

Most people leave money on the negotiating tables. Here is a formula approach to getting an initial offer raised, and perhaps negotiating a signing bonus or other “perks.”



18 Use our 7-step negotiation formula

This formula is simple, straightforward and easy to use.

Since most people seldom face a personal negotiating experience, it should come as no surprise that few of us are real experts at negotiating for ourselves. While they may be excellent company negotiators, we have seen many strong people leave serious money on the table when it came to negotiating their own package.

Now, the first thing you need to decide... is when to start a negotiation process. Some people mistakenly think negotiation is a continuous selling situation that occurs throughout their interviews. However, before you ever attempt to negotiate, you have to make sure that the employer is “sold on you.” Furthermore, you want an offer to be extended.

Once an offer has been presented, you can’t negotiate unless there is some hope you can get the employer to offer new terms. You need to sense this on an individual basis. From that point on, your sincerity and credibility will be essential.

“Less than 3% of all professional and executive job seekers are prepared for negotiating. //”

What to negotiate

Coming to grips with what should be negotiated is, of course, different for everyone. Not too long ago we handled a marketing executive from Kellogg in Michigan. His

primary goal was to have his family move to a new area that met outdoor lifestyle requirements, and he started by suggesting to us that a 20% reduction in income would be acceptable.

However, after a three-month search, he accepted a top position in Boca Raton. When we finished helping with his negotiations, his compensation ended up 15% higher, and he received a signing bonus, as well.

Another executive was with J & J. He wanted out of the major corporation environment. He left his large company career behind when he landed with a venture capital group.

His assignment was to oversee ventures that the firm funded by serving as acting CEO. He was to complete the initial setup, find a permanent CEO, and then move on to another assignment, but remain on the board.

Based in Castle Pines, Colorado, he will handle two ventures simultaneously for six-month periods—eight over two years. His base of \$200,000 was a considerable decrease, but if just one firm goes public, his equity benefit will be in the many millions.

Needless to say, the final staging of his executive level negotiations didn't just happen. In the discussion that follows, the basics of our negotiation system are outlined in the most simple terms.

If you don't have success in negotiations, shift from the "present" and focus on the future: a review after six months, a better title, an automatic increase after time. These are easier things to get.

**Never negotiate until the employer is sold on you.
Look for the buying signals you are hoping for.**

Contracts

The following are usually incorporated: the length of the agreement, your specific assignment, your title, location, to whom you report, your compensation and what happens if there is a merger or if you are fired. It should also cover the specific items on the negotiation list that are part of your package.

Any agreement you accept should cover all non-legal situations under which an employer may choose to terminate you. Signing bonuses and generous severance packages are moving into all income levels—especially when there is a relocation.

How to negotiate... in 7 simple steps.

1. Be sincere and reasonable... never cold or calculating.
2. Avoid premature income discussions.
3. Never commit when you get an offer.
4. Learn how to use vulnerability.
5. Negotiate the job responsibilities.
6. Introduce other things on which to base the offer.
7. Use your enthusiasm throughout.

This negotiation process is easy to use. It's about common sense and the art of soft selling and it works.



How to negotiate

Our staff is involved with negotiations at every level on a daily basis. We work on deals in every part of the country. This system is based on that experience and is a soft sell method that involves negotiating with skill and dignity. The advice has meant tens of thousands of dollars to many people.

1 Be sincere and reasonable... never cold or calculating

In the job-search situation, you're setting the tone for a long-term relationship. In fact, most people don't like negotiation because they associate it with confrontation and role playing, something that does not come naturally. **The best negotiators are prepared and never cause irritation. Make sure to be sincere and reasonable, never cold or calculating.**

As you approach your negotiations, you must have clear ideas about what you want. Realizing you will not achieve everything, keep your main objectives in mind, and never risk an entire negotiation by coming on too strong about less important points.

Of course, when you are ready to negotiate, the easiest way to "frame and strengthen" your position is to clarify that you have been exploring some other opportunities that also have a certain appeal.

2 Avoid premature income discussions

You need to avoid the hard lessons we see others experiencing every day. Here's an example. One client was a general manager with Exxon, earning a sizeable income,

but wanting to win a new job at a 20% increase. After two meetings, the CEO said, *"Bill, we'd like to have you join us, and I'd like to work out something attractive for you. What have you been used to earning at Exxon?"*

At that point, having been encouraged, Bill explained his income. To make a long story short, he accepted a position. However, he later found out that the last person had been paid 40% more, and the company fully expected to match it.

Now, the moral is that you should never negotiate based on where you've been. Negotiation is like poker. You never want to lay your earnings on the table!

Premature discussions about money can be a real deal breaker. Besides, the more enthusiastic an employer becomes about you, the more likely he'll be willing to pay more.

