

C.H. WANG

Private Instructions

You really think you want to hire Torres. The firm needs someone on board by September, and you feel you have scouted through this winter's cohort of new MBA's.

You very much wish you could have found everything you need in one person. Torres is a little young, with languages that are good but not perfect. You are quite concerned about needing someone who understands problems of security of business records and international business communications. You wonder if Torres actually understands these problems or whether you'll also need to find a network security consultant. You keep asking yourself if you should look for someone older....perhaps an overseas Chinese, who has done business in the PRC? But such people are not necessarily likely to be state-of-the-art in information technology. No one is perfect, you reason; let's get Torres if the salary negotiation goes well.

You review the question of finances. You pushed Barrister & Counselor into this new venture. You have only limited start-up funds and there will be a number of jobs to fill. You don't want to set too high a bench mark for the senior administrative job—you cannot pay more than you pay the junior law partners of B&C.

Circumstances in China mean that B&C staff in Beijing must have their housing and transportation fully provided. The firm will rent whole floors of a major hotel, for both offices and expatriate living quarters. And they will hire cars with drivers. The law firm has already rented space in a storage warehouse franchise (there actually is such a warehouse near this school of management) for all the personal effects of partners and other US employees who will go to Beijing.

You will also have to pay for three or four round trips a year to the US, for your new manager to stay in close touch with US colleagues. You need to buy all the new computer equipment which will be installed in the hotel. You have located a reliable local Internet Access company to provide unlimited email and document transmission around the world via a local phone call. (All in all, starting up this new venture is very expensive.)

You have investigated salaries paid to recent graduates of this school of management. Your guess is that Piro Torres would be offered \$90K+ if accepting a job in this country. You believe the average US professional spends about 50% of salary for housing, car and home entertaining. For the manager of the B&C China division, all of these expenses will be borne by Barrister & Counselor; in fact the expense account for

entertaining will be quite generous. (There is a specific \$10,000 expense account for any new clothes that might be needed by the candidate.) Moreover Torres will have elaborate computer and communications capability in the offices directly adjacent to living quarters. You estimate moving expenses (round trip, eventually) could reach \$20,000; the firm will simply pick up all moving expenses. You feel these points should all be very attractive to Torres. In addition, you believe some salary and all benefits may be tax-exempt.

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You are aware of the start-up cash-in-hand, year-end bonuses, stock options and partnership possibilities for a person like Torres, and you speculate about how to manage this point.

As you pull all these points together, you conclude as follows. What you would like to pay Torres would be about \$30,000 for this coming year. You would also be willing to pay a bonus up to a limit set by the amount of each year's salary. For the first year your hope would be to pay \$30,000 plus a signing bonus of \$10,000, plus a Welcome on Board bonus of \$10,000, payable the first day of work in China. If necessary you will, in addition, promise a year-end bonus of up to \$30,000 at the end of the first year. For the following calendar year you expect to pay \$40,000 a year, if all goes well, plus whatever year-end bonus you negotiate, (up to another \$40,000). In addition, of course, B&C will be providing housing, transportation, moving expenses, storage of household effects, business entertainment expense account, clothing expense account, use of computer system and communications equipment, as detailed above.

However you are not at all sure what it will take to get Torres to relocate. What is the limit of what you would be willing to pay to get Piro Torres? Your absolute outside limit is set by the compensation offered to the junior law partners who will work for Barrister and Counselor in the PRC. They earn \$70,000 a year (plus the standard housing, etc. listed above) plus a percentage of profits from the China division. (*This percent of profits is instead of a specific bonus.*) But remember: you would much rather pay less than this.

What will be your bargaining strategy? What do you think are Torres' interests? What would be Torres' reservation point? How will you find out? Will you be able to change the target compensation package—and reservation point—that Torres has set?