they don't want to set a precedent (you can negotiate for a bonus, more time off or the ability to work from home some)

How to prepare for a job interview and salary negotiation:

- Go to interview / negotiation with alternative options (i.e., other job offers)
  - The technical term is to “develop your BATNA (best alternative to negotiated agreement)” so you can negotiate from a position of strength
- Set the agenda at the beginning of the meeting: ask a question like “I was wondering if we could talk a bit during this meeting about your salary criteria. I've looked into some things related to salary and I'd be curious to know what kinds of criteria you have.” You usually won't offend the employer if you come across as just being curious and wishing to understand the different standards they have for salary levels.
- Go prepared: if you need to, call the HR department prior to ask if salary is even negotiable.

### Anchoring in negotiation

- **Anchoring** – proposing a number or reference point first (salary figure, car sale price)

Studies show that the extended negotiation will revolve around the first number numbers stated.

For anchoring to work to your advantage, you should research typical salary ranges and company-specific information. Be prepared; you could ask for a salary that is actually below what the company was going to offer you, thus denying yourself money. Know the salary range and use it to buttress your request. If you let the other person anchor first, it gives you a fair idea of the range (if you could not determine through research). It also allows you to immediately ask “why” to understand interests.

### Concept of Power

- Power is the ability to persuade
- Employer does not have all the power – you have some as well
  - Your power: your BATNA (you have an alternative) and ability to ask why
  - Their power: other applicants
- Always remain confident, and know that you are there because they want you
- Ways to enhance your power: Preparation
  - A) Have good alternatives, B) Have good criteria – do your research C) Be able to explain why you deserve a higher number

### Interactive role-play

- Working in pairs, students participated in a role-play salary negotiation simulation
- One student in each pair was “Sam Cedexa,” a Harvard senior and applicant for a Media Research Analyst Position at The RoX Group, a cutting-edge advertising/public relations firm
- The other student was an HR Manager with The RoX Group
- Both students were provided a typical industry salary range for Media Research Analysts, along with the interests that they would be negotiating for:
  - Sam would like a salary of at least \$50K per year
    - Feels he is worth this much given his qualifications: Harvard degree, writes popular blog, positive internship experience at The RoX Group during the previous summer
    - Needs to pay student loans and credit card debt
  - RoX Group only offers more than \$38K to exceptional candidates and thinks that Sam is good but still has a lot to prove

### Debrief of interactive exercise

- What worked well?
  - Asking for more information (ex. the company’s salary range for new hires in your position, schedule for advancement and promotion, etc.)
  - Being open about personal needs / wants (ex. the job applicant in the scenario had student loans, and by telling the employer about this, was able to receive loan reimbursements from the company as part of the overall compensation package)
  - Anchoring a low salary figure and sticking to it (this strategy worked well for the employer)
  - Flexibility: discussing benefits and perks. Employer may not be able to increase salary, but could offer other benefits (loan-reimbursement, higher 401k, more days off)
  - Persistence: not giving in too easily if you are not satisfied as the prospective employee

- Trying to close the deal when you see the opportunity
- Concreteness: If employer gives vague promises or assurances, ask for more clarification
- What did not work so well?
  - Failing to be assertive when the employer's offer is not to your expectations (employee)
  - Being inflexible about numbers/focus purely on salary rather than other perks.
  - Allowing the other party to dominate or monopolize the speaking time of the conversation (this gave them more momentum and persuasive leverage to drive their argument forward)