

# Impact of Salary Negation on Salary Increment Between Middle Level & Top Level Management of Pharmaceutical Companies of Pakistan

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## Abstract

The study examines importance of individual differences and negotiation strategies to increase starting salary, research indicates that there is a strong relationship between the strategies to negotiate and increased in salary. Individual differences, such as risk-aversion and integrative attitudes determine whether an individual would negotiate or not. If he would negotiate for increasing starting pay then what sort of strategies would he utilize. Results indicates that those who chose to negotiate to increase their initial salaries and other non monetary benefits using collaborating and competing strategies gained non-monetary benefits as well as increment on their initial salary as compared to those who used accommodating and compromising strategies.

**Keywords:** Pay, Salary Negotiation, Negotiation Strategies, Salary Increase, Initial Salary Bargaining, Selecting strategy for salary negotiation.

## Introduction

This study presents the role of negotiation strategies in increasing starting salary; it also determines personality differences of individuals and its effect on selection of negotiation strategy.

Negotiation is a method of interaction between conflicting parties before reaching to the final outcome (Thompson, 1990). According to (Bazerman, 2005; Rubin and Brown, 2013) process in which individuals try to settle down between each other by giving and taking in order to do an agreement. Negotiation has five features: (I) Interests of people are contradictory, (ii) Chances of communication is available (iii) Compromises and intermediate solutions are possible (iv) There is a room for offers and counteroffers, and (v) Outcome is not determined by offers and proposals until it is accepted by both parties (Bazerman, 2005).

Negotiation for increase of starting salary is an area of attention for researchers since couple of years. Many job hunters and currently employed professionals miss out the chance to increase their salary and non-monetary benefits due to their lack of understanding of negotiation techniques and poor planning for the negotiation process, which results in settlement of sub-optimal results. According to (Lewicki et al 1996), people lack the depth of knowledge to negotiate decisively.

A common problem is that people identify two ways of negotiating: soft or hard. The soft approach is foreseen to avoid personal conflict by making concessions easily in order to reach a friendly agreement. This method has a tendency to leave the person open to being exploited. The hard method contains a winning objective where the aim is to attain the biggest piece of the pie. The best approach falls somewhere in the middle. It involves a balance between being concerned to the other person's interests and being confident with their own (Druckman 1977). Instead of a "take-all" or "give-all" approach people should look at negotiations as one of problem-solving which can offer the most potential means of creating value.

Less emphasis is given by researchers on starting salary negotiations and their outcomes in the developing world. (Lewicki et al 2006) state that salary and benefits are usually the major areas for discussion while reviewing performance of an individual and conflict with one's manager. The study explores negotiation process of starting salary, individual differences and choice of negotiation strategy. More over the research finds out that how individual differences and choice of negotiation strategies effect salary and non-monetary benefits for new employees.

## Literature Review

Initial salary has a life long impact on ones career earnings, because increments on salary are normally awarded

as a specific percentage on base pay. In addition initial salary or the base pay becomes the origin for other monetary compensation for example profit-sharing, stock options and pensions. Moreover starting salary of one company has an impact carried over to others through the common exercise of setting salaries for experienced workers in relation to their previous salaries (O'Shea & Bush, 2002).

Negotiation is important for changes occurring in human society, because the agreements are achieved through negotiation. Negotiation is involved in setting new rules of behaviour, new divisions of resources, organizing new departments and hiring of new employees. Society is often harmed when negotiation goes poor and fails to produce a mutually satisfying outcome. (Pruitt & Carnevale, 1993).

(Sasso et al 2010) found that there exists a significant gap in the earnings of men and women. According to them men earned more than women in starting salaries. (O'Shea et al 2002) analysed fresh university graduates on a diversity of structural aspects that have the capacity to influence on starting salary. They point out that those who negotiated gained increment on their initial salary, and those who had previous work experience were more likely to negotiate than fresh graduates.

(Dawson 2006), author of *Secrets of Power Salary Negotiating*, believes that many workers are working for far less than they are value simply because they don't know how to negotiate a salary. Successful negotiators use mainly aggressive approach, they tend to start negotiations with high demands, claiming as much worth for them as they possibly can. They start negotiation with a salary higher than the employer is likely to offer or pay and focuses on acquiring the highest salary.

