**BMGT20190**

**Introduction to Negotiations 2018/2019**



**Salary Negotiation**

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Introduction

In this negotiation I will demonstrate the key points to help reap the most rewards from your salary negotiation. This guide will navigate you through the key stages of a salary negotiation: Preparing for your negotiation, showcasing your skillsets to strengthen your case, and finally when and how to make concessions.

This guide will assume that the meeting has already been organized, and that both parties are aware that it is in regards to a salary negotiation. If you are under the impression that it is a meeting for a performance review it is also acceptable for you to raise your salary as form of performance from the companies behalf. For example, if you have performed outstandingly then your salary should reflect this, using this will allow you to organize a time for a salary negotiation, and even better if you have prepared your case before hand.

The best way to lead is by example, for this guide I will assume that you are working as a Data Scientist for Anglo Irish Bank (A.I.B) on an entry level salary of €25,000. You have completed just over a year of work setting up a new department for the Bank. You believe that with the rising cost of living in Dublin, the amount of work you have put into your department, along with the upskilling you have done in your free time you now wish to negotiate for a higher, but reasonable, industry standard salary.

Your meeting will take place with your manager and a staff member from Human Resources (HR). have prepared some facts and figures to aid your case, shown below. We will begin with the preparation.

Preparation is Key

In order to avoid being taken advantage of it is always best to come prepared. You should create a similar planning document to the one attached. This allows you to create a clear Best Alternative to Negotiation Agreement (BATNA), in other words what you will do if there is no negotiation agreement. In this case, your BATNA would be accepting a job offer for a similar role with pay closer to your target.

Your Reservation Price (RP) is the lowest offer you will accept before considering your BATNA. Remember, your reservation price can change with new information from your employer. This should never be disclosed to them, doing so would allow them to gain an advantage over you. Any offer that drops below your RP will not be accepted, and you will choose your BATNA instead. The actual agreed salary in your RP may drop below your BATNA if you receive better benefits, which are of value to you. Here your RP will be €28,000 if your benefits increase, otherwise €31,000 as it is the market standard.

After you have prepared your BATNA, RP, and goals for this negotiation its time to assess your employers/companies. This can be done easily with a well-established company (or most on the stock market) as they will have annual reports relating to financial gains/losses. For this guide we are looking into a position at A.I.B, the report (AIB Group plc, n.d.) is extremely advantageous as it is prepared by the employer themselves. It is near impossible for them to argue the statistics you reference within the report. A sample preparation document is attached, based off these results.

Next, you should identify where the Zone of Possible Agreement (ZOPA) lies, this is the range that is between your RP and their RP. The greater the difference the more room to navigate, create value, and logrolling (trading off less important values to you, for more important values from the opponent). While logrolling is not as easy in a narrow-negotiation like salaries, it is still possible (taking on additional, minor work for such benefits like salary increase, paid lunches, extra vacation days, etc). Don’t forget that a salary negotiation can also be a chance to discuss benefits from the company, though typically these have at least a year before renewal/changes.

Claim Your Value

Depending how you decide to anchor, the most value can be claimed by a high, yet justified, anchor. This will improve the ZOPA, and allow you to claim more value. Don’t lose value by negotiating against yourself, if you have made a concession allow them time to suggest a counter-offer. Some negotiators may use this silence to their advantages as people tend to make further concessions. Only make a concession if you believe it is objectively justified, don’t allow feelings to distort the truth.

This is not only a negotiation for your salary, if you feel that you have made more concessions than your employer and are reaching your RP quicker than expected you have the ability to logroll. This means that you can trade off aspects that are more valuable to them than to you, for example you may look into your benefits that are not of interest to you. (i.e you could trade your company paid public travel card for a higher salary, or end of year bonus).

Realm of Influence

When negotiating you can use influence to your advantage, but be sure not to deceive your employer. Influencing them is more about letting them decided on how to interpret the facts you have given them, you may not have given them all the information but just enough to guide them a certain direction. Of course, if they ask for clarity it is your obligation to provide or substantiate what you are saying.

For example, to build your case you can mention your upskilling over the past year. You can boast about how much effort you put into learning a new skill, creating a project that aided your colleagues, or even working unpaid overtime. These points help build up your reputation as an employee they’d like to keep, however if they ask for certificates of your training, or a log of your hours you will need to provide this evidence. Unable to do so will damage your reputation, and put their guard up making it harder to achieve a favourable outcome.

Your opponent may also use these tactics and it is wise to come prepared. Having data on the industry averages that highly correlate to your skillet, position, and experience will be of immense power to you. This can easily be obtained from websites like Glassdoor, Jobs.ie, LinkedIn, etc. It can also be a good idea to politely ask what your peers are receiving, in Ireland if you are on the same experience/skillset and perform the same tasks then you are legally entitled to be paid the same rate.

Hitting the Wall

What can you do if they will not make concessions? You may come across reasons such as “We don’t have the funds/ it’s not in the budget”. This can be countered since you came prepared. You have the companies earnings which (hopefully) show large profits. By asking your colleagues for their salary you are creating additional backup for this.

