



ExecuNet Career Guide:

Get What You Deserve: Successful Compensation Negotiations

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About ExecuNet

Founded in 1988, ExecuNet is the leader in providing job search and career management services to the \$100,000+ executive and senior-level manager. It is the first source executive and corporate recruiters use to find top executive talent. For the latest in job market intelligence, or to learn more about ExecuNet's services, visit us on the Web at www.execunet.com.



Dear ExecuNet Member:



Maybe it is because we've all watched too many dramatic movies or TV shows, but when it comes to negotiations, many of us seem to feel that the "winner" is the person who boldly strides in and makes a strong speech that wins over his adversary. Well, that's fine if you have the natural skills of a super lawyer in a TV courtroom drama, but I'm not sure that adversarial approach will work for the rest of us. Both sides need to feel like winners at the end of the negotiation; after all, you could be working together for years after you finish talking about your compensation package.

Instead, successful compensation negotiation is ultimately about preparation. Know the salary track record in your industry, at your company. Be prepared to specifically detail the value you have brought — and will continue to bring — to your job and your team. Practice your talking points with a friend and/or in front of a mirror. Videotape yourself and review what you see. Do your homework and practice before the negotiations even begin. In other words, when it comes to successful compensation negotiation we're reminded of inventor Thomas Alva Edison's famous statement that genius is 10% inspiration and 90% perspiration.

In this special report, we've attempted to provide you with strategies and tactics that will help you better prepare for your next compensation negotiation. As we all know, salary discussions can be a touchy, awkward topic; and our aim here is to help you take some of the distracting emotional energy out of the discussions, so as to make it easier for you to present your argument — and easier for your boss to make a sound business decision and give you the raise you deserve!

Wishing you success in all you do,



Dave Opton
Chief Executive Officer & Founder
ExecuNet

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Get What You Deserve: Successful Compensation Negotiations

CHAPTER 1: What's Negotiable?

The short answer, of course, is everything is negotiable. However, good negotiators determine what issues are important to them, including what issues they think are going to be negotiated, what issues they want to negotiate, and even what issues they may not want to negotiate in preparing for a job contract discussion. In *Get Paid What You're Worth* by Robin Pinkley and Gregory Northcraft (an ExecuNet recommended resource), the authors advise, "Raising an issue tells the other side that it is something you want or need to discuss. Not discussing an issue is the same as agreeing to the other side's position on it. Be ready to raise all of the issues that are relevant to you."

Common negotiable issues

BASIC COMPENSATION: Salary, salary increases, start date, sales commission, vacation time/holidays, work schedule or hours.

ADDITIONAL COMPENSATION: Bonus structure, signing bonus, promotion schedule, larger salary at a specific time, title/wage grade, profit sharing, equity benefits, including stock options, restricted stock, and additional equity benefit packages and requirements.

INSURANCE COVERAGE: General coverage, medical insurance, life insurance, dental and/or optical insurance, accidental death insurance, disability insurance, business travel insurance.

RETIREMENT BENEFITS: 401K — waive eligibility period, pension, guaranteed age of retirement.

RELOCATION ASSISTANCE: Select geographic location, spouse placement, time spent traveling, moving expenses, difference in mortgage rates, travel costs, salary adjustments to meet needs of new location.

CHAPTER 2: Prepare Yourself For Salary Negotiation Success

The mantra in real estate is location, location, location. For career advancement, the mantra is networking, networking, networking. And when it comes to compensation negotiation, that mantra is preparation, preparation, preparation.

“Planning is so overlooked in negotiation,” Gregg Crawford, President of BayGroup International, told ExecuNet recently. And that lack of preparation is unfortunate, he adds, because it robs the negotiator of many tools that can vastly improve the odds of ultimate success.

ExecuNet Founder and CEO Dave Opton takes it a step further. “Networking and preparation in tandem are powerful forces for you in compensation negotiation.” While many people have been trained since early adulthood not to talk about their salary, in the right kind of networking environments — such as ExecuNet’s in person and online member forums — executives are much more likely to open up, especially to talk about a past job salary in a way that helps you get a read on a firm of interest to you. In addition, salary surveys conducted by ExecuNet and industry-specific trade groups can often provide valuable background information that will help you better understand what the market will bear.

In fact, your ultimate negotiation success will probably boil down more to how well you prepare for it rather than how you conduct the negotiation itself. Perhaps we’re all a bit jaded by high-stakes confrontation TV shows and movies where adversaries sit across a table and browbeat each other until one is pummeled into submission and accepts a bad deal. We’re accustomed to looking at negotiation as an adversarial relationship where there is inevitably one “winner” and one “loser.”

No losers

Instead, approach your preparation for your salary negotiations with a mind to creating a “win-win” situation. For example, most people give away too much too soon in compensation negotiations. In the hopes of pleasing the other side and ending the negotiation (and its surrounding tensions), they make concessions hastily rather than slowly, reluctantly — and tactically. “If you ask for a 6% raise, they say they can’t do it, and you come right back with 3%, that’s a tactical error,” Crawford said. When negotiators make concessions too quickly, or fail to get something of value in return for a concession, they devalue the things they give away.

This is another area where preparation and networking are keys. A quick example: An ExecuNet member knew he was going to get an offer for regular project work he could do while he continued his job search. Based on other somewhat similar work he had done before, he was going to charge \$2500 per month for the project. But before he quoted that price, he networked and found a friend of a friend who had done the exact work for a competing company. That contact told him the firm would pay between \$3,000 and \$3,500 for the same project. The ExecuNet member quoted a price of \$3,250, and threw in another small service that was easy for him and valued by the client. The higher price was gladly accepted by the new client. Looking at it one way, networking boosted that member’s income by \$9,000 for the year-long project. Not a bad ROI for a few telephone calls and a coffee meeting or two!

Ask yourself questions

Before you sit down to negotiate compensation — or virtually anything — lay the foundation for success by answering these questions:

- Are you ready to articulate the value you bring to the organization?
- Do you understand the company's compensation track record?
- Have you identified areas where the company is focused, e.g. a company in turnaround will seek a manager with a proven record in that area, a start-up may value more a fundraiser or rainmaker-type
- Are you certain you are dealing with the decision-maker?
- Are you thinking about this negotiation as a win-win? "Remember, you hope to work there for many years and the way you handle yourself during your negotiation will have a great impact on how you are perceived in the new job," Opton reminds us.

Six Guiding Principles of Negotiating Profitable Agreements

1. **Position Your Case Advantageously:** Skilled negotiators create a favorable environment by positioning their case effectively. They communicate a consistent, compelling theme which provides a strong foundation for their point of view.
2. **Set High Aspirations:** Those who ask for more typically get it; those with low targets typically underachieve. Unfortunately, many managers have low aspirations, either because they are afraid to negotiate or because they don't feel confident about their power based.
3. **Manage Information Skillfully:** Many executives leave too much money on the table because they share sensitive information about their flexibility, deadlines and internal pressures at the wrong time in their negotiations.
4. **Know the Full Range and Strength of Your Power:** Most people enter negotiations feeling that the other side has most of the power. And yet through good planning, you can build your own power and level the playing field.
5. **Satisfy Needs Over Wants:** The person you are negotiating with may say they want to pay you a lower figure, but what they actually need (and don't say) is to be able to show their board or other superiors that they cut a good deal that provides value to the company. If you understand the negotiator's needs as opposed to their stated wants, you can craft your negotiation to meet those needs.
6. **Concede According to Plan:** Top negotiators know that the key to profitable negotiations is planning their concessions in advance, and using "elegant negotiables" — those with high value to the other party, but low cost to you. When you must give a concession, trade it and ask for something in return.

Source: Adapted from Negotiating Profitable Agreements: The Six Guiding Principles, by BayGroup International. For more information, go to <http://www.baygroup.com> or call 800-533-9480.

Perhaps surprisingly, a lot of senior executives fall prey to negotiation more on gut instead of taking the time to prepare, Crawford said. They assume they are already good negotiators, they are under time pressures to handle other tasks, and they make the mistake of feeling that they can take a few basic ideas into the negotiation room and come away with what they want.

That's almost always a mistake, Crawford said. "Negotiating skills don't come naturally, and it in fact tends to be counter-intuitive," he added. In other words, the same skill and tactics that make you successful on the job just might let you down when it comes to negotiating your compensation package. In the finishing school of compensation negotiation, you've always got to do your homework.

CHAPTER 3: Harness Employment Agreement Negotiation To Boost Present, Future

ExecuNet has partnered with the leading compensation consultants and advisors at Equilar to bring you the strongest and most cutting-edge compensation information and tactics available today. Disclaimer: This article doesn't constitute legal advice, rather it provides a simple explanation of some of the key features of employment agreements. For more detailed assistance, ExecuNet and Equilar recommend consulting a legal expert in employment agreements.

