Now They Know You Know
Tara Weiss, 10.03.07, 4:00 PM ET

It's common wisdom that the best time to ask for a raise is when you know your boss is in a good mood. But if you find out that your boss knows you know she is in a good mood, abort your plan till a later date.

According to a recent study by two University of California, Berkeley professors, an employee who learns his boss knows he knows she (the boss) is in a good mood, he (the employee) will ask for a smaller raise. [Did you catch all that?]

Why the discrepancy? "Employees ask for less money because they're concerned that the boss will perceive them as taking advantage," says Eduardo Andrade, an assistant professor of marketing at Berkeley's Haas School of Business who co-authored the study with Teck-Hua Ho, a professor of marketing at the school.

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The study came about after the two disagreed about the prevailing wisdom that employees have the best chance of getting a raise when their boss is in good spirits. "I was very skeptical about it," says Ho, who was previously an associate dean at the school and regularly dealt with employees asking for more money. "I thought that the boss' mood had nothing to do with it. I wanted to prove that my emotions had nothing to do with it."

To find their answer, the professors divided 122 participants into three groups and screened a different video to each group. The first was a "happy" TV clip; the next an "angry" scene and the final was a "neutral" one. After watching, the participants rated their mood on a scale of one to 10.

From there, they were paired off. One person--the proposer--in each pair was told he had $10 and could propose splitting it any way he wanted with the other person--the receiver. If the receiver accepted his suggestion, it was executed. But if the receiver didn't, no one got anything. The caveat: Proposers were told their receiver had just watched a TV clip that was either happy or angry.

"We found that the proposer asks for a lot more money if he or she knows that the receiver just watched a happy movie," says Ho. Specifically, when proposers knew their receiver watched a funny sitcom, nearly 70% proposed that they keep 75% of the money. The percentage dropped to 52% when proposers knew their partner had just watched an "angry" clip.

In the next round, the professors revealed publicly to the group who watched a happy video and who watched an angry one. The results were telling. "When the proposer knows that the receiver is aware that proposer just watched a happy movie, the proposer doesn't ask for more money."

No word yet on whether employees will get the raise.

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