

NEGOTIATING YOUR FUTURE

Some important steps in getting what you deserve out of a job offer

Professor Molly Kern

The single most frequently asked question I get as a negotiations professor is “Should I negotiate my job offer?” This question is closely followed by “How should I negotiate my offer?” The answers to these questions are critical, because this negotiation will impact your professional and personal well-being for years to come. A small difference in salary today can result in tremendous differences in your lifetime earnings. You are negotiating your future. And so, the simple answer is “Yes, you should negotiate.” Unfortunately, there is no simple answer or formula for how to negotiate a job offer. However, there are six steps I always recommend.

Step 1: Identify Your Wants and Needs

First, you need to determine what it is that you really want. What is your ideal job offer at this time? When considering this you need to think about the present and the future. For example, what responsibilities are you hoping to begin with and what would you like to acquire over time? What types of compensation do you need (e.g. salary, commission, bonus, stock options)? What types of benefits do you need now and what will you need in the future (e.g. health-care, retirement, 401(k), life insurance, disability insurance, vacation time, sabbatical)? The goal is to generate a list of wants and a separate list of needs.

Step 2: Identify and Continuously Try to Improve Your Options

Then, determine what your alternatives are, and of these, which is your best alternative. What are your options if you do not get this job? Will you pursue another job offer, earn another graduate degree, travel around the world, volunteer, or work on a political campaign?

Ideally, you will have multiple job offers to choose among should the current negotiation fall through. However, if you do not have numerous and fabulous offers piling up, you still need to consciously evaluate your best alternative. We often enter negotiations feeling vulnerable and sometimes desperate. This is because our best alternative is not very attractive. Therefore, a job seeker needs to really understand what his or her best alternative is, and if it is not a good one, he or she needs to try to improve it. So, although you have scheduled an interview with one company, certainly do not decline other invitations. And, even as you engage in the full interview process, keep your options open until you have formally committed to a position.

Step 3: Take the Employer's Perspective

Then, you need to consider the employer's perspective and identify what they are ideally looking for and what their alternatives are. Consult the career management center of your college, the internet, headhunters, or colleagues to learn as much as you can about the employer. What is the company's current labor market situation? How many people are they trying to hire? What is the strength of their internal labor market? How tight is the external labor market? Does the employer have multiple options (i.e. many graduates could fit their requirements) or are the options limited due to a specific and distinct required skill set? Are they desperate to have someone start immediately or do they have substantial time?

Step 4: Consider the Issues and Prioritize Them

You are almost ready to negotiate. Before beginning though you should also consider what issues you are negotiating and then prioritize them. Financial compensation is often at the top of a candidate's list, but what other items should you be discussing? A few ideas include your start date, title, bonus, benefits, timing of performance reviews, vacation time, job assignments, flexible work arrangements, support staff, and tuition reimbursement. Be prepared to discuss your priorities and preferences. And remember to consider the employer's perspective on these issues as well.

Step 5: Anticipate and Practice

Now, the last step is to anticipate what might happen in the negotiation. Negotiations very rarely proceed as we expect and so it is important to consider multiple paths the negotiation might take. If the employer makes the first offer, how will you respond? If the employer asks you to state what you are looking for, what will you say? Then, what if the employer says they cannot do what you are asking? By thinking through what might happen it will enhance your preparation and build your confidence. You might even consider role playing a few of the scenarios with a friend or even practicing in a mirror. Negotiating a job offer is no different than making an important pitch to a client – not only will the content be evaluated, but also the delivery.

Step 6: Negotiate

Now, you are ready to negotiate. Assume that the employer's offer is negotiable. Not every aspect of the package might be flexible, but it is likely that something is. This conversation is an attempt to understand what both you and the employer are looking for and to find a mutually beneficial set of terms. As such, you must be prepared to share information about what is important to you while taking into account the employer's interests as well. Furthermore, negotiating is often a desired skill set among managers, and this is a dress rehearsal to see how you will perform.

You should always be prepared to make the first offer. Couch your offers with objective rationale such as industry averages, information from the career management center, and other relevant market information. Focus on objective standards that are favorable to you. If the employer suggests a different (and unfavorable) standard, be prepared to explain why that is an inappropriate reference point. Highlight the unique qualities that you bring to the company. Present your offer as a package of issues. Suggest that there are a number of elements to your decision and that your acceptance of the offer will depend upon the complete employment package.

One common stumbling point is when the employer has made an offer, and the candidate does not know what to do next. First, sincerely express your enthusiasm for the opportunity and your gratitude for the offer. Then, (while I recognize that it is sometimes intimidating to initiate a negotiation), this is the very point where you have slightly more power than the employer. They have extended themselves, and it's your opportunity to either accept or decline

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Professor Molly Kern is an Assistant Professor in the Management Department. Her research focuses on negotiations and team performance. Prior to entering academe, Professor Kern was a college recruiter at Deloitte.

ECONOMICS OF THE ENVIRONMENT

Making Sense of Climate Change, Renewable Energy, and Everything Else

Oded Kafka

"Economists exist to make weathermen look good," my college roommate used to say. Both groups make verifiable predictive statements about complex systems. Lately, the two groups have lent their predictive powers to a common topic – global climate change. Pick up a newspaper or turn on your television news station on any given day, and you will find a story about global warming, renewable energy, carbon credits, reliance on Middle Eastern petroleum, plug-in hybrid vehicles, cellulosic ethanol – all of which are intertwined. Even President Bush's annual State of the Union address mentioned climate change. In fact there is so much information on this subject that it can be overwhelming. I am going to share a secret that should help you cut through the clutter from climatologists, economists and just about anyone else. It all comes down to uncertainty. The debate is about the extent of uncertainty and the best ways to mitigate risk.