Once you have agreed to the business terms of your employment arrangement (i.e. job responsibility, salary, annual bonus, signing bonus), the next step may be the drafting of an employment agreement. If this is the case, the executive will often retain personal legal counsel to negotiate the final agreement with the future employer's legal team.

How prevalent are employment agreements?

A recent study by Equilar found that 42% of CEOs in the Fortune 100 had employment agreements in place and an additional 28% had either severance or change-in-control agreements in place. These agreements serve multiple purposes. From an executive's perspective, the agreement provides clarity on the business terms that have been agreed upon, as well as how various termination scenarios will be handled. While it may seem a bit inappropriate to highlight what happens in the event of executive termination at the beginning of this new relationship, it is advantageous for both parties to get these issues resolved at the outset (rather than in the heat of battle). This represents another good reason for the executive to consider bringing in personal legal counsel to negotiate the non-business related terms rather than risk putting the executive in an uncomfortable negotiating position by having to push hard on what the size of the severance agreement should be just as the relationship commences.

From the company's perspective, an employment agreement allows it to protect its interests by ensuring the executive complies with confidentiality, non-compete, and non-solicitation terms that are often included in these agreements. These clauses significantly reduce the risk to the company's intellectual property or competitive positioning which could occur with an executive's departure.

How can I tell if employment agreements are typically provided by my employer?

Companies are required to disclose any material contracts in company filings to the Securities and Exchange Commission. Employment agreements for senior executives generally fall into that category and are typically disclosed in two locations:

1. Key aspects of the material contracts can be found in company proxies (DEF 14A filings).
2. The terms of the actual employment agreement can be found as exhibits to company filings (usually 10-Ks or 10-Qs). Find the company's recent 10-K filing and go to the Table of Exhibits and search on Exhibits that start with the number 10 (these are material contracts). Once you find the employment agreement in this Table, there will be a reference identifying the date and filing where you can access it.

One of the factors that influences the prevalence of employment agreements at a firm is the company's strategy towards management talent. For those companies that groom management and habitually promote from within, employment agreements will be less prevalent than those companies who fill executive management slots from the outside.

Is there a standard form for these agreements?

There is a great degree of variance in how these agreements are drafted. Some could fit on a cocktail napkin (James Sinegal from Costco is a good example here), while others can stretch on for more than 30 pages.

What are the basic provisions of employment agreements that an executive should be concerned about?

They essentially can be divided into three categories:

- 1. Compensation-related matters ("business terms").** This would include the base salary agreed upon, description of the management incentive (bonus) plan (often with bonus targets), any equity compensation, employee benefits, retirement benefits, and signing bonus. It is quite common for senior executives to receive a signing bonus for two reasons. First, they provide an inducement to join a new employer. Second, the bonus can act as a "make whole" payment for the value of any equity or cash compensation that the executive will lose as a result of joining the new employer. This "make whole" payment can take the form of a cash payment and/or equity grant (options or restricted stock) which vests over time.
- 2. Termination event.** These sections of the agreement deal with how the executive will be treated in the event of termination, which can occur for a variety of reasons listed below. The most commonly-listed reasons for termination are:
 - a. Termination by the corporation
 - i. For "good cause"
 - ii. Without "good cause"
 - b. Termination by employee
 - i. For "good reason"
 - ii. Without "good reason"
 - c. Disability
 - d. Death

Definitions are provided for what constitutes "good cause" and "good reason," which you should become familiar with. Typically "good cause" would include willful misconduct, a felony conviction, or material violations of the executive's duties. "Good reason" might include required relocation, diminution in duties, or the company's failure to comply with terms of the agreement.

The agreements provide detail as to what form of severance pay will go to the executive based on the reason for termination:

- Lump sum payment based on a multiple of current salary (may also include bonuses in this calculation)
- Equity awards (options, restricted stock) — typically vesting is accelerated for both unvested options and restricted stock
- Other benefits — continuation of medical, dental and vision benefits

3. Company protection. As described earlier, companies use employment agreements to protect their own interests. These manifest themselves in the following ways, which are often incorporated into the agreement:

Non-compete agreement. Be aware that the enforceability of non-compete agreements varies greatly on a state-by-state basis. Typically this section describes in great detail the limits to an employee's activities after leaving the employer including:

- i. Non-solicitation of customers and employees
- ii. Time frame in which executive cannot compete
- iii. Geographical region in which the executive cannot compete
- iv. Definition of businesses that would be considered competitive

Non-disclosure of trade secrets and confidential information. This clause typically prevents the executive from divulging any confidential information gained during the employment period. Definitions are usually provided as to what exactly is meant by "confidential information" and this clause remains in effect after the executive's departure from the company.

What is a change in control and how does it factor into employment agreements?

A change in control most often refers to a merger or acquisition of the company in which the existing shareholders own less than a certain percentage of the entity resulting from this combination. However, remember that what we have provided here is a very simplified description (there are legal tomes written on this subject alone), and it often also includes situations where an investor becomes a beneficial owner of 20-50% of the company stock or where there is a significant change in the composition of the board of directors.

In situations where a change in control takes place, a typical arrangement is to provide the executive with severance benefits if the executive is terminated (other than by the company for "good cause" or by the executive without "good reason") within a 24-36 month period following the change in control. Since a merger or acquisition typically results in duplicative management structures at the executive level, this provision provides protection for terminated executives to transition to new opportunities. It also ensures that executives will consider mergers and acquisitions that would benefit shareholders but may not be to individual personal benefit.

How hard should I negotiate my employment agreement?

As with any business relationship, there is an element of trust involved in taking a senior-management position at a new company. It is natural for an executive to want to protect against the downside by negotiating hard on some of the severance benefits. On the other hand, your new employer may not take kindly to intransigence on some of these issues. After all, what signal does it send when an executive is asking for what would be considered “above-market” severance benefits? Be sure to understand what the market rates are for some of the more important elements described above (or better yet find your own legal counsel to deal with it). Unfortunately, it is not all that rare to hear instances where the top executive candidate falls out of contention for a top job based on an inability to reach consensus on an employment agreement.

Remember, how you deal with this issue is not only an indication of your negotiating prowess, but also more importantly, your business judgment.

CHAPTER 4: Leverage Publicly-Available Information To Advance Compensation Negotiations

ExecuNet recently spoke with Equilar's compensation experts to discuss how ExecuNet members can best prepare themselves for compensation negotiations.

So, you've just found the executive opportunity you have spent the last six months searching for...Or you're just about to be promoted to the highest executive ranks of your company after 20 years of moving your way up the ladder. You made it through the labyrinth of interviews and are excited about the company's strategic position in the marketplace. You see the impact that you can have on the organization in successfully executing this strategy. Now, there's this *little* thing about compensation that needs to be addressed. They have invited you to a meeting tomorrow to more explicitly discuss their offer.

This article will enable you to use publicly-available information to answer several key questions to prepare you for this discussion:

- What sources can provide you with insight about the company's compensation philosophy and how it matches up with its industry peers?
- How does your company differentiate pay internally?
- Given the importance of equity in many executive pay packages, with what equity has the company most recently compensated its senior team?
- What other perks and benefits are available to the senior management team?

Far and away, the single best source of information on a company's compensation philosophy is found in their proxy statement, often filed as a DEF-14A. These are typically filed up to 4 months after a company's fiscal year end and are available on the SEC.gov website. Each proxy filing will have a Compensation Committee's letter on Executive Compensation. After reading this 2-3 page document, you should be able to answer the following questions (if you are truly ambitious, repeat this exercise for several of your peer companies also):

How does the company set compensation levels for their executives? Do they have a specific percentile target that they are focused on (i.e. 75 percentile)?

Importance: Get a feel for the company's competitive positioning. You will often find statements such as "company targets salary at median level with peer group but sets cash compensation targets (salary + bonus) at 75thile for top performance." While it is not uncommon to have top performing companies not pay out at the highest percentile levels (one of the ironies of executive compensation), it is important to understand that at the outset.

What are the performance metrics that the company has established for the annual incentive bonus? How did the company perform against this target in the most recent year?

Importance: Assess the metrics for your specific position (if available) to ensure that they are factors you believe that you can control. Recent performance against these metrics will provide a sense of how the company is competing in the marketplace or whether company has strong pay for performance culture. These metrics often change annually so be sure to ask how your performance will be measured as it pertains to your annual bonus.

What is the range of bonuses that the company can pay in any given year (as a percentage of salary)?

Importance: Bonus size will provide you with a sense of the risk/reward tradeoff at your company. Assess how bonuses compare to size of salary to determine whether the company has risk taking mentality. This will also provide you with a reasonable expectation of what to expect in the offer letter. If the CEO has a bonus range of 50-150% of salary, don't expect to receive a bonus twice your salary.

