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When Does Gender Matter in Negotiation?

Anticipating when gender may work to your advantage—or disadvantage—can help you negotiate more effectively.

BY DINA W. PRADEL, HANNAH RILEY BOWLES, AND KATHLEEN L. MCGINN

THE LAST FEW MONTHS HAVE BEEN TRYING for Maureen Park, the managing director of a small portfolio management firm. The firm's parent company, a large financial services concern, was performing below forecasts, and morale among Park's understaffed, overworked team of research analysts was low.

To make matters worse, Park's two best analysts both requested significant raises after their annual reviews. Both women expressed their belief that they were earning substantially less than analysts at comparable firms and probably less than lower-achieving members of their firm—including a male colleague who had been lured away from a competitor.

Park went to bat for her star performers, though management had instructed her to offer only cost-of-living raises. To her surprise, her superiors agreed to offer better incentives to both analysts. Reflecting on her triumph, Park realized with bitter irony that three of her seven direct reports would make more than she would in the coming year; she herself had accepted a small cost-of-living raise without question. If getting a raise was so easy, why hadn't she made a case for herself? Is it possible that her gender somehow influenced how Park negotiated for herself and others?

Businesspeople often ask us whether men or women are better negotiators. According to our research, gender is not a reliable predictor of negotiation performance; neither women nor men perform better or worse across all negotiations. However, certain types of negotiation can set the stage for differences in outcomes negotiated by men and by women, particularly when (1) the opportunities and limits of the negotiation are unclear; and (2) situational cues in these ambiguous situations trigger different behaviors by men and women.

These differences can create huge inequities over time. Awareness of the factors that create gender-related advantages and disadvantages can help you mitigate their consequences—and promote a more egalitarian workplace.

How ambiguity affects negotiation

At Park's firm, a high degree of uncertainty and secrecy surrounded salary negotiations. After all, analysts in the investment management industry have highly portable skills and are frequently poached by competing firms. And though all of Park's employees were performing roughly the same work, they had differing levels of experience, education, and industry reputation. These factors created a large variation in salary levels and bonus structures.

Combine these disparities with a firm in flux—where policies clashed with the need to retain key employees—and both the opportunities to negotiate and the content of what was negotiable became unclear.

When parties understand little about the limits of the bargaining range and appropriate standards for agreement, the ambiguity of a negotiation increases. In highly ambiguous negotiations, it becomes more likely that gender triggers—situational cues that prompt male-female differences in preferences, expectations, and behaviors—will influence negotiation behavior and outcomes. By contrast, in situations with low ambiguity, where negotiators understand the range of possible payoffs and agree on standards for distributing value, outcomes are less likely to reflect gender triggers. Some environments are full of triggers that encourage superior performance by women, while others are full of triggers that encourage superior performance by men. Rather than indicating innate differences between men and women, these triggers reflect stereotypes and long-standing behavioral biases.

When competition is high.

Competitive negotiations can act as gender triggers, consistent with societal expectations that men are more likely than women to be competitive and to succeed in competitive environments. Researchers Uri Gneezy of the University of Chicago, Muriel Niederle of Stanford University, and Aldo Rustichini of the University of Minnesota have shown that women and men are equally competent in "piece-rate" situations, in which individuals work to maximize their own payoff without regard for others' performance.

But men outperform women in competitive environments in which payoffs are determined by comparing relative performance. It's not that the pressure of competition causes women to stumble but, rather, that men step up their performance in competitive situations.

Consider the highly competitive job market for graduating MBAs. With Linda Babcock of Carnegie Mellon University, we analyzed differences between men's and women's starting salaries in a graduating class of MBA students at a top business school. In low-ambiguity industries (as rated by career-services experts), compensation standards were relatively clear to potential hires. These industries include investment banking, consulting, and high technology. In high-ambiguity industries, such as telecommunications, real estate, health services, and media, standards for starting salaries were less evident.

We found no difference in the salaries negotiated by male and female MBAs hired into low-ambiguity industries, which included 70% of our participants. In high-ambiguity industries, however, male MBAs negotiated salaries that were $10,000 higher, on average, than those negotiated by female MBAs. The competitive context cued negotiators to the traditionally "masculine" nature of the interaction, and the ambiguity in certain industries allowed these cues to elicit different negotiating behavior from men and women. These differences add up over time. Assuming that those 30% of MBAs who take positions in high-ambiguity industries work for 35 years and receive a 3% raise per year, the earnings gap grows to more than $600,000 over the course of a career—or $1.5 million, if those extra earnings are saved at 5% annual interest.