Evidence from recent studies demonstrates that a large portion of worker turnover is a result of employee dissatisfaction with their pay. Many employers could reduce the amount of worker turnover if they knew how to negotiate compensation packages that would provide greater options for the employee.

## **1. Integrative Bargaining**

Integrative negotiations are those in which the parties enlarge the pie through trades. Integrative negotiations rely on greater collaboration and information exchange (Harvard Business School Publishing, 2003). Collaborative strategies require high trust, cooperation, openness, communication and a willingness to make concessions. In this negotiation style all parties try to highlight common needs, interests and goals, and try to fulfil and accomplish them by mutual support (Lewick et al, 1996). In this style both parties realize that they are independent and their cooperative effort would result in meeting the needs of both parties. These collaborative or integrative negotiations aim to create and claim value.

Integrative bargaining is defined as conflict in which all the participants are satisfied with their outcomes and feel that they have gained (Druckman, 1977). In integrative bargaining situations, the gains of one party do not represent equal sacrifices by the other (Bazerman, 2005). Integrative bargaining can be seen as problem solving.

The interdependence of the parties is high in salary negotiations because an employer and employee will always be dependent on each other. The employer's performance depends on the employee's performance and vice versa so it is crucial that both parties have a positive sum mentality. The continuity of interaction will remain relatively consistent as long as they work within the same organization. The final dimension involving perceived progress of the conflict can be balanced with both parties suffering equal harm and equal gain as long as the first four dimensions are easy to resolve.

## **2. Negotiation Strategies**

In our study we inspect five negotiation strategies for increasing initial salary. Which are (i) Competing (ii) Collaborating (iii) Accommodating (iv) Compromising and (v) avoiding (Dallinger & Hample, 1995; De Dreu, Evers 2001).

### **2.1 Collaborating**

This is a problem solving approach. Collaborative style has high concern for achieving one's own outcomes and the other party's desired outcomes. Major emphasis is given on detection of the basic interests of those concerned in the negotiation, in order to craft a resolution that meets the interest of both the parties. (Lewicki et al., 2011)

### **2.2 Competing**

This strategy focuses more on personal interests and gains. Less emphasis is given to others party interest. Either employer or the employee is adopting that type of strategy the prime focus is to attain maximum interests despite of other party is losing. Competing strategy can used tactics like persuading, threatening, misrepresenting, and asserting. The competing strategy focuses highly on one's own outcomes and less emphasis is given to relationship. In simple if you win then the other party will lose. (Lewicki et al, 2011)

### **2.3 Accommodating**

Individuals who perceive that relationships are more important than the outcomes in the process of negotiation they prefer to adopt accommodating strategy. Mostly who had less experience and less alternatives available, they opted for such type of negotiation. Individuals who adopt accommodating strategy are highly risk averse. They don't take risk to pressurize the mediator to accept their demands at all cost. Their reaction to the process is mostly negative because they usually lose when they enter in the process of negotiation (Michelle & Crystal, 2011).

### **2.4 Compromising**

This style involves some level of concern for one's own outcomes as well as for others outcomes. In compromising approach both the parties' sacrifices for making negotiation process successful. This style has give-and-take approach with a desire to reach an acceptable middle ground. (Fisher et al 1991)

### **2.5 Avoiding**

Individuals who are highly risk averse and try to avoid risk adopt avoiding strategy. They perceive that the risk should be avoided at all cost so they do not want to enter in the process of negotiation because once you enter in the process then there is some sort of risk. (Bottom and Studt 1993)

## **3. Risk aversion and its impact on choice of negotiation strategy**

The main independent variable of our model is risk aversion. We assume that everybody is risk averse to some extent. We want to know the level of risk aversion of the negotiators who did starting salary negotiation. We want to know the impact of this on salary outcomes.