What type of equity awards does the company typically provide their executives? What is the basis for these awards?

Importance: With option expensing on the horizon, many companies are contemplating a shift away from options toward other stock-based compensation, such as restricted stock. Read the compensation committee letter closely to see if they are contemplating such a shift.

Get The Skinny On Compensation

When it comes to successful compensation negotiation, knowledge is most definitely power. Obtaining up-to-date salary information about your industry, your job title and your region is one of the keys to presenting a winning case for the compensation you desire. Brenda Fabian, interim director of the Center for Career Services at Susquehanna University in Selingsgrove, Pennsylvania, shared her top three sources of information and her thoughts about how each can help.

- Salary.com (http://www.salary.com/salary/layouts/scripts/sall_display.asp) enables users to select an employment category, enter a zip code, and run a personal salary report. "What's great about this site is that the employment categories are very specific," she says. "Users need to understand that they're looking at an average that includes new professionals, people close to retirement, and anything in between."
- Salary Calculator (<http://www.homefair.com/homefair/calc/salcalc.html>) is useful when determining cost of living differences between states. "Explaining to an employer, cost of living differences between states can be an effective tool. Employers like to deal with employees who keep up with industry standards and do their homework before making a proposal."
- ERI's Career Salary and Cost of Living Calculator (<http://www.eri.com/index.cfm?FuseAction=Home.Main&CFID=2620636&CFTOKEN=811146>) is helpful, but provides limited information unless you purchase the product.

In addition, professional associations provide the most accurate information to help you calculate your worth, and Fabian recommends selecting a professional association that collects salary information.

"For example, CFA Institute (formerly AIMR) lists income figures for chartered financial analysts according to county, years of experience, cash bonuses, non-cash compensation as well as other items. CUPA-HR lists salary and benefits information for college and university personnel. Access to this kind of information is only one benefit to membership," Fabian says. "If you don't know how to find the professional association that's right for you, consult National Trade and Professional Associations, published by Columbia Books, Inc."

When setting compensation levels, what does the company use as their peer group and how do they set pay against this group?

Importance: This will allow you to determine the company's positioning against their peers. You can then do your own due diligence to see how your company stacks up against your peers. Ensure that your company has a competitive compensation positioning versus your peers.

A second great source of information in the proxy is the Summary Compensation Table in the filing. Here the company describes in detail how they pay their "top five" executives (also referred to as Named Executives). The table lists Salary, Bonus, Number of options granted, Restricted stock awards, LTIP payouts, and Other Compensation for each of the top executives. Use this Table to help answer the following questions:

What are the titles of the positions listed in the Summary Compensation Table?

Importance: The titles listed will provide you with a sense of the relative importance of each function within the organization. While most companies will list a CEO, President (if not held by CEO) and CFO, it is pretty wide-open down the ladder.

How does the pay of the CEO compare to other "top five" executives?

Importance: This may give some indication of whether there is a "star system" in place in the executive suite or a more egalitarian pay structure.

With the other non-CEO top five executives, is there a wide differential in pay between this group as a whole?

Importance: This will give you some indication of the executive compensation philosophy and the degree to which individual versus team performance is emphasized. Look to see if all executives received a bonus in roughly the same percentage of their salary. If not, this would seem to indicate that individual performance plays a stronger role than team performance.

What equity instruments have the executives received? Do they have an annual schedule of distributing these awards?

Importance: The Summary Compensation Table has three years of compensation data, thereby providing a useful historical perspective. Study the pattern to learn which company provides option grants, restricted stock awards or bonuses. Some companies provide on an annual basis while others provide such awards on a more sporadic basis (i.e. signing bonuses).

What executive benefit plans are currently in place?

Importance: Read the footnotes for the "Other Compensation" column to get a sense of the benefit plans in place for the executive team. While the disclosure here can often be spotty, it can be useful in identifying various benefits such as 401k contributions, health, disability and life insurance, deferred compensation plans, company leased cars, and country club memberships.

A final question we wanted to answer:

What recent equity awards have companies provided to their executive ranks?

A relatively new source of executive compensation data is the Form 4 filing that companies are now required to disclose (as a result of Sarbanes-Oxley) each time they award a restricted stock or option award to a Section 16 officer. Form 4s are available at SEC.gov (beware however that the uses of Form 4s are much more expansive than just equity awards). The benefits of these filings are two fold. First the data is much more timely as it needs to be filed within 48 hours after the company provides the equity award. Second, since it covers Section 16 officers, it goes much deeper in the executive ranks as compared to the "top 5" in the Summary Compensation Table. Often, as many as 15-20 officers will be listed here, so this can be a great source for VP-level positions in many companies. With equity compensation in such a state of flux, these filings are a great source to see how companies are addressing the future reality of option expensing. It will provide information about the size of awards, as well as the equity instruments that they are providing and the vesting requirements.

So, now that you have answers to each of the questions posed above, you have prepared yourself well for your meeting tomorrow. Regardless of your executive title, you now better understand the compensation philosophy of your future employer. You can anticipate the various components of pay that will be offered. You will have a good sense of how your bonus pay will be structured as well as your benefits. You will know whether a "star" system predominates or a more egalitarian structure. Finally, you will know how your company is positioned against its competitors and to what extent it is shifting its compensation philosophy. Next month we will dissect the employment agreement.

CHAPTER 5: Detach, Analyze Before You Begin Interviewing

by Martin E. Latz

Former Clinton White House Advance Team negotiator Martin E. Latz knows a thing or two about winning hard-nosed negotiations. As founder of The Latz Negotiation Institute and adjunct professor of negotiation at the Arizona State University College of Law, Latz' new book, Gain The Edge, goes beyond many other negotiation books by providing nitty-gritty tactics backed by studies and other examples that demonstrate their effectiveness. ExecuNet recently spoke to Latz to ask what advice he gives to senior executives about how to subtly turn their interview time into a negotiation session that will give them a better opportunity to secure an advantage.

It is always tougher to negotiate for yourself, as opposed to doing it for someone else. We have a harder time separating ourselves from what our side needs, and it weakens our leverage in the negotiation. We also have a much more difficult time stepping into the shoes of our counterpart on the other side of the bargaining table.

A key to successful negotiation is leverage, and one of the critical elements of leverage is perception. Because it is perception and not fact, you the negotiator have the ability to impact it. This is especially important to remember if you are currently out of work. Part of the dance is that you don't want to appear misleading, but neither do you want to emphasize how long you have been out of work and appear desperate. You do not have to share the fact that you really, really need the job!

Instead, first focus on how desperate your counterpart might be. It is very natural to think about how much you need the job, but remember they need to successfully fill the job, too. Today's improving economy can also be turned to your advantage. For one thing, many firms have waited a long time to fill positions that they perhaps should have filled sooner. They may feel some pressure themselves. However, remember that leverage is fluid; the situation can change very quickly. You need to always be assessing their level of need.

Second, you should also be thinking about what you will do if you don't get the job. Even while you are interviewing [with this top prospect], you should continue to interview with other prospects. It will help you to improve your alternatives.

A very common mistake I see many senior executives make, especially if they are currently in transition, is to jump into the "offer/concession" stage of negotiation way too early. When the interviewer asks you what you are looking to make in the job, it is tempting to give a figure. It is also a mistake to do it at this point. Don't let the fact that you are out of work weaken your leverage to the point where you give a quick answer. The best answer in this situation is to say there will be time later to get to the financial needs of both sides, but that it is most important to both sides right now to see if this is a good match of your skill set and value to the company's opportunities and challenges. If you can recognize and talk about ways to fill their needs, they become more psychologically committed to hiring you. The financial discussions are much easier if they come *after* that happens.

I think the biggest overall mistake I see people make, though, is to try to negotiate instinctively or intuitively and not strategically. They don't do enough research on the company and its situation,

and they don't strategically prepare for the negotiation. I go over all of this in my *5 Golden Rules of Negotiation* (see box).

Senior executives also need to remember that experience does not equal expertise in negotiations. Just because you have done a lot of it, just because you may consider yourself successful, you didn't necessarily get what you needed. Most of us learn negotiation informally. Perhaps a mentor early in your career may have offered some good tips and tactics. But we don't often know what mistakes we are making, and we often [erroneously] feel that a deal completed means success.

Bottom line in negotiations is to ask a lot of questions. Studies show that successful negotiators ask twice the number of questions. Your approach should be to ask and listen. Don't go in with an argue-and-persuade attack.

