

Don't Leave Money on the Table: Three Critical Strategies of Successful Salary Negotiations

by Ellis Chase

Back in the 1980's, I was struggling with a very difficult job search. The kind where you wake up in the middle of the night, every night, imagining you're never going to find a job, are completely unemployable, and will end up living in a cardboard box in Central Park.

I was attempting a transition from a traditional large corporate setting to a consulting firm, and was getting great meetings – and no offers. My conclusions were the kind that most job seekers come to when they're in this state of complete self-absorption: I had “too much traditional corporate experience and didn't understand the consulting environment” or was “too young” or “didn't look the part” or a variety of other (mostly ridiculous) explanations for something that wasn't easily explainable. I knew my field pretty well, and knew how to do a decent search, but was, ultimately, too impatient, wanting immediate results. It was, overall, a humbling experience, trying to do what I was supposed to be helping others to do. And, as I found out later, a great learning experience when it came to the negotiating part.

Finally, an offer. The awful search was over. I was so excited that I almost announced to the President of the consulting firm, “I'll start in an hour!” Actually, I contained myself – and did something even worse, which was to negotiate the offer on the spot. This, of course, in my desperation to finally end the ordeal, violates one of the most important rules of negotiating, and I didn't listen to the advice I had already given so many others. Turns out that the offer was somewhat less than my previous salary, so I asked for an amount that would at least make the new salary a lateral move. The offer was immediately increased to meet my request, so I agreed to accept. I asked about the benefits plan, and was told that it was “the usual”. That sounded good to me! Ordeal over.

Unfortunately, “the usual” was not so great – there was a six-months wait for coverage, which ended up costing me the entire difference between the original offer and what I had “negotiated”. Not only that, but I never asked about reviews, 401K, 401K matches, bonus, career path, vacation, and more. The shoemaker had botched the shoes.

I have heard about every imaginable salary negotiation scenario – internal and external - through my private practice, through students at Columbia Business School and New York University, through clients at The Five O'Clock Club, through presentations I've made, and have arrived at three critical points of a salary negotiation.

Avoiding the Subject

First, try to avoid the subject for as long as you can. Of course, you will be well prepared when you go into the offer phase, because you'll have carefully researched what appropriate compensation levels are – either via salary surveys or through your personal network. There are four reasons why you don't want to talk about money too early in an interviewing process:

If you mention a salary that the hiring manager thinks is too low for someone at your level, you might be creating the perception that you're not as good as you say you are.

If you mention a low salary or low salary expectations, a hiring manager might think she could be a hero to the company and bring you in at a level that is lower than where you should be. Save the company some money, right? This is bad management, of course, because when an employee finds out the compensation level is less than people are making at the same level or skill set, there will be resentment and probable turnover.

If you mention a high salary or high salary expectations that place you outside the hiring manager's range, it could easily eliminate you from consideration. Of course, you might be thinking "Why do I even want to consider this process if their salary is going to be lower than what I used to make?" Wrong thinking. This is 2005. We shouldn't be thinking about only a salary figure anymore. According to most surveys, standard benefit packages are usually worth about 30-35% or more of the salary. So add that on while figuring this out. And what about those 401K's or 403B's and matching from the employer? And bonus and equity, maybe even pension, when those are in the mix? In 2005, we always need to think about "total comp", rather than an absolute salary number. That's been one of the major changes over the past several years in how we should think about compensation.

If you happen to be in exactly the right range, you've limited your opportunity of negotiating more when the offer comes. What if the position requires more than you expected? What if you dazzle the hiring manager with your wit, charm, and brilliance, and the position becomes more significant and complex? You're still stuck with the numbers you mentioned too early in the process.

If you manage to avoid the topic of money early on, chances are that you'll have more opportunity to build value, and increase your negotiating abilities when there is an offer. The hiring manager will have a clearer picture of what your true value is. Your objective is to avoid being screened out because of a number and continue the process of selling and demonstrating a great fit, so that the number increases the longer the process goes on.