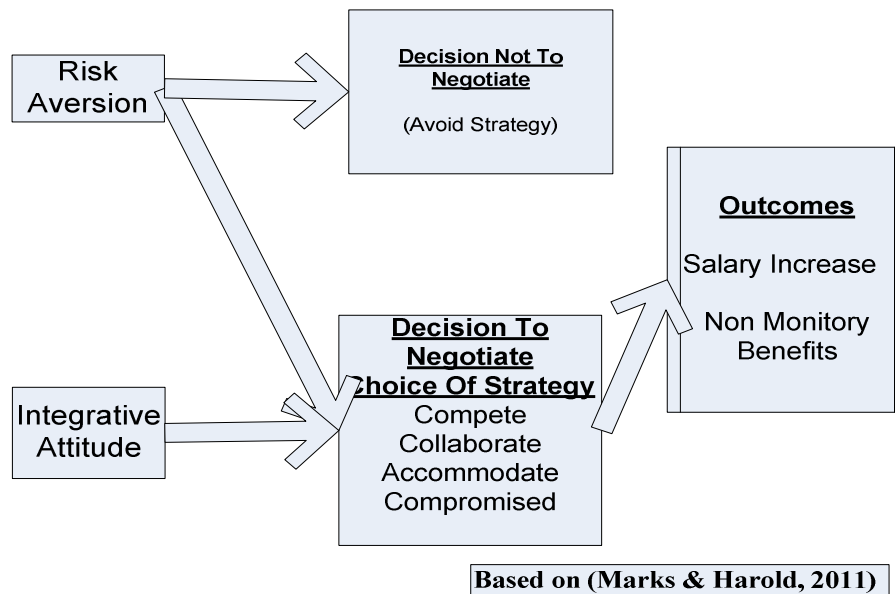
In this paper risk aversion is examined in the context of an initial salary negotiation, not in the context of general bargaining situations. There is risk involved in salary negotiation when someone plans to enter into the process of salary negotiation. Applicant can accept the initial offer without entering into salary negotiation. Individuals who are risk averse are more inclined towards the avoiding strategy, or if they have entered into the negotiation process for increase in salary than they may go for loss-win or win-win approach. Risk adverse individuals may fear the potential damage that it does to ongoing relationships, and in the context of salary negotiation they would not be willing to take the risk of rejecting initial salary offer and not getting increased salary offer.

## **4. Integrative Attitudes**

Attitudinal difference of individuals which plays an important role in predicting the selection of negotiation strategy by applicants is integrative attitude towards negotiation process. Individuals having high integrative attitude highly emphasizes on commonalities and they search for a solution which satisfies needs of both negotiating parties (Galinsky et al 2008). Ability to take others perspectives in a negotiation context increased their ability to find unobvious solutions that were mutually beneficial to both negotiating parties.

### **Conceptual Framework**

This frame work is based on (Michelle and Crystal 2011), minor modification is done in order to simplify the research and to make it possible for the readers to understand it easily. Framework shows there are two independent variables, (i) Risk Aversion and (ii) Integrative attitude, these independent variables has an effect on selection of negotiation strategy. Once the strategy is selected by the individual for increasing of salary and other monetary benefits, feedback is gathered regarding increment. Results indicates that which strategy is better for increment in initial salary and for gaining non-monitory benefits.



### Hypothesis

H1 (a): High risk adverse individuals will be less likely to negotiate.

H1 (b): High risk averse individuals will be more likely to use an accommodating strategy.

H1(c): High risk averse individuals will be less likely to use a collaborating strategy.

H1 (d): High risk averse individuals will be less likely to use a competing strategy.

H2: More integrative attitude of individuals regarding negotiation will be more likely to negotiate

H3 (a): Individuals who negotiated and selected competing strategy are more likely to increase their salary offer and other benefits.

H3 (b): Individuals who negotiated and selected collaborating strategy are more likely to increase their salary offer and other benefits.

H3(c): Individuals who negotiated and selected accommodating strategy did not get increment in salary and other benefits.

### Methodology

The research methodology adopted in this paper was qualitative in nature. Questionnaire was developed from research article who asks and who receives by (Michelle & Crystal 2011), as well as questions derived from other research literature.