MARTIN LATZ'S 5 GOLDEN RULES OF NEGOTIATION

Rule 1: Information is power — so get it

- Get the info to set your goals and those of your counterpart
- Brainstorm to set your goals, but tie them to realistic standards
- Expect to succeed

Rule 2: Maximize your leverage

- Find each side's need level
- Determine your best alternative to a negotiated agreement
- Know that leverage is fluid, strike when yours is hot

Rule 3: Employ "fair" objective criteria

- Remember that the more independent and objective, the more power your criteria will have. Strong examples include:
 - Market value power
 - Precedent power
 - Efficiency power
 - Costs and profit power

Rule 4: Design an offer/concession strategy

- Beware of the premature offer. The longer you wait, the less eager you appear
- Use specific, detailed language, explain your offer's rationale, and tie to standards

Rule 5: Control the agenda

- Prepare a substantive and atmospheric agenda to start that sets the agenda for short- and long-term negotiations
- Determine what, if any, deadlines already exist
- Take the initiative and set or negotiate the deadlines

Source: Latz Negotiation Institute, www.negotiationinstitute.com

CHAPTER 6: Winning Negotiations Means Being Ready To Win

by Regina Lapierre

Are you ready to negotiate? The faster you answer “yes,” the more likely you are doing yourself a disservice and giving away important advantages. Before you go into a negotiation, take a step or two back and think hard. For starters, it’s important to know what you want, what you’ll settle for, and what the company can offer before you go to the bargaining table. Don’t wait for an offer before you plan your strategy. The truth is, your negotiation begins the moment you make contact with a potential employer.

ExecuNet recently spoke with some of the best and brightest about negotiating philosophies and tactics that work in today’s job market. Their road-tested advice:

Be true to yourself

Know ahead of time how much money you’re worth, how much you want, and how much you’ll settle for — use that as a guide. “First and foremost, I tell a client they had better know how much they want to make (including perks) before they enter the salary negotiation process,” Deborah James, executive director of Leading Edge Resumes and Career Services (Toledo), told ExecuNet. “That means knowing exactly what is expected. Know what the employer’s needs are and what you bring to the table that will work for them and solve their problems.” Roger Volkema, author of *The Negotiation Toolkit*, advises to write down your wants ahead of time before going into the negotiation process. “It is worthwhile to think in terms of what you must have and what you would like to have; that is, to prioritize your wants and needs.”

Gather the goods on the employer

Know the company’s financial position, past successes and failures, etc., and also the leadership. Who will be sitting across the bargaining table? Find out more about him or her through colleagues, past and present employees. “Talk to someone who has negotiated with him or her recently,” advises Volkema. “Any information gleaned from a face-to-face negotiation can validate what you already know, or provide insight into the veracity of your counterpart.”

Research the salary range before the interview process

“Check with trade organizations, contact professional associations, look into business trade magazines and the Wall Street Journal, ask people in the industry, check out salary online surveys including the ExecuNet Salary Survey,” advises James.

Discern your negotiating style

G. Richard Shell, director of the Wharton Executive Negotiation Workshop, notes that there are several negotiating styles (see box), which boil down to two types: cooperative and competitive. The latter type is motivated to win; cooperative types shy away from making demands. They’re motivated by a need to preserve future relationship. Both sides have advantages and inherent flaws, but it’s important that you identify which type you are and make the most of it. Don’t try to come on tough if it’s not who you are, because it won’t work.

Five Negotiating Styles

From *Bargaining for Advantage: Negotiation Strategies for Reasonable People* by G. Richard Shell

- 1. Avoider.** You strongly avoid interpersonal conflict, have a distaste for games with winners and losers, try to dodge situations that hold the prospect for open disagreement, and arrange your life in such a way as to avoid conflict. Avoiders are tactful, but they're difficult negotiating opponents because they want to skip over hard issues. They like professions such as engineering where hierarchical systems and "correct" answers to many professional questions exist.
- 2. Compromiser.** You are fair minded and favor agreements in which each party gets an equitable part of the solution. You split the difference and look for quick, obvious solutions to the negotiation process.
- 3. Accommodator.** You like to resolve interpersonal conflicts by solving the other person's problem. If the people you help are like you, you partake of the wealth and return the favor. If they are greedy and selfish, you get a pat on the back and end up with nothing.
- 4. Competitor.** You like to win and are willing to take chances to get more money than anyone else in the game. You like to control negotiations and open with ambitious demands. You walk out if things don't go your way. You go for the lion's share.
- 5. Problem solver.** Instead of trying to figure out how to divide the wealth, you strive to find a way to make sure both sides get everything he or she wants. Example: you figure out that rather than split the orange in two, he wants the peel, she wants the pulp. Both sides get what they want. This style is the hardest to implement, as it seeks to discover underlying problems through candid disclosure interests, find the most elegant solution by brainstorming many options, and resolve tough issues using fair standards of division. The categories overlap, and many people change their style according to the situation at hand. Chances are, however, there is at least one role that you don't feel at all comfortable playing, so you shouldn't try to play it.

Don't sell yourself short

Shell says research shows that people who expect more get more. "To improve your negotiation results, you need to get into the habit of thinking carefully about the full range of fair and reasonable outcomes for a given problem, then developing an expectation that you should achieve results in the high end of that range." Deborah James agrees, saying job-seeking executives need to consider the value they're bringing to the company. "If you know how to solve their problems, it's worth negotiation dollars," she says. "Often times, individuals are shocked when they find out their scope of responsibility is much more than anticipated. Don't work for a low salary ... work for what you are worth."

Don't "psyche yourself out"

Avoid conjuring up reasons why the company can't offer you what you want (not enough money in their hiring budget, others could fill my shoes, etc.). That's not getting into the mind of the employer — it's derailing your mission. Unless your notions are based on fact, you'll be preparing a compromise instead of an effective negotiation strategy.

Practice salary negotiation skills

Have someone conduct a mock interview with you. Practice with a friend, colleague or coach. Videotape yourself. Rehearse with a mock company that is different from your target company, introducing all sorts of adversarial issues. "It gives you a feel for the issues, the industry, the market and your readiness," says Volkema. "You will be better informed and have more confidence when the time comes to approach your target company."

Maintain a quiet dignity

It's easy to run at the mouth when the stakes are high and nerves are frayed, but try to keep your composure, especially while the offer is being made. Jeffrey Hyman, founder of Canal Street Talent, warns clients not to reveal current salary or allow the potential employer to pin them down before making an offer. "I don't have unreasonable expectations, and I'm sure we can work out those details."

CHAPTER 7: Salary Negotiations: Know What You Want, Then Go Get It

By Regina Lapierre

Just as networking and interviewing present unique challenges, so does the delicate art of negotiating your compensation package. Ironically, many senior executives stumble during this part of the career process, in part because they do not have a clear idea of what they want. ExecuNet recently spoke with leading experts to help you craft a winning strategy as you sit down on the other side of the bargaining table. Here's their best advice:

- **Ask for a term sheet** so that you know in advance what the elements of the compensation package will be. With one in hand, you can study the issues and answer many of the aforementioned questions before you sit down to negotiate.
- **Study the industry benchmarks.** Through networking and research, find out what the standard rate of salary, bonuses, etc. is for positions similar to the one you've been offered. "Almost everyone wants to be seen as fair," G. Richard Shell, professor at the Wharton School and author of *Bargaining for Advantage: Negotiation Strategies for Reasonable People*, told ExecuNet. If the offer doesn't meet or exceed the benchmark, you can question it based on what you know about the industry.
- **Maintain a professional tone** and a cheerful demeanor while negotiating elements of the compensation package. Approach issues in a problem-solving way that will preserve the relationship and avoid tension and discomfort.
- **Adjust expectations and strategies** for different companies. Companies that are start ups, coming out of bankruptcy, or in turnaround situations may not be able to match an industry standard and may offer attractive stock options, bonuses, etc. Since the companies are cash-strapped, they will be much more willing to bargain these other issues.
- **Identify troublesome areas**, then focus on problem solving. Again, a cooperative approach in which you can identify and respond to motivators will help you solve your way around them.
- **Be ready to discuss** how you can reduce costs, propel profits and contribute to revenue gains. "This shows the hiring manager how they can repay the expected salary and benefit package," Deborah James, owner of Leading Edge Résumés & Career Services, told ExecuNet. "This is also an opportunity to create a win-win situation. Offer added value to justify compensation requests."
- **Consider an attorney.** "For a high-stakes, high-level position, it is always wise to signal that you will want to let your attorney have a look before you sign," advises Shell. "This not only gives you another pair of eyes, it also gives you the flexibility to let an agent handle some of the more delicate matters."
- **Include an exit package** that includes severance, outplacement and other options. While it sounds negative, negotiating the severance package upfront offers you coverage in case the job doesn't work out. "You have more leverage when you are negotiating your initial package than at any other time, because the new employer has invested a lot of effort in finding you and does not want to repeat that process," notes Shell. "This is the best time to cover all issues that you think are important to you, including severance, if that is one of your 'hot buttons.'" Be careful, however, as negotiating an exit clause at the same time you're talking "entrance terms" is like signing a pre-nuptial agreement — tricky! This is another good reason

to use an attorney. "They can take the heat for raising the issue and negotiating it," says Shell.