Sometimes an interviewer will begin like this: *"Jim, before we get started, I'd like to know how much money you are looking for."*

Here is a possible response: *"Charles, I could talk more intelligently about my circumstances after I know more about the job. Will this job have line responsibilities?" Or, "Charles, I would not take your time if I did not have a fairly good idea of the range you could pay. If we can agree that my experience fits your needs, I doubt we'll have a problem on compensation. My concern is whether your needs call for someone with my background."*

The idea is to be gracious while avoiding a direct answer. If an interviewer persists, say: *"I'd rather avoid discussing compensation. Challenge is most important to me, and I would like to talk money after we both feel I'm right for the job."* If all else fails, give a range surrounding your estimate of what the job pays.

3 Never commit when you get an offer

When offered a job, praise the firm and say you need some time to consider it. *“Charles, I am very pleased you made me an offer. This is an outstanding firm, and the position has great promise. I’m sure you can appreciate that I would like some time to give it further consideration. It would not present any problem, would it, if I get back to you on Monday?”*

Our standard recommendation for almost all clients is to get the offer in writing and ask for several days to respond. In some cases we advise people to respond slower or quicker depending on the situation.

When you call back, open with some positive statements, then raise the possibility of redefining the job.

“Charles, with kids entering college, I had done some planning based on an income that was \$10,000 higher. Would it be possible to take another look at the job specs? For my part, if you could make a modest additional investment, my performance will show you a handsome return. I sincerely hope that we can make some adjustment. Can we take a look at it?”

Of course, if you are happy with the job, but would like to raise the salary, use the same technique, but show vulnerability, then suggest that a dollar figure be added to the base.

Normally, if that figure is within 15% of what you have been offered, the employer will not take offense and will grant you part of it. Of course, asking for more money is a negative, and needs to be balanced by positives. Consider the following: *“Charles, I cannot tell you how pleased I am. The challenge is there, and I think my experience is perfect. There is one problem, however. You*

see, one of the main reasons I wanted to make a change was for financial balance. Can you see your way clear to adding \$10,000 to the base? It would ease my family situation considerably.”

4 Learn how to use vulnerability

Expressing a slight amount of vulnerability can be a powerful weapon. Just let the employer know that accepting the job as offered would cause you some personal difficulties. When you use this strategy, it plays to their desire to make you happy. Be flattered by the offer, but say that you may have to disappoint your family in order to afford the job:

“I love the job and really want to join you, but we’d have some difficulty because of the options I will be losing. Is there a chance you could go a little higher?”

Questioning, rather than demanding, is the rule. The best negotiators persuade through questions. This gives them needed information to gain control. It also gives them time to think and not put their cards on the table. Good negotiators will not say, *“I do not agree with you because...”*

Rather, they will say, *“Charles, you do make a good point, but I wonder if there is room for another view.”* They would never say, *“That would not be any good for me.”* They might say, *“Charles, could you tell me how you think this would work for me?”*

Then they will follow up with questions, so the employer can discover that their proposal is not quite enough. If your questions lead them to discover they were wrong, they will be disposed to changing the terms.

5 Negotiate the job responsibilities

Reshape the job into a larger one, and the range will be higher. Begin with a positive comment about the job and the firm and suggest they might benefit by expanding responsibilities. Then share your thoughts.

For example, *“Charles, there is no doubt this is a good job. However, based on what you have told me, I could be even more helpful if a few related elements were added. There are three areas where my experience could make a difference. I’d like to discuss them so we can see if they could be included in the job description.”*

You could then go on to talk about the areas where the firm might capitalize on your experience, showing with stories how you made contributions before. If the interviewer agrees these are important, have them added to the job description. Believe it or not, reshaping the job can often be just that simple! Can you see how we have applied basic principles here? There was no confrontation.

6 Introduce other things on which to base the offer

This can include the importance of the job to the firm, what you would make with a raise where you are, your total package, what you believe the market is for your background, or other offers you are considering.

In the example that follows, notice how there are no demands, only questions. By inviting employers to explore the situation, you are giving them the freedom to reach their own conclusions about whether their offer is too low. Using this approach, you come across as enthusiastic, sincere, and slightly vulnerable—never as cold or calculating, or as someone who is putting them in a corner. Your comment might be:

“Charles, let me first say once again how pleased I am over the offer. I feel very positive about the prospect of joining you, and my enthusiasm has continued to increase. This is the job I want. It’s a situation where I could look forward to staying with you for the long term.

“There is one hurdle that I have to overcome. You see, I’ve been underpaid for some time, and it has created a situation where I need to start earning at a rate reflecting my ability to contribute. If I stayed where I am, I’d be due for a raise, which would come close to your offer.

“In looking at salary.com and talking with other firms, I’ve found that some realize this, and they have mentioned ranges that are 25% higher. Now, I don’t want to work for them—I want to work for you. But I do have some pressing needs. