

Student Voices

There's No Such Thing as a Salary "Discussion"

by MPA/MBA '17



Most every startup that makes it through the initial stages of development will eventually reach a time-honored tradition: hiring a first employee. I reached that point earlier this year when a good friend and classmate, with whom I had always worked well, was interested in working for my new business. I quickly brought him on board.

As we sat down to discuss his salary, I had hoped our business relationship would contain the same trust and understanding that we had developed as friends. As a result, I proposed what I believed to be an unambiguously generous package. The offer included base salary similar to what one would get from a big tech firm as well as equity in the 90th percentile of someone in this role, in order to make it apparent that this was not a 'negotiation' but an offer I wanted him to accept.

Yet right away, it was clear that we did not share the same mindset. My friend indicated that my offer was far lower than what he was expecting. I fully believed him when he said it sounded too low; after all, this was one of my closest friends and I had no reason to doubt his motivations. I ended up increasing my offer to a number much higher than I was comfortable with, thinking that despite the research I had done, maybe there was something unique about this situation that warranted his demand.

After agreeing to the deal, I spoke to several of my mentors who immediately informed me that I had made a mistake. My proposal was in fact an **anchor** and I had started the conversation at the number where I wanted it to end. To make matters worse, I never explicitly detailed my **interests** – agree on a fair package that demonstrated how much I had valued him - behind my **position** – the offer.

Right before we were about to sign the final draft of his contract, my friend came back to the table with a new demand. He wanted to insert an acceleration clause into the contract, a protection stipulating that his equity would vest faster if we were acquired within a certain period of time. This was the final straw. Not only was my friend receiving a generous package from a startup, but now he also wanted his equity to vest even faster.

I refused to cave again and explained that if he did not sign the deal to which we had agreed, it wasn't going to work out.

After a few days, we met again to revisit the package and I began to implement some of the lessons from Negotiations class. I labeled previously unacknowledged concessions, probed deeper to find tradable interests, and was eventually able to reach a deal that worked for both of us. Ultimately, the lesson is clear: salary discussions are always a negotiation, even when they might just look like conversations between two friends.