Population of this research is Pakistani's pharmaceutical manufacturing companies. Structured interview method technique was also adopted for some respondents for the collection of primary data. One set of questions called "not negotiated," was aimed at employees who did not negotiate their salary. The other set of questions called "negotiators" was aimed at employees who negotiated for increase in salary and non-monetary benefits.

### Respondents

A total of 62 questionnaires were distributed of which 45 were completed and submitted. A sample of 45 employees from top ranked pharmaceuticals industry participated in the present study. The response rate was 72%. More specifically; data was gathered from two primary sources; top level management and middle level management of the leading pharmaceutical companies. Only individuals who were highly experienced participated in the study. Respondents were taken from the ten pharmaceuticals firms of Pakistan.

The sample was comprised of hundred percent male because very few females are working at the top level in pharmaceutical firms and those who are working were reluctant to provide the desire information.

Data was gathered from the executives or the top level management of the firm. Researchers tried to ensure that the respondents were highly experienced and were actively involved in the process of negotiation recently. The sample gave us clear understanding of the process of starting salary negotiations in the pharmaceutical industry of Pakistan.

## Results & Discussion

### 1. Reliability

Results showed that the overall reliability of the scale was alpha is equal to 0.723 which is significant and acceptable.

### 2. Integrative attitudes

Integrative attitudes towards negotiation process was high among the respondents, almost 70% respondent's shows tilt towards integrative attitude.

### 3. Personality-based risk aversion

Results showed that major number of respondents were risk takers, and their percentage is more than 65% remaining respondents showed tilt towards risk avoidance. Decision to negotiate and decision not to negotiate was assessed. Individuals who choose not to negotiate for whatsoever reasons were considered as avoiding negotiation. Reason of not negotiating could be lack of job opportunities in Pakistan (Aslam & Hasnu 2015). Whereas individuals who negotiated used negotiation strategy to negotiate their salary and non monetary benefits.

Two primary outcomes were measured in this research. First questions were developed to measure the negotiation strategy used by respondents. Second, individuals who negotiated were asked to recognize whether they were able to raise their starting salary and other non-monetary benefits.

### 4. Market Information

Acquiring Information is essential before stepping in into negotiation process (Aslam et al 2012). Three questions were developed to assess level of information of organization an individual gathered before appearing for the interview. Results indicate that more than 75% respondents gathered the information before negotiation.

## 5. Correlation Analysis.

### 5.1 Risk Aversion

Results of compromising and accommodating strategy shows that if risk aversion increases use of compromising and accommodating strategy will increase and vice versa. According to (Michelle and crystal 2011) there is a strong positive impact accommodating strategy with risk aversion. On the other hand (Bottom and Studt 1993) Argue that roots of negotiation process is structured by individual's perception of risk. The more risk one sees in the process of negotiation, the less assertive methods one would be willing to use in negotiations. Risk averse people would not be willing to chance to destabilize the relationships with competitive negotiation strategies, Because future of relationship could be damaged and there is a risk of loosing the initial salary offer.

### 5.2 Integrative Attitude

Correlation shows a positive, strong and significant relationship between collaborative strategy and integrative attitude. It means that if integrative attitude increases the use of collaborative will also increase and vice versa.

And it shows negative, strong and significant relationship between accommodative strategy and integrative attitude. So if integrative attitude increases the use of accommodating strategy will decrease and vice versa.

### 5.3 Strategies

The moderating variables competitive and collaborating strategy has a positive, strong and significant correlation with dependent variable average salary which includes both monetary and non monetary benefits. It means that if a person adopts these strategies it will positively increase their starting salary offers. According to (Michelle and crystal. 2011) competitive and collaborative strategies are very essential and important factor to improve or increase starting salary offers.

22% Respondents adopted Competitive Strategy during job negotiations among them 78 % actually got increment on their initial salary.

21% Respondents adopted Collaborative Strategy during job negotiations among them 35% got non monetary benefits and 60 % got increment in salary

Moderating variable accommodating and compromising strategy has a negative and significant correlation with dependent variable average salary which includes both monetary and non monetary benefits. It means that if a person adopt this strategy it will negatively affect their starting salary offers. This also shows the importance of this variable. According to (Michelle and Crystal. 2011) accommodating strategy negatively affects the starting salary offers.