- **Get the offer in writing.** After you have been given the compensation package, respond by summarizing it in written form, advises James. Incorporate information, such as the name of the person to whom you will be reporting and areas for which you will be held accountable (e.g. budget oversight, direct reports, indirect reports, functional leadership, etc.).
- **Know your priorities.** "People who are more interested in taking risks and negotiating opportunities will take more risks with the performance-based compensation and incentive," notes Shell. "People who are interested in security are not taking risks with high salary, stability." For some people, living in a certain area to be near family, for example, is worth several thousand dollars a year.
- **Consider your lifestyle.** Benefits, such as company cars and club memberships, are decreasing in popularity, but financial planning and education allowances are still common and may be important to you. Business 2.0 magazine notes the emergence of do-it-yourself benefits; the company gives you a "perks budget," and you decide how to spend it.
- **Make sure your bonus targets have measurable criteria** that are acceptable to you and your potential employer. This, too, should be in writing.

Throughout the negotiation process, remember that you're demonstrating your leadership ability and building relationships with your new company. Don't ruin your reputation, or the relationship, with overly aggressive manner. "For high-level executives, your negotiating strategy will tell a lot about your sensitivity, diplomacy, and a lot of other things," Shell says. "You will want to conduct the negotiation process in a way that won't damage the relationship, whether you take the job or not."

Steady your negotiations with an "anchor"

Executives interviewing with large, established companies should lay out their expectations to prospective employers *before* they negotiate the compensation package. "It's called the 'anchor effect,'" says G. Richard Shell, professor at the Wharton School and author of *Bargaining for Advantage: Negotiation Strategies for Reasonable People*. "The person who makes the first offer [the executive] gets the benefit of having put the first numbers on the table. That creates an anchoring of the situation." By advancing a set of expectations, you're putting parameters in place. But if you're negotiating with a smaller company, one that's recovering from bankruptcy, or an organization that is going through a turnaround, wait for their proposal because the compensation package will probably be unique.

CHAPTER 8: Salary Research: A Little Sleuthing Can Go A Long Way

As anybody who has negotiated a compensation package knows, being armed with the right information greatly enhances your ability to get the best deal. But finding accurate and useful information is not always easy, especially as you move higher up the organizational chart. And with the glut of information — free and for a fee — available today, it's not easy to know where to go to get the best data. We talked to Salary.com Senior Vice President of Compensation Bill Coleman about what kind of information salary researchers can expect to find and how they can use it. Here is what he had to say:

ExecuNet: First, how valuable is salary data for executives in negotiating a salary package?

Bill Coleman: Everything that I've heard back from people who have used salary data — ours or others — is that it is useful. And to be brutally honest, it's useful to get as much salary data as you can from multiple sources, particularly for executives.

ExecuNet: Why are executives a special case?

Bill Coleman: Executive-level positions are not, for the most part, commodity jobs. They are not exactly the same from company to company or person to person. So there isn't a right answer sitting out there, saying 'this is how much you should be paid.' There may be information that says 'this is what people who are generally like you working in jobs like yours get paid,' but there are so many subtle nuances to what different executives do in different jobs that you need to have a broader view to understand executive compensation. It is harder for executives to negotiate for salary if the only data point they have is what they are making now.

ExecuNet: So what's your advice to executives?

Bill Coleman: I recommend that they gather as much information as possible from as many sources as possible. Of course there is a limit, but you want to have at least a few different data points that give you the perspective to understand where you sit in this world. One of the things that we have at Salary.com is a product called the personal salary report, where we look at things like education and years of experience and then point you in the direction of which of those things are going to be more or less valued for your job.

ExecuNet: So will executives have to pay to get good data or can they get it for free?

Bill Coleman: They can get information for free; but when they pay, the data is better and the negotiation advice is a little higher level. It is a little more targeted and specific. There is certainly no problem with starting with the free information and seeing how it fits. But one of the problems is that free information tends to be just a range and executive jobs in particular fluctuate dramatically by industry and by company size. So to get a better understanding of your specific situation, you would need to go to a more specific data set. But if you are just tinkering around saying 'get me in the ballpark,' the free data is a ballpark figure.

ExecuNet: Base salary information seems easy to find, but what about total compensation?

Bill Coleman: Sherlock Holmes might be able to find that. Traditionally, for this audience there are

five broad buckets of pay: base salary, cash incentives (which include annual bonuses and commissions), long-term incentives like stock options, benefits (standard and executive) and perquisites (club memberships, company cars and time off are a few). There are plenty of places you can find base pay information and even base plus annual incentives. Finding competitive long-term information is difficult for two reasons: it is difficult to collect and difficult to compare. You can't easily compare stock options in one company with stock options in another. There are theoretical ways to do it, but people have a hard time converting it to a present dollar amount that everyone is comfortable with. And they are also allocated over time, so it is confusing. That's a tough piece of information to get, and it's even tough within the industry to get that information and apply it.

ExecuNet: What about benefits and perquisites?

Bill Coleman: Perquisites tend to be a personal negotiation, but benefits are a different story. There are some, like 401K, that are not negotiable and others that are negotiable. Executives usually have executive plans or supplemental plans that are offered in addition to the standard benefits offered to everyone else. Getting information on those in general is not difficult, but getting information specifically on who does what is difficult. You need to understand the culture and environment of the company you are negotiating with to look for where there are opportunities for those other benefits and perquisites and where they are not. A lot of these are reasonably expensive, and so it is likely that employers will take that into account in determining your overall compensation.

CHAPTER 9: Restrictive Covenants: Know What They Mean Before You Sign

By Ellen Stuhlmann

As anyone who has been in the employment market recently can attest, signing an employment contract today often means agreeing to some sort of restriction on your future endeavors. Whether it's an outright ban on working for your employer's competitors or a less restrictive promise not to hire away employees, employers often expect most workers to agree to certain limitations should they part ways.

Whatever the scope, such restrictive covenants have the potential to impact you for years to come and the best time to understand them is long before a problem arises. We talked about the scope and limitations of such agreements recently with R. Craig Scott, CEO and founder of Executive Law Group, which provides legal services for senior-level executives. Here is what he had to say...

ExecuNet: We hear a lot of different names bandied about for restrictive covenants. What are some of the more common and what do they mean?

Scott: First of all, keep in mind that states have different laws and use different names. When we talk about this subject, we have to talk in general, so this is not a one-size-fits-all answer. In general, though, there are non-compete agreements, non-solicit agreements and non-raiding agreements. Those are the typical terms I run into.

The term 'non-compete' usually refers to a provision in a document that says that after a person leaves employment, he or she is not able to compete with the existing business of the employer that has employed him or her. So the executive cannot go out and compete head-to-head either by being employed by or consulting with the competition. A 'non-solicit' agreement is different. That says the departing executive will not solicit either the employees or the customers of the company when they leave. In other words, the executive won't take employees or clients with him or her. Some go so far as to say the new company the executive joins won't even hire employees from the executive's previous employer. A non-solicit does not stop you from becoming employed at or starting a new competing business. There are also what are called 'non-raiding' or 'non-interference' provisions. These are usually very similar to a non-solicit agreement in that they prohibit the departing employee from raiding customers or employees.

ExecuNet: Which types of agreements are more onerous?

Scott: Certainly people's greatest concern will be with the non-compete, because it affects whether you can set up a competing business or be employed with a competing business. It goes right to the heart of your ability to earn a living. A non-solicit, on the other hand, just addresses your ability to take employees or business from the place where you used to work. So, fundamentally, the impact is likely to be greater with the non-compete. Sometimes executives find themselves truly sidelined by a non-compete.

ExecuNet: Are there states where such agreements really are not enforceable?

Scott: California is very employee friendly. It is the public policy of the state of California that non-compete agreements are not enforceable. One exception is when somebody sells his or her business in its entirety. Then a non-compete will be enforceable, because you've got to be able to protect the purchaser. It's also important to note that in California, although non-competes are not enforceable, non-solicits are if they are reasonable in their terms.

ExecuNet: How long do such restrictions usually apply?

Scott: Well, the answer comes with the caveat, again, that these agreements will be enforceable in some states and not in others. But there is a general notion that the time period of restriction must be reasonable. Various states define that in different ways. Can it go for a couple of years? Sure. That's going to be upheld in almost any state. Five years? That is more questionable. Ten years? Probably some states will say that's too long. Coupled with that is a very important factor — the geographic area or territory covered by the restriction. So, for example, a non-compete that covers three counties may be more enforceable than a non-compete that covers three states. The general rule is that covenants not to compete or not to solicit will be enforceable if they are reasonable in terms of time and geographic restrictions. That, of course, is the challenge in these things. Determining what a jury or court is going to find to be reasonable can be hard to do without looking at prior case law in that state.