Now comes the tricky part – how do you avoid discussing the subject when the interviewer asks you within, perhaps, the first ten minutes of the first interview what you were earning on the last job, or what you're "looking for"?

You can't say "I'd rather talk about this later." For some reason, some of the people I've met over the years internalize the idea that avoiding the subject is a good idea; then they

feel free to tell the interviewer that they'd rather not talk about it. Not a good relationship builder!

Here are a few suggestions on answering that money question: "I'd hate to eliminate myself because of a dollar figure at this point. Right now, the key issue for me is finding a great fit. I figure if the fit is there, then we'd work out the money part. If it's ok with you, could we talk about this a little later on in the process?" That frequently works. But, sometimes it doesn't. What if the interviewer comes right back with, "Yeah, that's very nice and all, but I need to know what your last salary was; I don't want to waste my time...or yours..."? You could turn that one around with, "Could you give me an idea of your range?" That works even more often, and if the range is anywhere close to where you think you should be, you can say, "Oh, we'd be able to work this out easily." If it's way below your range, then you might want to indicate that, by saying "It's a little lower than what my current expectations are, but I'd like to continue our conversation...it's not always strictly about the money for me..." You want to keep that conversation going, unless the numbers are so ridiculously low that you know there's no chance that you'll be able to "work this out".

What about if the hiring manager starts to get maybe a little irritated? "OK, I understand that you don't want to talk about it, but I really need to know." You might respond, this time, no matter what the original question, with "I'll be looking for a total compensation package in the range of ..." If that doesn't work, it's time to give in.

A few notes about "giving in": Never fabricate a previous salary number. A prospective employer can always ask for a salary stub on the first day of employment; if it's discovered that you've invented the numbers, you're gone. Many companies do that. If you want to make your previous salary seem larger, you might want to say, "My TOTAL compensation was in the range of...", and you'll be including all those benefits, bonuses, etc. Conversely, if you want to keep it low because you're seeking the right job more than the money at this moment, you'll say "My base was...". If you're moving from one field to another, or from a commission-based job to a salaried one, you might want to bring in the "apples and oranges" comparison, indicating that it's tough to compare the two because of the differences in the way people are compensated. Or, if your total compensation varied enormously over a five year period, you could say, "In the very good years, my numbers were as high as..." and "when the company was having some difficulty, the numbers were lower." You'd adjust that to whether or not you want the appearance of having had high or low compensation.

I wish I could say that these techniques work all of the time. But I can promise that they work more often than not, and are definitely worth your effort. Trying to avoid the money discussion in initial stages of interviewing is a key aspect of successful negotiating. The minute someone mentions money, even before the first interview on a screening call, a negotiation process has begun. Try not to fall into the traps.

Where does an avoidance technique usually NOT work? That's easy – with recruiters and human resources professionals. They're there to screen out, not to necessarily screen in, and the money part is a key aspect of that. Since I strongly urge clients to focus primarily on directly contacting hiring managers in their search, human resources professionals and recruiters should generally be a small segment of a search. The numbers show, in every study I've seen, that searches completely based on ads, recruiters, or human resources contacts have significantly less success than those where there is initial direct contact with hiring managers.

Defer the Real Negotiation

Second, don't negotiate at the point of offer. Nearly all offers are somewhat negotiable. In trying to think of situations where they're often not, Wall Street law firms, entry level investment bank positions, civil service, and a few others come to mind. But even in those situations, there might be some leeway on something. Most people who hire have some "play money"; they usually go to the offer with some idea of how much more they can give if the applicant want to negotiate. It's understood that there will be negotiation. Many of the people I've met have felt uncomfortable even thinking about this subject, and are so grateful and happy about an offer which can finally end the dreary job search process, that they will accept on the spot. That usually means leaving money on the table. And always, after employment begins, they're thinking that there could have been, should have been, more.

Others will feel that, as a result of all the rejection inherent in any job search, they should take the offer immediately because it might be rescinded. In this process, people tend to feel – reasonably – skeptical. All those false starts, all those cancelled appointments, all those "You're our lead candidate" promises have come and gone, so why believe that this offer will withstand a few more days?

