

Work Related Values of Business Graduates Based on an Analysis of Pay Negotiation Simulations

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Our research investigates how graduates in Business and Economics negotiate a pay rise for themselves in negotiation simulations. Competency-based pay, which rewards employees for their demonstrated capabilities is a core value for young Business graduates - as was indicated by a questionnaire-based survey (“The Ranking of Work-Related Values by Young Graduates”) undertaken at the Faculty of Business and Economics of the University of Pécs in 2009. The English language simulation involved 68 students who acted out the roles of junior manager and managing director of a small member of an international group of companies. The questionnaire examines how young graduates can represent their interests and needs in face-to-face communication with their supervisors in a real world situation. It analyses the negotiation strategy and tactics which students used in the employee- employer relationship. It also examines how the dyadic behaviour of the two parties influenced a mutually beneficial outcome. Not only Hungarian, but also other European, students participated in the simulations, which provided an opportunity for cross-cultural comparison of the work-related values of graduates focusing on compensation.

Both tangible and intangible aspects of performance recognition are included in the simulation. The two parties are a young executive from the parent company and the managing director of a small member of an international group of companies. The 26-year old South American executive from the parent company is on a three- to four-year secondment to the small UK company. He is not happy with his salary, since he had heard (on the ‘grapevine’) that his starting salary was some 900 below that of his predecessor, and that the salary of another employee salary doing a similar job is nearly 500 more than his. He approaches the managing director to ask for a pay rise. Although the managing director was informed that the executive’s work is satisfactory, he does not intend to give him a pay rise. His two main reasons are that the company has turnover problems and the young executive cannot be paid more than the long-serving employees (Resource of Role Descriptions: Lees, 1983).

The 68 participants in the simulation enrolled on a negotiations course which included studies of strategies and tactics (Fisher and Ury, 1991; Kennedy et. al., 1989; Lewicki et.al., 2003; Pruitt 1995). Each student completed a two-part questionnaire - the first part before, and the second part after, the negotiation simulation. The first part of the questionnaire provides information concerning the tactics which the participants planned to use, whilst the second summarises the experiences of the simulation by making students assess their own and their partner's tactics and their implementation. The two separate parts allowed me to evaluate the use of tactics both on a quantitative and a qualitative basis.

The participants in the simulation were Hungarian (54) and other European (14) students studying at the Faculty of Business and Economics, University of Pécs. Most of the foreign students took part in Erasmus exchange mobility. The quantitative and qualitative analysis of the questionnaires does not show any diverse strategies and tactics used by different European nationalities in the aspect of representing interests and needs in employee - employer relationship. Notwithstanding their different national contexts European students seem to have similar work related values and attitudes to represent them based on the converging business education at business schools and universities and student mobility in the European Union.

The questionnaires show that only 8 students out of 68 were found to be uncooperative by the other party. The proportions of foreign and Hungarian students in this respect are equal, although that of females (2) is lower than that of males (6). They used distributive strategy and tactics such as the 'Russian Front', which forces the other party to choose between two options and 'off Limits' both inhibiting the other party from advancing a new argument.

Most of the students, whether acting out the employee's or the employer's role in the simulation, were cooperating in finding a solution satisfactory to both parties. However, even in integrative, problem-solving negotiations, the basic interests of the parties should be firm, whilst the negotiators should be flexible in handling their proposals (Pruitt, 1995). In the first part of the questionnaire the students gave their reasons why they intended to be cooperative: the 'employees' did so since they did not wish to risk their career with their present group and so wished to retain their good relationship with the managing director of the British company for which they worked as expatriates. The 'employers' also intended to be cooperative as they

did not want to lose a good employee and they also wished to encourage the young executive to develop his competencies and improve his performance.

Even if being integrative and cooperative, both parties tried to strengthen their initial and bargaining positions with distributive, persuasive tactics. The 'employees' had a relatively weaker position in this negotiating situation, referring to the fact that they could not tell the managing director the unofficial information about unequal pay which they had heard informally. Consequently, most opted for 'tough bargaining' tactics in order to maximise their persuasive efforts. Although they emphasized that they could not be too offensive, since they did not wish to lose their career prospects in the company. The questionnaires show that 18 students out of 34 started the negotiation with the 'Noah's Ark' tactic, stating "I have a better offer than yours from another company". They revealed their BATNA and made a 'veiled threat' to leave their present company. The 'aim high, aim low' tactic was also implemented by 4 of the students when making their initial offer. It is a tactic traditionally used by employees in pay negotiations to ask for slightly higher compensation than they aspire to. This creates a margin for bargaining and commonly results in a higher outcome for the negotiator using this tactic. 6 of the 'employees' tried to influence the employer emotionally using the 'widows and orphans' tactic, referring to their inability to provide satisfactory living conditions for wife and children.

The 'employers' - aware of their stronger position - tried to convince the other party to defer his claim for a pay rise and to accept some other form of tangible or intangible compensation. They used diverse tactics in their arguments. They referred to the fact that the company's turnover was below budget ('Mother Hubbard'), to company policy ('No can do.') and to non-negotiable issues ('off-limits') and to their limited authority ('No authority here!') in order to strengthen their position in refusing a pay rise. However, they became more cooperative during the negotiation using the 'tough guy, nice guy' tactic and gave concessions, although minor.

Both parties used the item-based negotiation tactics the 'Brooklyn optician' and the 'salami', since these tactics make their claims or offers seem more favourable (16 'employees', 5 'employers'). The 'Linking' tactic was also used by both parties, connecting points of argument in a tactical way. Introducing a counter-argument by saying 'Yes, but...' was also a

frequently-used tactic since it did not inhibit free argumentation during the bargaining process (15 ‘employees’, 14 ‘employers’).

The students’ negotiating behaviour and their objectives in the pay negotiation simulations were in accord with the results of the questionnaire-based survey on The Ranking of Work-Related Values by Young Graduates (2009; involving 83 survey respondents). The work-related values with special regard to compensation investigated in the survey are competence-based salary, benefits, intangibles, compensation fairness, career development and long-term assignment (Mathis and Jackson, 2006; Poór, 2009; Storey, 2007) (Table 1).

Table 1 The percentages applying to Hungarian Business graduates

Level of importance	Competence-based salary	Benefits	Compensation fairness	Intangibles	Career development	Long-term assignment
Important	36%	36%	33%	33%	40%	49%
Very important	57%	43%	43%	21%	38%	29%

Looking at the findings of this empirical research through our pay negotiation simulation, it can be seen that Hungarian Business graduates value the long-term assignment and career prospects and are willing to cooperate with their employers to earn them. Their objective is to earn competence-based salary, but they are flexible in respect of other benefits, intangibles and career development possibilities as a substitute for a salary increase. The research focused on Hungarian Business graduates since there were nearly four times more Hungarians who participated in the simulation than other European graduates. Whilst acknowledging the small number of other European participants, the conclusions drawn on from a study of their questionnaires are in line with the findings referring to the Hungarian graduates.

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