38% Respondents adopted Accommodating Strategy during job negotiations among them 0% got non monetary benefits and salary increment.

19% Respondents adopted Compromising Strategy during job negotiations among them no one got extra benefits or increment in their initial salary.

### Test of Hypothesis

<b>Hypothesis 1(a)</b>	<b>High risk averse individuals will be less likely to negotiate.</b>	<b>Accepted</b>
<b>Hypothesis 1(b)</b>	High risk averse individuals will be more likely to use an accommodating strategy.	Accepted
<b>Hypothesis 1(c)</b>	High risk averse individuals will be less likely to use a collaborating strategy.	Accepted
<b>Hypothesis 1(d)</b>	High risk averse individuals will be less likely to use a competing strategy.	Accepted
<b>Hypothesis H3(a)</b>	Individuals who negotiated and selected competing strategy are more likely to increase their salary offer and other benefits.	Accepted
<b>Hypothesis H3(b):</b>	Individuals who negotiated and selected collaborating strategy are more likely to increase their salary offer and other benefits.	Accepted
<b>Hypothesis H3(c):</b>	Individuals who negotiated and selected accommodating strategy did not get increment in salary and other benefits.	Accepted

According to (Michelle and Crystal 2011) there is negative impact of risk aversion on competitive and collaborative negative style. The chances of a good outcome are often better if both parties agree to play by the same rules and take on a collaborative or joint-problem solving approach (Lewickiet al, 2006). According to (Michelle and crystal. 2011) collaborative strategy has a positive and a significant impact on increasing starting salary offers.

### Summary & Conclusion

(Michelle and crystal. 2011) used the same questionnaire for research but target population was tenure-lined newly hired University faculty and newly hired employees of local industry. Results indicated that those who chose to negotiate by using competing and collaborating strategies increased their starting salaries by an average of \$5000/year. This study is specifically examining middle level and top level management of pharmaceutical companies of Pakistan and shows relevance in research those who negotiate by using competing and collaborating strategy got an average increment of 10000 Rs. per month.

The research highlights a belief that (win-lose) Competing negotiation approach will make the most earnings in negotiations. Risk aversion and attitudinal differences played an important role in determining whether individual will negotiate or not, and if so, what techniques they used.

When risk avoiders choose to enter into the process of negotiation, they generally tend towards accommodating style of negotiation, which does not enhance their earnings, and left them with belief of dissatisfaction and unfairness. Individuals having integrative attitudes also effects selecting negotiation strategy. More integrative-minded persons are actively involves in the process of initial salary negotiations, they prefer to use a collaborative approach to negotiation. In other words, individuals who want in win-win conditions relied upon a more collaborative strategy. They put the key concerns on the table, and try to come up with the win-win situation.

In contrast to our assumptions, a compromising approach had less impact on research outcomes and established lower relationships with risk aversion and attitudinal differences. The study shows that the use of a compromising approach is unsuccessful to add considerable financial gains.

### Recommendations

There are recommendations for both organizations and job hunters. Fundamentally evidently, job hunters must be aware of techniques and behaviours that will be successful in demanding increment in initial salary. The study proposes that only assertive technique will result in salary increment. Proper training and development programs should be launched for graduating students to understand salary negotiation process. Professional who is seeking for a job should be familiar with all styles of negotiation in order to enhance their starting salary offers.

The findings of our study illustrated significance of affective reaction to starting salary negotiations. Organizations should be fully aware that the process of salary negotiation is vital and gives an opportunity to convince to accept the offer to the most suitable contender. In addition, even some contenders accepts what is perceived to be unfair and unreasonable, the relationship among employer and the employee is damaged and that individual is highly demotivated and whenever he/she had a better offer he/she will quit immediately. Ultimate loss should be beard by the organization.

The perception of the fairness and justice about the negotiation process has a long lasting impact on the relationship among organization and employees. So both organizations and employees should be aware of the consequences of starting salary negotiations.



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