I remember a client from several years ago who received a good offer after a long and painful search. He replied to the offer by expressing his excitement at the prospect of such a good job, and asked for two or three days to "think about some of the questions and details we haven't covered" so that they could figure out all the loose ends and close the deal. The prospective employer was clearly annoyed with this request. She said that she didn't understand why he needed any time at all, but would give him until the end of the day.

I told him that there might be something wrong with the position or company, that it was highly unusual for an employer to demand such quick turnaround, that he needed time to do a little research and plan his strategy. He called the employer back that afternoon, and she rescinded the offer – stating that she didn't want to hire someone who "waffled". This, after a two-month interviewing process! After he threatened me with some fairly extreme violence, I convinced him to look into the situation further. He found out the next day that there had been seven people in his position in the previous year! I have heard several versions of this story from other clients as well. When there is a rescinded offer, there is usually something very wrong with the situation. I can't recall one single

instance of an employer rescinding an offer when the applicant has asked for some time to think it over.

What to do, then, when the offer is actually extended? Something very important happens at this point; the balance of power has shifted. Before the offer, you're the person on the other side of the desk, trying to convince someone that you are the right person for the job. After the offer, it is now established that you ARE the person for the job. The hiring manager does not want to settle for Number Two or Number Three; he wants you. Here are three scenarios:

The offer is too low – Your response should be silence. You're taking it in, thinking about it, counting to 10. This may put the person who's making the offer on the defensive, and in many instances, there is a possibility of an immediate increase to the offer. Sometimes, that person might ask if there's a problem, because the silence might create some discomfort. That's a good thing! Whether or not there is a response to the silence, the next statement by the applicant should be something like, "I'm very excited about the possibility of joining the company. I think we'd work together well. The department seems well positioned to (fill in the blank)... The offer seems a little low for what I think my market is, but I'd like a few days to think it over. Could we make a plan to get together then? I think we'll be able to work things out at that point..."

What's happened with this response is that you've bought time to work out a strategy – and planted the idea that there might be a problem with the package offered. Try hard to avoid negotiating on the telephone, whenever possible. It's much better to do it face to face, on a more equal footing. The telephone puts you at a disadvantage; you can't read body language or facial expressions.

The offer is somewhere in the range that you expected. The response should be almost the same as in the first scenario – silence, request for time. The only difference would be that there would be no suggestion that the compensation is too low.

The offer is terrific. You're trying to calm yourself in order to maintain a businesslike demeanor, but you want to say "YES YES YES!" You don't. No silence this time. All you have to say is that you don't think there'll be any problem with the compensation aspect, but that you'd like time to think over the details, and perhaps will have some questions to clarify. ("Clarify" is one of my favorite negotiation words.)

What's been accomplished by deferring a real negotiating session is that you will be able to take in all the facts of the offer, and work out a clear strategy.

Plan an 'Everyone Wins' Strategy

A good negotiating meeting is not a contest. It should have a collegial tone. The word "we" is preferable to the word "I". It's not a matter of "I need..."; it's an issue of "Could we...?"

Planning a negotiating strategy is when you get to list everything you've wanted to ask all along. Not just the money part, or the benefits, or the bonus, but details about job responsibilities, reporting relationships, everything. Now that the balance of power has shifted, you can ask all those self-interest questions you've been avoiding to this point. (After all, the interview process is about what you can do for them; now it's time for what they can do for you.)

Of course, there are enormous variations of tone in this process, as there are in all of the other phases of negotiating. For example, an equities trader might be much more direct than a brand manager or a creative director, depending on the culture. One thing, though, should be consistent: Plan your strategy around a prioritized list. Make sure that the first and maybe the second of those points are easy questions, questions that possibly you don't care about that much, and can ease both sides into the negotiation. For example, you might want to ask about when you can get into the company 401K program. That, of course, is never negotiable, because it's predetermined by a set of Federal regulations. You don't want to get to the hardcore issues right away, because that's what the hiring manager expects – and because you want to set up a positive tone of cooperation.