ExecuNet: So is it safe to assume if you live in a state like California that a non-compete is unenforceable? What if your employer is headquartered in another state?

Scott: You have just opened up one of the biggest cans of worms in this whole area. We can talk about legal enforceability until we're blue in the face; but in my view, there's also what I call 'practical enforceability,' which often results in an executive having to live with the terms of the agreement because of what is at risk. For example, if an executive leaves an employer and has a non-compete that runs for two years, and a severance package that also runs for two years, as a practical matter he may have to abide by the non-compete because if he doesn't the company will stop paying him. And if his employer is in New York and he lives in California, it may be legally unenforceable in California but his employer will attempt to fight it in New York, where it is enforceable. As a practical matter, the executive is going to have a major problem because of the legal fees involved in defending himself in New York. So when that employee comes to me and asks if an agreement is enforceable, we go through two discussions — what's legally enforceable and what is practically enforceable. To me the practical is almost more important.

ExecuNet: Does the executive have any way of knowing under which state laws the agreement will be judged?

Scott: Many non-competes will provide the law under which they will be enforced. That will be spelled out in the agreement and most other states will honor that. So you get into a very complicated situation that lawyers call 'conflicts of law.' The question is which state's law will supercede the other. Many companies would have the California employee agree when he is hired that he is subject to the jurisdiction of the New York courts.

ExecuNet: What happens if you're presented with an employment agreement that includes covenants you don't think you can live with?

Scott: My cardinal rule is 'never sign anything you do not intend to live by.' You can't say 'well, I'll get out of it,' or 'it won't be enforceable.' It's my view that you need to have that discussion with your potential employer at the time you've been asked to sign the document. So you need to say, 'it's not enforceable in my state and I'm not going to sign something I don't want to live by.' But you also need to recognize that they may choose not to hire you because of that.

ExecuNet: With all that in mind, what are some things people should be aware of when they are about to sign an employment agreement?

Scott: One of the problems that I see that executives have is that they look carefully at the compensation part of the agreement but then consider the rest of the agreement to be just legal boilerplate. They've got to read the boilerplate, because the devil is indeed in the details. And if they don't understand it, then they really are only serving their own purpose by getting some help to understand it. If there are restrictive covenants, they need to think through how long the restriction will last, what the geographic limitations are and what the scope of the restricted activity will be. Then they need to consider if they can live with such restrictions.

ExecuNet: And what about when they are about to exit their current place of employment?

Scott: When they exit, often the executive will forget that his first day on the job he signed a non-compete. Restrictions may not be in the severance agreement, but that doesn't mean you're not bound to them if they are in your employment agreement. So even if there is no restrictive covenant in your severance package, you need to go back to your personnel file and see what you signed, or ask your employer if there is anything that you signed. You may also find that you didn't sign a non-compete but that a restrictive covenant is included as part of your severance package. In that case, you have to weigh if you want the package enough to live by the restrictions or if you'd rather go out and compete.

ExecuNet: Is there any room for negotiation?

Scott: You can successfully negotiate some limitations on either the restrictive covenant that you already entered or the one you are now being presented for signature. I do that all the time for my clients. Some people say 'the company won't budge;' but in my experience, especially if it's an amicable parting, there is some room for negotiation. If you've got reasonable people on both sides, you can generally work out some kind of adjustment so you can continue to make a living. At the pre-employment stage, whether they are negotiable depends on how much leverage you have and how much you want the job. If my client really wants the job, my advice may be not to try to negotiate it, because the employer may assume that you intend to do the business harm from day one. But I always look for the opportunity to clarify the document and make sure that it is as reasonable as possible.

CHAPTER 10: How To Extinguish A Job Offer Without Burning The Bridge

By Regina Lapierre

As Oscar Wilde might have once said, sometimes the only thing worse than not *getting* the job offer is getting the job offer.

The ability to graciously decline an offer you once pursued requires forethought, common decency and tact. While it may be tempting to dodge the unpleasantness of having to disappoint the person who's extending the job offer and simply shoot off an e-mail saying, in so many words, "thanks but no thanks," that's rude and frankly bad strategy. Remember that your reputation is at stake. How you refuse says a lot about you as a person and speaks volumes about you as a professional. Instead of taking the fast and superficially painless way out, use the opportunity to build a relationship with that person. You never know when or how they may be able to offer assistance and guidance in the future.

ExecuNet recently interviewed three ExecuNet regional networking meeting facilitators for their insights about declining a job offer and maintaining good relations in the process. Their advice offers constructive ways to smoothly extract yourself from a job offer you no longer want. Here are their ten best tips:

Prepare them along the way

Pam Lassiter of Lassiter Consulting (Boston) suggests forewarning the decision maker at the end of the negotiation process. "After they have made a specific offer, for example, you can respond, 'Thank you, I appreciate the offer, and this sounds like it could be a really great opportunity to work with you and for such a good company. I may be talking to other companies, however. May I get back to you? Let me call you by next Wednesday.'"

Have a "real" conversation

That is, turn them down in person, or over the phone, follow up with a letter. Don't cop-out with an e-mail, unless it's used as a follow up to a one-on-one conversation.

Dole out the compliments

Stress how much you like their company and how difficult it was for you to choose between them and the other company. In explaining why you went with Company B, tell them that you've found a better fit, suggests Janine Moon, principal, CompassPoint Consulting (Columbus, Ohio), or that the other opportunity was more in keeping with your career direction. Or, if true, give them other reasons that won't hurt them, such as the other job would involve a shorter commute, or that the other company is located in a region of the country where you want to be.

Omit negative observations

Don't feel you have to "help" the company you're rejecting by pointing out its organizational flaws, the unhappy employees, the outdated facility, their unhealthy corporate culture or other similar observations. Such remarks may come back to haunt you. Remember the adage, "if you can't say something nice, don't say anything at all."

Don't be sorry

"There's no need to apologize," says Moon. "Everyone has reasons and benchmarks." Also, apologizing makes it seem like you're letting them down, and that's not the impression you want to leave.

Be explicit about your reasons

Don't let your decision become muddled by your effusions about how much you like their company or how difficult you found the choice, warns executive coach Linda Dominguez, Executive Coaching & Resource Network (Palo Alto, California). In the written communication that follows your conversation, be precise. "State your sincere appreciation for the offer, state the reason for declining — career goals, geographic preference, another offer is a better fit — include a brief comment about the difficulty in making the decision, yet explicitly decline the offer," she counsels.

Sound confident about your decision

Don't let them think that you're hedging, or that you can still be won over, unless of course these things are really true. If, for example, you inflate the importance of the fact that the other company provided you with the opportunity to telecommute two days a week, Company A may match the offer, leaving you in the awkward position of having to scramble for another excuse.

Don't delay in turning down the offer

While it's reasonable to ask for a few days in which to make your choice, don't string them along beyond that. The same advice holds true, Dominguez notes, if you decide instead to accept the offer. It's never a good idea to make people wait while you take your time.

"Give the job away"

That is, suggest other possible candidates. By helping the employer solve their problem, that is, fill the position you've turned down, you'll emerge as a friend and a helpmate. "Tell them, 'If I can be of any help in the way of recommending other candidates, please let me assist you,'" advises Lassiter. "It's a way of moving forward into the future." If, in the end, you make a connection that works out well for both, you've made three people happy, including yourself. "It feels good, and it's a neat thing to do," says Lassiter.

Keep the relationship vibrant

Emphasize that you want to stay in touch and mean it. Keep the connection between you and the offering company strong and alive. "You never know when you might be able to utilize that connection," says Moon. "Keep the broad picture in mind."

Clearly, there are many reasons for crafting a smooth exit when you want to reject a job offer. It's important to remember that your new job may put you in a better position to assist the company whose offer you've declined, especially if they're in the same industry. You may find yourself working closely with them in a client-contractor relationship, or partnering with them in a joint business venture. You could end up wishing to work for that company at a future date, perhaps coming to the table as a more qualified candidate for a position at a higher level. So, remember to include them in your network, reaching out to them on occasion with a phone call, an e-mail forwarding an article of interest, or perhaps an invitation to coffee.

"You may want to have a long-term future with them," Lassiter sums up. "Keep them stroked."