Climatologists, (those are the weathermen) are in general agreement that increased levels of greenhouse gases from human activity have raised the rate of change in our climates. The disagreements surrounding the issue focus on the amount of change for which we humans should feel responsible. The effects of climate change are also reasonably certain, although experts disagree about the precise impacts to the complex biosphere – the extent of melting ice sheets and the increasing incidence of droughts and floods. The real danger to ecological and economic health is in volatility, and all indications are that normal climate conditions are becoming more volatile.

The economists, making the case for my erstwhile roommate, are less definite about their predictions. Some argue in opposition to voluntary limits on greenhouse gas emissions, which in the absence of similar restrictions on China will make

the US less competitive. Others say that voluntary limits will spur investment and innovation to meet the targets, yielding new technology that can eventually be exported.

Last month's Scientific American carried a story by Matthew Wald about ethanol production which criticized the approach taken in the U.S. on many fronts. The main criticism leveled at the industry is that it takes almost as much fossil fuel to grow the corn and distill the ethanol as the energy contained in the ethanol. Gasoline powers the farm vehicles, coal-fired plants power the fertilizer industry, gas powers the ethanol distilleries – so where is the miracle solution? The real goal is to produce ethanol from cornstalks, not corn, and from other plant matter – cellulosic ethanol.

Don't believe in miracles. Taken on its own, the ethanol revolution occurring in the Midwest does not make sense. But as with climatology, the system is complex, and changes should not be viewed in isolation.

Renewable energy is making inroads in technology and competitive costs. New wind turbines are able to produce at a cost that is increasingly competitive with other sources. Solar energy, while not nearly cost competitive yet, is making technological advances that allow it to be integrated into buildings in a way that is inexpensive to implement and aesthetically pleasing. As these technologies become increasingly economically viable, they will make the ethanol revolution less dependent on fossil fuel inputs. Remember, we are mitigating risks to climate change as well as geopolitical risks of dependence on foreign controlled petroleum.

Thomas Friedman's January 10th New York Times op-ed talks about coal as a green option. That's right, coal. Well, perhaps it's too soon to

dust off your old coal furnace. Friedman visited with Governor Schweitzer of Montana, a state with coal in abundance – 8% of the world's coal reserves is a serious abundance. He is pushing the coal industry to stop denying climate change and take the lead in developing clean coal technology. For Friedman, abundant coal used in conjunction with the latest clean energy technology is the best, most realistic way to wean the country off of foreign fuels. Clean coal technology, again, can change the mix of fuels that goes into creating the ethanol in your tank, and reduce the risk of shortage and price volatility.

Energy from clean coal or renewables entering the mix will power our homes. Not only that, but your next automobile may be a plug-in hybrid, combining a combustion engine and an electric motor, which lets you recharge the battery by plugging it in at home. So your vehicle will be powered in part by liquid fuels, in part by electricity from the grid. The portfolio of energy will depend on the owner's usage patterns, and the relative costs of the two energy sources. As with your financial portfolio, risk can be mitigated by diversification.

Matthew Ward has it wrong. The simple nudge of the invisible hand towards lower energy costs is not driving change. These changes are being driven by risk mitigation. Dependence on Middle Eastern oil is risk heavy as is reliance on any one new technology. Complete reliance on renewables breaks down on the natural intermittence of sunshine and windy days. As any student of risk management can tell you, diversification is the key to successful risk mitigation. Next time you see the television talking heads discussing the benefits or detriments of some form of renewable energy or clean carbon technology, you may find it easier to evaluate their positions from the perspective of risk management. ☞

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the position. This is your chance to carefully consider what they have offered and to assess how it reflects what you have identified as your ideal situation (in Step 1) and your priorities (in Step 4). Then, assuming that it is not quite perfect based on the information you compiled in your research and planning, it is time to make a counteroffer. If you are at a loss for words, I do not advise asking "Is this negotiable?", because it is too easy to say "no." Rather, say, "I have a few questions about the benefits package that I would like to discuss with you," or "Can you tell me more about the bonus system?" Asking questions such as these produces more in-

formation from which you can glean which issues are negotiable and which are inflexible.

If the employer says something is not negotiable, ask why not? You might also inquire if something can be traded for the non-negotiable item. For example, the employer might not have any flexibility on salary due to internal wage structures; however they may be able to provide a higher moving allowance or signing bonus. Or, if the employer cannot justify the requested wage package now, negotiate a review in six months instead of a year.

If the person you are negotiating with does not have the authority to give something you really need in order to accept the offer, ask who does and ask the person you are negotiating with if they can help you get to the person with authority?

Finally, I encourage you to negotiate in good faith. If you have no intention of accepting a position, then you should not be negotiating the related offer. Do not waste a person's time or risk your reputation by engaging in a fruitless negotiation. Instead conduct a comprehensive job search and pursue each opportunity until you realize that it is neither your best offer nor your best alternative.

In conclusion, negotiating is a skill that we develop with practice, and it is a skill that is highly valued in the marketplace. So, demonstrate your facility with this skill set and provide even one more reason why the employer should be excited to have you on board. Remember, there is no other time when you will have this much power to ask for what is important to you. ☞