Decide what's important to you, and prioritize, mixing in your major issues (Vacation? Bonus? Car allowance? Equity? Quality of life issues?) with the items that don't matter as much to you. Maybe #1 and #2 are not important, #3 is about bonus structure, #4 is about a particular reporting relationship, #5 is about annual reviews, and #6 is another relatively unimportant item. Be prepared to "lose" some, and "win" some, which should produce the desired win/win overall. Decide before you go into this round of negotiating what your "drop dead" total compensation number is. By "drop dead", I don't mean that should be your response to the hiring manager if the offer doesn't comply with your wishes. What that means is that you have decided beforehand what the bottom is, and won't go below it. You don't want to end up compromising so much that you take a job where you will end up unhappy and resentful. I realize that's difficult to accept when the search has been so arduous already; I tell my clients that if they "settle" too much, I look forward to seeing them again next year, when they begin their next search.

What about the money? If that's your first key issue, then you pose it, perhaps, like this: "The dollar figure you offered is lower than what I've determined my market to be. How can we get it higher?" The manager might respond by asking what you consider a fair figure. And you'll suggest a number that's above what you will accept. You may even want to cite some of your research sources. The manager will probably suggest another meeting to discuss this further, and want to go over other points on the list. Or, the manager might state that there's little room for movement on the salary number. You could, later on, suggest that there might be other methods to think about, i.e., a signing bonus, two consecutive six-month reviews, clearly stated benchmarks for clearly defined increases. The selling that was an emphasis in the interviewing process should continue. Remind the hiring manager of why the number should be higher, on the basis of what you've accomplished and your consistently demonstrated skills. The selling doesn't really stop until the negotiation is complete.

This part of negotiating might be a back and forth, much like a conflict resolution process. Keep it level, stick to the facts, and suggest alternatives. No emotions allowed. Don't give in quickly, especially if you're feeling pressured to end the process. Maybe this will take a few separate conversations.

What about the vacations? Some organizations will not recognize seniority – officially. I know of one client whose vacation time was more important to him than the compensation. The company had a policy of two weeks to start, when the client had already earned four weeks a year for several years. (Note the word “earned”; it's a good word to use here.) The company seemed intransigent on the issue. My client suggested that the company increase his salary base by two weeks (or 2/52nds of an annual salary), so that he could take off two weeks a year, in addition to the two weeks already granted by policy, without pay. The hiring manager agreed. In other instances, I've heard where managers will suggest “mental health” days as a tacit agreement.

Sometimes, the agreements will not be put in writing. For example, discretionary bonuses are rarely specified in an offer letter. But if the bonus is based on benchmarks, it should be in writing. You should always ask about what those discretionary criteria are, even if they can't be put in your offer letter.

And, finally, what about the issue of severance? I say “finally” here, because it should be the last issue discussed. You certainly don't want to bring up severance as a primary issue and give the impression that you think things are going to go wrong. But you do want protection, of course. Ask the hiring manager what happens in the case of a takeover, a merger, a change in the direction of the business – what “protection” do you have in that event? At more senior levels, this can evolve into a major piece of the negotiation. At middle management or professional levels, it may be strictly a matter of organizational policy. Or, it might be another “drop dead” issue. Recently, I worked with a client where there was a relocation involved, and she had decided that the severance agreement could make or break the whole deal, not wanting to be “stuck” in a new city with no protection. She was able to work out a satisfactory compromise on that basis.

Although the variations in negotiating strategies can, as previously mentioned, vary widely, using the three strategies should improve the outcome of most compensation discussions. Many think that negotiating a job package is strictly for senior people in an organization, or for people who are unusually assertive. I have met so many people over the past years who are startled to find that they, too, can improve significantly on the original offer. I am always surprised when someone tells me that it's not in their “nature” to try. Nothing to lose, plenty to gain. Basic salary negotiating is essentially a no-lose proposition. Much more of a “why not?” than an “I can't”. I have found that these strategies work with a broad spectrum of job seekers – all levels, all kinds of positions, all fields. So go for it!