



# Stanford eCorner

## Negotiating Salaries

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Video URL: <http://ecorner.stanford.edu/videos/1879/Negotiating-Salaries>

Stan Christensen talks about his experience in negotiating salaries and fills the conversation with interesting personal experiences. He believes that developing a best alternative to a negotiated agreement and having a good idea about the objective criteria is key to effective negotiation of salaries.



### Transcript

Salaries and pay increases, how do you negotiate them? So salaries and pay increases are about two things: and they happen to be the same two elements of the last question. They're about alternatives and criteria. So the most important is having objective criteria. So if you're in an organization, and let's say that it's IBM, you want to know what do other people at your level get paid, how quickly have they been increased in their salaries? You want to have some good internal objective criteria. You'd also like to have some external criteria. What are they paying at HP for similar roles? What are they paying at Dell, if it's an OEM kind of a job, for the similar kind of role? So you want to have objective criteria. Number two, you want to think about your alternative. Now, sometimes you need to let the other side know, or at least be prepared, if you don't get the salary increase, maybe you'll go work at HP. And often - I'm not saying you need to threaten with your alternative, but you'd at least like to know that if you walked away, you'd like to have that in your back pocket. So if I know when I go in to negotiate with my manager, that I've got a job waiting at Hewlett Packard and it's 15 % more salary than I'm getting at IBM, I'm feeling more powerful when I go into the negotiation.

And so developing a good - what's called BATNA, the best alternative to a negotiated agreement when you go in, and having good data about objective criteria, I think, is really important. Students - I hire a lot of students, because we're an investment bank, and we hire a lot of young people. And there are people that - there are students that will come in, and whatever salary you offer them, they ask for more. "You can have \$30 million." "No, that's crazy. I've got to have more." And it's not very persuasive. Now, if they said, "Gee, the other investment banks are paying more. I've done some research. You guys are 5 % lower." That would be super, super persuasive. Or, "Hey, I've got this offer at Goldman Sachs, they're paying more." That's persuasive. But people who just ask more no matter what, not so persuasive.