Negotiations - New Job

A balance of interests

Dr. Mark Werwath
Negotiations basics

• BATNA - Best alternative to a negotiated agreement
  – Know this before you negotiate
  – Your best option may be a “no deal”

• Zone of positive agreement
  – Where the two parties have a mutuality of interest
  – Describes the overlap between the two party’s best interests

• Sometimes there is no ZOPA

• Sometimes the BATNA should be exercised
Key concepts

• Negotiations start before the interview
  – Preparations-know the requirements for the position and the context of the position before the interview
  – You set and receive expectations before the interview (salary, benefits, location, travel, etc)

• Best to keep negotiations out of the interview itself

• Need to know your priorities and your BATNA before the negotiations starts

• The formal offer starts the negotiation process
  – Ideally, if you have stated your needs and understood the position, there should be little need to negotiate
  – The offer should meet your needs-but you need to understand the employer’s expectations to know if you can meet them
Employment options

• Permanent direct employee
  – Full time versus part time
    • Part time usually has no benefits
  – For global companies...location of hiring entity is important. The entity employing you will determine the employment laws to be followed

• Contract employee (1099)
  – Usually has no benefits, but sometimes higher pay
  – “Employee” must pay 7% towards FICA
  – Employee thinks of himself as a free agent-less of a view of employer as “papa”
  – This is usually done as a “temporary” contract relationship.
    • Employee is a corporate entity.
    • Employee invoices customer and gets paid 45 days after invoice is received
Employment agreements

• Best to get these ahead of time and have them reviewed by your lawyer

• Typically these restrict:
  – Outside employment
  – Sharing of company information both during and after employment
  – Patents, inventions and other intellectual property
  – Rehire or hire inside the industry
  – Premature termination-payback of bonus
Employee interests

• Base salary, based on qualifications, market conditions and company standards
  – Annual bonus is usually a % of base pay
  – Raises are a % of base pay
  – Base pay is dictated, to some extent, on pay grades and comparisons to industry averages
    • Usually done by compensation specialists
    • Based on education level and experience
  – There is usually some flexibility in starting salaries, frequency of salary reviews and scheduling of salary reviews
Additional employee interests

- Relocation expenses (when moving hundreds of miles or more)
  - Short term housing in new location
  - Selling old house, buying new house (points, etc)
- Sign on bonus (cash or stock options) or sign on loans
- Educational reimbursement
  - Executive ed can often be directly paid to school
  - Many employers will pay 100% for a Master’s degree
- Working hours, location, or company paid benefits like cars and housing, clothing allowance
- Job rotation, or corporate training
- Amount of travel required or desired
- Job responsibility
- Job security…in executive situations one can negotiate guaranteed severance (golden parachutes)
- Equity positions for small companies and for more executive positions
Employer interests

- Protection of intellectual property of the company
- Wants to establish commitment of the employee
- Protection of investments made in new employees
  - Promissory notes for loans and sign on bonuses
  - Vesting period for stock options
  - Refund of training dollars in the event of early resignation
- Must maintain employee morale and can't afford to disrupt the compensation schemes in the organization
- Hiring the best people, keeping people happy and well educated/trained
De-mythology

- Most people don’t leave a job principally because of money
- Most people are not dissatisfied with a job principally because of money
- The real reason people leave and the reason they will give are often two very different things
  - Don’t want to burn bridges
  - Don’t want to be misunderstood or having a situation overblown
Costs to hire

• Recruiting is a real cost
  – It can average $10K to $20K for each individual hire
  – When you factor in learning curves and training, the costs of hiring a new employee can easily double
Recommendations

- Know what you need to have and what you would like to have. Know your BATNA and RP
- Know yourself
  - Can you work for others?
  - Do you have a need to lead or to follow?
  - Do you want to be a big fish in a small pond or a small fish in a big pond?
  - Picture yourself and your life in this new position
  - Don’t dismiss your intuition…how does the company seem??
- Know the salary expectations for people with your experience, education and job responsibilities
- Have some basic equations in your head:
  - Higher risk jobs should yield higher pay rates
  - Security is generally an illusion. Nobody can guarantee you a job, before or after you start work
- Be willing to ask for what you need, and maybe what you want!
Typical issues under negotiation

• Salary, pay-grade, stock options and benefits
  – Vacation and paid time off
• Sign-on conditions
  – Start date, bonus
• Responsibilities of the position
  – Reporting structure and # direct reports
• Flexible work options
• Conflicts of interest
• Career path management
• Educational opportunities
Some hints

• Salary isn’t everything
  – Some benefits are potentially very valuable
  – Good work environment is very important

• The offer is the beginning of an ongoing long term negotiation—not the end of one
  – Look to the long term and develop a healthy relationship
  – Pettiness during negotiations will be remembered

• Don’t be afraid to state what you truly need
Your rights

• You are owed many things in the hiring process, including the right to fair hiring practices and non-discriminatory treatment
• Some tests and profiling have been shown to be discriminatory
  – Most companies are pretty careful these days
• You can usually expect some form of severance once you have agreed to start a job, even if you haven’t actually started
  – Rare cases where offers are withdrawn after acceptance usually result in some kind of severance
  – Based on the concept of detrimental reliance
• You have the right to insist on a formal written offer before acceptance
  – Generally it is good practice not to give notice at your former employer until you receive a formal offer from your new employer
General conventions

- You can expect extensive background checks, credentials checks and reference checks—these days you can’t afford to make a hiring mistake.
- Some employers are now conducting psychological and other types of testing as a screen.
- Employers don’t like to pay you less than you were making in your prior position.
  - Concept of underemployment is strong—belief is that you will spend your time looking for another job with higher pay.
- Employers won’t violate their own compensation guidelines no matter how much they want you.
  - One employee wrongly hired or positioned can be very disruptive.
- Relocation expenses, expatriate positions and even tuition reimbursement are becoming more and more rare.
- Sign on bonuses and stock options still seem somewhat prevalent.
  - Expect a 3 to 4 year vesting period on stock options.
Behavioral interviewing

• Attempts to predict future behavior based on past on the job behaviors-your behavior and NOT that of your subordinates
• Very evidence based-no theory allowed!!
• Maps directly to the competencies required of the position
• Based also on a triangulation of views
  – Multiple perspectives, often with mutually exclusive and some designed overlap of perspectives
Strategies for behavioral interviews

• Understand the competencies required of the position up front
  – (Ask your recruiter for these before the interview)
• Be prepared with personal work stories that are fact based and extremely specific
  – Dates, locations, scenarios and situations.
  – Be precise about the impact you had on the organization. What ACTIONS did you take, and what affect did they have (measure-able)
  – Be able to map these stories to the competencies
• Try not to be redundant with yourself. A unique story for each situation is usually ideal
• Reduce mapping to the ideal or the theoretical as much as possible. Theory has little place in a behavioral interview
  – Do this only if you are asked what you would have done differently, but then again it is best to rely on prior experiences than some textbook