LEARNING FROM FEMALE EXECUTIVES

Dozens of female CEOs and other high-level executives have told us about their experiences negotiating in traditionally masculine contexts where standards and expectations were ambiguous. Their experiences varied according to the gender triggers that were present in the negotiations.

A founder of a large grocery chain had difficulty securing loans to open her first three stores. Banking is an industry dominated by men, where norms reinforce masculine values surrounding power and money. To her detriment, the woman's loan requests triggered these masculine stereotypes. "It was only starting in store four that I was able to finally get funding from a bank," she says.

By her fourth round of negotiations, ambiguity had been reduced on both sides of the table. The entrepreneur better understood how the loan process worked, and the bank was impressed by the entrepreneur's proven track record.

In other situations, gender triggers cue superior performance by women. A leader in the advertising industry reminisced about her early days as an unknown within her firm and industry. When she began focusing on the retail business, her male colleagues asked her to take part in pitches and credited her with their success. Historically the realm of female clerks, retail offered a setting in which others expected this female executive to excel.

Many factors affect negotiation success. But even for exceptionally talented executives, when ambiguity is high, gender triggers play a critical role. As women enter historically male industries in greater numbers, gender triggers cuing superior performance by men should lessen, equalizing opportunities for men and women.

When negotiating for others.

One gender trigger that may favor women over men is playing the role of agent (advocating for others) as opposed to playing the role of principal (advocating for themselves). Our research suggests that, as evident in the story of Maureen Park, women perform better when negotiating on behalf of others than they do when negotiating for themselves; no such difference emerges among male negotiators.

Again with Babcock, we asked a large group of executives to negotiate compensation for an internal candidate for a new management position. Half negotiated as the candidate; the other half negotiated as the candidate's mentor. The negotiators were given no reference points or standards for agreement, creating a highly ambiguous negotiation. Female executives negotiating as the mentor secured compensation that was 18% higher than the compensation female executives negotiated when they were playing the candidate. Meanwhile, male executives performed consistently across both roles, at the level of female executives negotiating as the candidate.

It's not that our female participants felt less entitled to a good salary. Prior to the negotiation, women reported salary expectations similar to those of their male counterparts. Nor were women more or less competent at the negotiation itself. Rather, it appears that the women executives were particularly energized when they felt a sense of responsibility to represent another person's interests. Just as men excel in ambiguous, competitive environments, women are exemplary negotiators when the beneficiary is someone other than themselves.

Neutralizing gender differences in negotiation

These suggestions can help prevent gender from becoming a significant factor in negotiations:

1. Anticipate gender-related triggers.

Some degree of ambiguity is present in all negotiations, so be aware of situations that may trigger gender stereotypes or role expectations. Work to counter gender triggers, or use them to benefit negotiation performance. In highly ambiguous, competitive environments, for example, men may be encouraged to maximize their outcomes by ramping up their competitive drive. Women, on the other hand, may be inspired by reminders that they're representing not just themselves but their colleagues, department, company, or customers.

2. Do your homework.

Whether you're a man or a woman, learn as much as you can about what is possible or appropriate when heading into a salary negotiation or discussing a contract. Research industry norms, investigate precedent, and talk to others who are already employed at the firm or in the industry. Most important, don't be afraid to ask for whatever you need to remain truly motivated and to get the job done well. You and your organization will be better off in the long run.

When negotiating her own salary, Park failed to do this basic investigative work. Her subordinates, by contrast, compared their salaries with company and industry standards, and voiced their expectations to higher-ups.

3. Create transparency surrounding compensation and benefits.

To encourage gender equity regarding compensation and career development, your company should codify and publish opportunities and benefits that it may be willing to offer. This doesn't mean standardizing benefits for all employees but clarifying the range of issues that are up for negotiation and the appropriate criteria on which decisions are based.

At Park's company, each employee had to figure out individually what was reasonable and fair, a situation that increased the likelihood that inequities would arise over time. If the company instead communicated that compensation would be based on agreed-upon performance indicators and that salaries, bonuses, and promotions could be negotiated annually, differences in compensation would be more likely to reflect real differences in performance rather than gender.

4. Articulate performance expectations.

When sending your employees into competitive bargaining situations, clearly state performance goals. Armed with transparent comparative information and a sense of acceptable targets, both men and women will achieve better outcomes. Setting high but reasonable aspirations is good for all negotiators and may be especially beneficial for women in ambiguous, competitive negotiations. ✧

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