CHAPTER 11: Marry Sound Strategy With Proven Tactics For Perfect Negotiation Match

Jim, a Senior Vice President coming up on his one-year anniversary with the company, knew he deserved a good raise. Despite a shaky domestic economy, and some weak performing divisions in other parts of the company, his group had shaved costs and made significant contributions to the bottom-line. But before he went into his boss, the CEO, to talk about his raise, Jim did his homework. He checked out comparable salaries at other firms for his CFO job title, he networked to find out how his firm and firms like his handled raise negotiations, and he prepared (and rehearsed) a firm but calm case for the merits of his own raise.

Jim went to his CEO three months before his anniversary. The CEO listened politely and even took a few notes as Jim made his case. Then the CEO pushed himself back from his desk and said, "Jim, company policy is to talk about compensation at an employee's annual review."

But Jim had done his homework; he knew this was company policy, and he also knew that it had been bent in the past. In other words, Jim was ready.

"Doug, I know that, and that's why I want to talk to you today," Jim said to the CEO. "I want to learn from you about how I can do more to help the company while I show you what my team and I have already achieved." Jim looked at Doug and smiled, "I don't want my annual review in a few months to become a compensation discussion. I'd rather it be an opportunity for me to learn how to do even better here."

The CEO nodded. "What did you have in mind for salary, Jim?" he asked, a little more comfortable now. As Jim knew, the CEO had made this kind of adjustment with some senior employees in the past. The CEO was back on familiar ground, which made him once again more amenable to thinking outside the company manual.

By the end of the conversation, Jim got very close to the raise he wanted, and he got it three months "early." Better still, he took much of the nervous energy out of his pending annual review while simultaneously reminding the CEO of his value to the company.

Certainly part of Jim's success was due to the fact that he had a strong track record to draw upon. But that's often not enough. Many executives with good performance stories to tell come away with less than they hoped for in the sometimes delicate arena of compensation negotiation. The reason? Weak strategy and/or flawed tactics.

Sherman's March (for a raise)

Executive management books love to look back on historical figures as models of how to get things done. Think of Jesus, Alexander the Great, Donald Trump...and even Tony Soprano. But perhaps the most popular group to draw from is the U.S. Civil War. You've no doubt run across books about the decisiveness of General Grant, the inventiveness of General Lee, or the exquisite blend of pragmatism and vision achieved by President Lincoln.

Let's add another to that illustrious group, this time in the arena of salary negotiation. General William Sherman, Grant's right hand during the Civil War and the general best known (famously or

infamously probably depending on your geographical location vis a vis the Mason-Dixon line) for taking Atlanta, making Georgia howl, and providing perhaps the crippling blow to the South that ultimately ended the war.

Well, guess what? General Sherman was not a particularly good general in the field. "Sherman was not much on a field of fight, but he was a superb strategist," historian Shelby Foote recalled in the Ken Burns PBS series *The Civil War*. But Sherman would "set things up so that he would win no matter what happened on the field."

We're not sure if our CFO Jim had ever read Sherman's excellent autobiography or watched the PBS Civil War series, but in his own salary preparation work, he acted just like General Sherman. And like Sherman, he accomplished the bulk of his goal because he had done his homework and adjusted his tactics accordingly. When Jim's CEO said the firm didn't talk about compensation except at the annual review, Jim didn't have to think quickly on his feet. He had already, no pun intended, war-gamed that exact scenario.

"Do not negotiate at evaluation time," advises Alan Weiss, Ph.D. and president of Summit Consulting Group in East Greenwich, Rhode Island. Doing so, he says, will merely complicate things by creating two different dynamics. The added tension does not work in your favor.

Instead, take a page from CFO Jim's book and pluck some of the formality out of the discussion. Most people get psyched up before an annual review. It feels like a Big Deal. Both sides are on edge and that's never the best time for encouraging nuanced, flexible thinking.

If the CEO tries to tie your compensation discussion to an annual review, suggest departing from the policy. Weiss advises telling the CEO, "I don't want to make my review into some kind of negotiating meeting, or neither of us is going to be very candid...."

Claim your rights

"Essentially, negotiating a raise boils down to how effectively you can communicate your right to the raise — both verbally and nonverbally," says Charmaine McClarie President, McClarie Group. Her advice:

- **Speak in headlines.** Many executives make the mistake of starting out their negotiation with background information — how long they've been working there, their responsibilities, etc. Executives should begin their negotiation with a headline — something that will get their boss's attention, motivate him or her to pay attention to the rest of what they're about to say, and is concise and gets to the motivation in a hurry. Instead of "Well, Bob, I've been working here now for..." executives need to pack some punch right from the beginning: "Bob: last year my streamlining efforts saved this company close to \$500,000 in increased productivity. Today I'd like to review my key accomplishments and discuss raise opportunities with you."
- **Deliver three "must-make" points.** Executives seeking a raise must be able to effectively address the three must-make points. The first point is: "Why should I listen?" The second point is "What's in it for me?" and the third is "What do you want me to do about it?" She puts these three points in the form of questions because these are the questions the person at the other side of the negotiation table is asking — whether or not he or she is conscious of them — and unless executives answer these questions successfully their case for a raise will not be fully effective.

- **Embody your message.** The critical benchmarks of compensation negotiation are both the message the executive is delivering and the way in which he is perceived by the other party as they deliver it. "Deliver the right message and embody the message you are delivering and you will get that raise," McClarie says. Deliver the right message and do it in a way that disassociates you from that message or undercuts it, and your message will not be heard. "You will be undervalued, and you will not achieve your goal of a raise. It's that simple," she says.

In the build-up to and aftermath of the presidential debates, we heard a lot from experts who stressed "winning" the contests came down more to how each candidate presented their message, more than even the content of that message. To some extent, that's also the case during a compensation negotiation, McClarie says. "Embodying your message means looking and acting the part of a top executive who deserves a raise. Do not appear apologetic or sheepish. If you deserve the raise, show it — in your confidence, your stride, your voice — and your message."

Fallback position

Finally, remember that there are other forms of compensation other than money. If the company is truly not in a position to cough up the cash, look into other options like flex time, career development, coaching and educational opportunities, which can further your career and increase your future contribution to your organization, suggests Jim Mitchell, senior vice president and general manager of Lee Hecht Harrison's Detroit office.

And not to end on a defeatist note, but the reality is that even with the best strategy and tactics, you may still get the thumbs-down. If that happens, channel that disappointment into a positive learning experience. It can be harnessed to improve your odds the next time. "Ask **how** you might improve in asking for a raise in the future," Mitchell suggests. "This ensures that even if you are turned down the first time, you are still gaining from having made the request."

As an ExecuNet member, you have access to outstanding information about how to research compensation trends in different industries. Check out the [ExecuNet Comparative Salary Report](#). It can be found on the member website under the tab Knowledge and Tools.

CHAPTER 12: Negotiating Your Salary: Avoid Common Landmines

By Louise Kursmark

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When do you need to start thinking about how to negotiate compensation for your new job?

Believe it or not, it's crucial to address this issue BEFORE YOU SEND OUT A SINGLE RESUME.

Why? Quite simply, being unprepared for salary questions can cost you thousands of dollars and cause you to cede power in the "salary dance." And quite often, the question first comes up right in the initial telephone call — perhaps from a Human Resources clerk who's screening candidates to weed through a huge stack of resumes, maybe from an executive recruiter, or possibly from a hiring manager you've contacted through a networking referral.

And if you haven't prepared and practiced to answer this question appropriately for each possible audience? You lose. You may lose a job opportunity. At the very least, you'll lose future negotiating power.

So how can you avoid this landmine?

FIRST: Understand when and to whom you should disclose salary.

As a general rule, it's expected (and not detrimental) to share your current compensation with an executive recruiter. These individuals need to know that you are a very close fit with the hiring company's specifications. They don't want to be in the position of recommending a candidate whose salary expectations are either too high or too low to be viable. Rest assured that all they want to know is whether you're "in the ballpark;" in all likelihood they won't share your salary information with the hiring company, nor will they "lowball" an offer to match your current salary. In most cases, their commission is a percentage of your salary, so they're motivated to help you negotiate as high a salary as is fair and reasonable.

With employers, however, the story is quite different. It's neither necessary nor advantageous for you to reveal salary information — either history or requirements — before you have a job offer in hand. First of all, your current salary really has no bearing on the value you can deliver in the position under consideration; and why should you give the employer negotiation ammunition by revealing what you make now or believe you should earn?

SECOND: Learn how you can deflect salary questions — right from the first inquiry — professionally, appropriately, and without striking the wrong note in the interview.

You can learn this crucial skill by reading books, doing online research (for relevant articles and advice), or engaging the services of a coach who can help you learn and practice the appropriate responses.

NEGOTIATING YOUR SALARY: Skirting the issue

You've learned how important it is to defer discussion of salary until you've received a job offer. But how do you do that professionally, courteously, without seeming evasive, and without annoying the interviewer?

