

Salary negotiations



Facts

* This negotiation was an important one from a career point of view as it involves a salary negotiation for an existing job. I have never been in a situation where I have actually negotiated a salary for a person working under me, so it was a good experience for me. I was playing the role of Pat Lynch, V. P. of marketing for Rapid Leatherhead Goods Company. There are 4 main product lines which comprise the major portion of the company's online sales. A new director for marketing was hired two years ago for mail order sales.

He has done a good job with three lines, but the fourth line, which was a problem even before he joined, is still a problem and there has not been an increase in sales for that product. It is the company's premier brand and it is important for the company's image that the sales increase for that line. This is the time of year for salary adjustments and I feel a salary hike of \$4, 000 (6 2/3%) is good for his efforts. I was surprised when he asked for a 20% increase in salary as I thought that was excessive, but then he showed me the new sales figures which I did not have. We negotiated over the figures and thought of a way to negotiate the salary. He was quite forceful about taking other figures into account and to determine the salary based on all criteria. I was adamant to take Top Flite, the aforementioned fourth product line, into account as it was the main objective. I thought of ways to satisfy us both.

Tools/concepts/models

* Foundation – To begin negotiations, I was the first to speak and started with praising him for the good job he had done with the three lines. I started by sharing the figures which I had, and told him that the increase in percentages compared to last year's sales figures were commendable. Then I told him that Top Flite was still a problem as there was not much of an increase seen in this line. I wanted to know his reaction to that and how things could work out in the company's favor. I was quite surprised when he showed his reluctance and utter disbelief in what I said, since he believed that Top Flite was also doing well and the increase in percentage sales was pretty big even for this line. I then realized there were some numbers which I did not have and needed to listen to him to know the true facts about Top Flite's growth.

* Separate the people from the problem: After our first 5 minutes of discussion, it was very important that I separated the person from the problem. I asked him the reason why he felt that the increment I was giving was not up to mark, and what his justification for getting a better increase was. I listened to my counterpart and realized that he has worked really hard and had surpassed company expectations in the other three product lines, and it was important that these accomplishments were considered when determining an increase. I decided to budge on this issue and told him that we would find a middle ground so that the requirements of both the parties are met. It was in my interest that the sales of Top Flite should increase. I wanted to be very sure that I could justify any increment that I gave him which was above my already decided increment percentage, and at the

same time make sure that I acknowledge his achievements in the other lines.

* Focus on interests not positions: Focusing on interests was an important tool for this negotiation. I asked him why he felt he deserved a better hike than the one I was giving him. He then talked about how they had introduced a new strategy in the market to increase the sales figure of Top Flite. They had started sending out offers to a new list of people whom they thought were more interested in buying the company's product. Hence this helped in saving money by not sending out pamphlets to people who would not be interested in buying the product.

They offered money back guarantees if the customers were not happy with the product, this way customer satisfaction was increased and customer loyalty could be guaranteed towards the company. They did a lot of market research and found new ways to better rank the high end products. This reasoning resolved a lot of biases which I had in my head and helped me in understanding the reasoning behind his asking for a raise of 20%. We started exchanging information and I told him while he had done a good job for three lines, the Top Flite line was a major area of concern for me, and it was very important that a positive increase in sales be seen in this area.

* Invent options for mutual gain: I knew that the main goal was to focus on mutual interest and come to an agreement which would be beneficial for all parties involved. I knew that my main interest was to see an increase in the sales of Top Flite, and his major area of interest was getting a better salary hike. Thus we came up with options for mutual gain. I agreed to a 10% salary

hike this year, and if he could bring the sales of Top Flite up to the estimated target for this year I would give him 15% hike.

* Insist on objective criteria: It was very important that we insisted on objective criteria during the negotiation. I asked him the reasons for the hike he was asking for. I also told him the reasons why I could not offer him the hike he was expecting. I was open to him asking me questions and wanted him to be satisfied with what he was being offered. I believe that employee satisfaction is important and it is important that he did not leave the room feeling unsatisfied. I was convinced that a salary hike of around 6 2/3% was too low and it would not do justice to the hard work he had done in increasing the sale figure for the other three lines. This point of view actually helped me in deciding that I needed to think in the opposite direction and place myself in his shoes to see if he was getting the right appraisal for his efforts.

Process

* Evaluate / Plan: Attached

* Validate: I was able to validate my counterpart's information during the negotiations by exchanging information. Before negotiations began, I was confident that giving a salary hike of around 7% was good enough, but I came to feel that a salary hike of 10% was justified and it would motivate him to work harder for the company. Also if he wants to get the salary hike he is expecting then he needs to work harder to increase the sales of Top Flite.

* Create: We were able to create a lot of value during this negotiation. From talking to each other we knew each other's interests and what was important to the other party. Specifically, we were able to gather enough information from each other to deduce that both sides were interested in making this salary negotiation a success. I wanted him to be happy with the increase and he wanted to be judged fairly for the job he had done. I feel in the end we did a fairly good job.

* Claim: I think we were able to claim the value which was on the table. The negotiation was in favor of both the parties. I got my desire of tying the increment to the sales of Top Flite, and he got the deserved credit for the increased sales for other products. We both were happy with the results. The final salary package was in favor of both parties.

Psychological Biases: There were a couple of biases

* Confirmation bias – I was overconfident about the decision I had made and thought that the increment was fair based on the information I had. I never thought that there might be some information which could change the sales figure and show that he had actually achieved an increase in sales for Top Flite. This bias could have cost me dearly had I not realized it after talking to my counterpart over the negotiation. I did not realize that in his view he had done an excellent job and he wanted credit for all he had done, which was quite fair. I was biased towards my own decision at the beginning by offering him a low raise to start and was about to dismiss the raise of 20%, but realized there must be a reason for it and decided to listen to him.

* Mistakes: Even though I feel I got a great deal out of the negotiation I made a couple of mistakes which could have cost me dearly in a real life salary negotiation. I should be careful while expressing my feelings and not be overconfident about the figures which I have. It is important to listen to other party's figures before making up your mind regarding a situation. I felt that my raise was fair and he got what he deserved. It took me time to realize that in my counterpart's eyes he had done a much better job and needed an incentive for getting such good results. It is important that in real salary negotiation both sides are listened to before reaching a conclusion.

* Insights into your personal style/habits/instincts: This is first time I have actually offered a salary to someone and I realized what my supervisor must have felt during my salary restructuring. It was a good exercise and the planning document helped me a lot in negotiating a salary which I have never thought possible. Both the salary negotiations were good, but I feel after going through the class I will be able to see the bigger picture while negotiating. I did a better job of understanding my counterpart during the second negotiation as compared to first, and realized that it is important for both parties to understand each other's goals and objectives even when both are on same side.