“You have not been here long enough”. A salary negotiation should not take place within the 1st year without an urgent reason, such as being on an unliveable wage. Otherwise, in a competitive market, especially one like tech, salaries are often reviewed annually.

“You are paid the market rate”. If you believe you are giving the market standard, then being paid the market standard should be enough. You can discuss that your salary does not meet market standard, as they suggest. You can also negotiate upwards from market standard based on your higher than industry average skillset.

The main focus is to try turn their excuses back onto them, or to essentially make them work for you. Create value from these blockades. If you cannot think of a reasonable turn-around, take the time to think or ask for a more in-depth answer as to why.

Remain Calm

If the negotiation becomes too heated you should ask to reconvene at another time, or if an ongoing issue a mediator should step in. As mentioned, it is assumed that this negotiation will take place with your manager and someone from HR as the mediator.

If you feel that you are being lied to it has best to set up a simple trap. You should be taking notes throughout. Use these notes to clarify a point, purposefully read a note back to them wrong. If they agree to the wrong note, ask if they are sure, then be prepared to call them out on their lie. Doing so should prevent them from lying in the future, retrace their steps, or maybe even offer a larger concession as a form of apology.

The best defence technique to use is to ask less direct, less threatening questions to source information (to confirm your ideas about their BATNA, RP, and the ZOPA).

Seal the Deal

Once concessions have started to close in on a deal it is time to consider your options. You should be negotiating multiple issues (Salary, Benefits, Bonus) and have an idea of your, new ideal settlement. Ultimately in this negotiation it is up to the employer on what is to be accepted, but using your negotiating skills you may be left with multiple similar offers to choose from.

Once the ideal salary/benefits have been agreed on, you should have your manager, in writing, agree to the deal. This is to prevent them backtracking on agreed terms between the negotiating ending and the new contract being signed.

# References

AIB Group plc. (n.d.). *Annual Financial Results 2018*. Retrieved from https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/resultspresentation/aib-annual-financial-results-2018-presentation.pdf

Numbeo. (n.d.). *Numbeo*. Retrieved from https://www.numbeo.com/cost-of-living/in/Dublin

# Planning Document

|  |  |  |
| --- | --- | --- |
|  | Recruit | Employer |
| Interests | * Achieve competitive salary based on skillset * Survivable wages * Continue within the department you worked hard to setup | * Retain staff * Fair opportunity/equal pay * Be profitable * Retain talent |
| Best Alternative To Negotiation Agreement | Alternative job offer with more ideal salary. €31,000 low ball for other companies, Junior Positions. | Retaining staff at same salary (no increase).  €25,000 |
| Reservation Price | €28,000 (Lower than other employer, but less retraining time) | €25,000. Can hire another intern/junior level |
| Target | €37,000 (including bonus) | €25,000 |
| ZOPA | €28,000 - €37,000 | |
| Sources of power | Experienced with company specific tools  Degree in Data Science, a new field. | Newly formed team, yet to provide substantial evidence of improvement |

# Salary Breakdown

|  |  |  |  |
| --- | --- | --- | --- |
| Salary | €25,000 yearly  €2,083 Monthly | €31,000 Yearly  €2,583.33 Monthly | €37,000 Yearly  €3,083.33 Monthly |
| Tax  20% up to 35,300  40% on remainder | €5,000 | €6,200 | €7,060 + €680 = €7,740 |
| Take Home | €20,000 | €24,800 | €29,260 |
| Rent (City Centre) | €1,800 Monthly  €21,600 Yearly | | |
| Rent (Outside CC) | €1,400 Monthly  €16,800 Yearly | | |
| After Rent (CC) | -€1,600 Yearly  -€133.33 Monthly | €3,200 Yearly  €266.66 Monthly | €7,660 Yearly  €638.33 Monthly |
| After Rent (Outside CC) | €3,200 Yearly  €266.66 Monthly | €8,000 Yearly  €666.67 Monthly | €12,460 Yearly  €1,038 Monthly |
| Food (Aldi) | €2,400 Yearly  €200 Monthly | | |
| Utilities | Broadband | €50 Monthly | €600 Yearly |
|  | Phone | €20 Monthly | €240 Yearly |
|  | Public Transport | €120 Monthly | €1,440 Yearly |
|  | Heating/Water/Electricity | €100 Monthly | €1,200 Yearly |
|  | Total | €290 Monthly | €3,480 Yearly |
| Remaining Money | | | |
| Rent CC | -€1,600 – €3,480 =  -€5,080 | €3,200 – €3,480 =  -€280 | €7,660 - €3,480 =  €4,180 |
| Rent Outside CC | €3,200 - €3,480  -€280 | €8,000 – €3,480 =  €4,520 | €12,460 – €3,480 =  €8,980 |

AIB Financial Report:

<https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/resultspresentation/aib-annual-financial-results-2018-presentation.pdf>

Cost of Living Dublin:

<https://www.numbeo.com/cost-of-living/in/Dublin>. Average 1 bed apartment is €1,400 – €1,800 per month, per person