First, make sure you're prepared for the question. Practice a variety of responses until you can say them naturally and non-defensively. Keep in mind (and communicate) that the primary purpose of the interview should be to determine whether you're the right person for the job. Convey the assumption that the employer will pay an appropriate salary, and continue to focus on determining fit.

Here are a few suggestions for ways to do this.

In response to the question, "So, what salary are you looking for?"

- "I'm most interested in determining if I'm the right person for this position. If there's a fit, I'm sure salary won't be an issue."
- "I'm sure your company pays competitive salaries and that compensation won't be an issue if I'm the right person for the job."
- "Before we talk salary, I think we should focus on whether I'm the right person for the job. If we mutually decide it's a good fit, we can talk particulars at that point."

If the interviewer persists — "Yes, but we don't want to waste our time if our compensation figures aren't compatible. What are you looking for?"

- "As I mentioned, I'm sure salary won't be an issue if the match is right. What range have you budgeted for this position? I'll be glad to tell you if it's in the ballpark." Then, if the interviewer responds with a range, you can reply, "That's certainly in the ballpark. Let's keep talking to see if I'm the right person for this job."
- "I'm interested in a compensation package that will keep me motivated and productive. I am sure your company pays competitive salaries to retain talented people. I assure you that salary will not be the deciding issue."

If the interviewer presses further or says, "So, what will it take to bring you on board?"

- "Are you offering me the position?" If the answer is, "Yes, I guess I am," you can reply, "What is the range you have in mind?" If the answer is, "No, I think it's premature to do that," you can respond by saying, "I agree, I think we should focus on whether I'm the right person for this job."
- "I'm excited about the position and eager to tackle the challenges we've discussed. I assume I'll be paid a salary that will keep me motivated and productive. What figure did you have in mind?"

Finally, if you feel pressured to respond with a salary figure, it's always best to quote a wide range rather than a specific figure.

And be sure to base your salary expectations on facts, not what you “think you deserve” or even what you’ve been earning. Perform online research to determine appropriate salaries for the type of position you’re seeking (as a starting point, you can find salary information links on our website), and respond along these lines: “My research shows that salaries in the \$x to \$y range are appropriate for this position. I anticipate a competitive salary in that range.”

IF YOU FEEL UNSURE of your ability to handle salary questions, invest in interview coaching! It can have a dramatic impact on your current and future earning power.

CHAPTER 13: Get What You Need In Your Next Annual Review

The next time you go into any kind of negotiation on the job, think back to the days when you were a kid trading baseball cards with others in the neighborhood. Your goal was probably to get a player's card you didn't have, while expecting and willing to give up something your pal wanted, and then planning to go have fun together doing something completely different after the trading was through.

That's not a bad philosophy to take to your grown-up negotiations, says author, negotiation and employment law expert and ExecuNet online seminar leader Lee Miller. "Negotiation is a process, and your employer wants to make you happy," he said. "It's like kids with baseball cards; if they can't give you what you want, have in mind something else to ask for." Most bosses are hoping you will come up with something they can deliver — especially if they had to turn down your first request.

But as you approach negotiations — be it over a raise, a promotion, plum assignment or even a better office — it is crucial to have at least two things clear in your mind:

- You don't want your boss to feel like they "lose" no matter how the negotiation turns out; and
- You have to be crystal clear about what you really want to attain as a result of the negotiation.

"Know what really interests you, know what you value," says management consultant Beverly Kaye. It is not always simply the money (see below *Money — Is That Really What You Want?*).

"Money and salary are obviously important, but there are many other aspects of a job that should be rewarding, so too should there be many other areas where your boss can improve things for you as the result of skillful negotiation," notes ExecuNet President Mark Anderson. In fact, if money is the only thing about the job that excites you, perhaps you should take a step back and assess where you want to enhance your career in order to make it a better part of your life.

"Don't tie your boss' hands" by stubbornly asking only for a certain financial raise, Kaye stressed. For one thing, leaving your boss without a choice can make your life on the job awkward when the dealing is done.

"Don't put the boss on the defensive," agrees Ray Halagera, President/COO Career Systems International and a former management consultant with AT Kearney. If the boss can't do the money, have other ideas in mind, such as leaving early on Fridays in the summer, office size, or going to a conference and attending classes. Even when salary budgets are cut or frozen at firms, they often don't hack away at their training budgets, Halagera noted. Your boss is likely to have much greater flexibility in areas outside straight salary. If you have other things to ask for, you have a much higher chance of coming away with a "win-win" negotiation where everyone is happy. "You don't want to create a win-lose mentality," he adds.

Negotiations are often the starting point for your career with a company. "They set the tone for your employment relationship," Miller says in his book *Get More Money On Your Next Job: 25 Proven Strategies for Getting More Money, Better Benefits & Greater Job Security* (McGraw-Hill). In fact, one of Miller's commandments of negotiation is "Never forget that employment is an ongoing relationship."

"Get too little and you are disadvantaged throughout your career; push too hard and you can sour the relationship before it even begins," Miller says. "How you handle the initial negotiations can have an impact, for better or worse, on how successful your tenure with a company will be."

Money (is that really what you want?)

The old rock'n'roll classic says, "the best things in life are free, but you can keep 'em for the birds and bees, I want money (that's what I want)." But don't allow yourself to default to a fixation on salary in your negotiations without taking in the big picture.

In employment negotiation, base salary and/or bonuses are the most common and touchy areas of discussion. The boss is on edge — especially if he knows he just doesn't have the budget for the raise he may even know you deserve. But maybe there's a way for you both to win. Take a close look at your total benefit package in your job before you dig in your heels to ask for that 9 percent raise in a down market. Kaye advises you to calculate the value of all job-related benefits including:

- Health, life and disability insurance
- Professional development reimbursement
- Employer contributions to retirement plan
- Company cars, phones and computers
- Learning opportunities your organization offers
- Conferences you are able to attend
- Books, periodicals, subscriptions and other resources you get through the job.

And don't forget to factor in the very important if less tactile factors, such as if your family loves the area and the schools are good, you love your day-to-day job, peers, and you feel rewarded in many other ways on the job beyond salary.

One size doesn't fit all

Stressing that there is no single cookie-cutter approach to negotiation, Halagera said you should think of yourself as an investment and frame your negotiation pitch in terms of the return on investment you bring to the company.

"Make the business case, talk about what you have done to contribute to the bottom line," Halagera said. It could be a productivity increase either in your performance or that of the team you manage. You can also turn the so-called "jobless recovery" to your advantage. As firms have boosted productivity without (so far) adding new workers, "show how you and your team are able to accomplish the same with fewer people than in the past," Halagera said.

Vary your presentation style and content based on how your boss operates. If you have the "right brain" kind of boss, Halagera suggested going with a more informal, anecdotal approach when discussing your record. "Make it conversational," Halagera said. "Try the 'you know, I was just looking over some reports from the past year and I feel like I've really made a positive impact here...' approach."

But if you have the more literal number-cruncher “left side” brain boss, stick with hard facts and come into your negotiation prepared to discuss them. Frame the data in terms of before and after to clearly illustrate the way you’ve contributed to the firm’s bottom line, he said.

However, in neither case should you walk in with a prepared memo to leave behind after the conversation. Instead, make your oral presentation and at the end ask if they’d like you to document it in a memo. “This way you can adjust as needed based on what they said in the conversation,” Halagera said. Better still, you may get lucky and get what you want from your boss without having to produce any major memo.

Points for style

When it comes to skillful negotiation, it is equally important how you say something, Miller notes. “Remain likeable,” he said, and learn how to disagree without being disagreeable. Instead of trying to be a bully and saying you “have to have” something, use phrases like “I need your help,” or “how do we make this work for both of us?”

Ironically, this may be especially important the stronger your negotiating position is, Miller said. “One thing I always say, if you have leverage to demand something, you can ask for it nicely.” No one likes to feel manipulated or forced. If you go that route, you’re liable to win the battle (the negotiation), but lose the war (your long-range career prospects at the firm), he said.

Avoid annual build-up

Timing is also an important issue in negotiations. It’s never a good idea to let things build up for a long period of time or focus all your negotiations on a one-time-a-year performance review, Halagera said. “What you ask your boss for shouldn’t come as a total surprise to them.”

Instead, ask them a few times throughout the year if you can talk to them for an hour or so over coffee about where you are going in your career, where you’d like to go, and your ideas about how you can get there.

It simply puts too much pressure on both sides if these kinds of conversations only happen once a year. “It’s like presenting a speech once a year instead of being a regular speaker who grows increasingly comfortable at the podium,” Halagera said. Making the conversations more frequent and casual helps both sides avoid the anxiety and “sweaty palms” that can come with the Big Annual Review, he said.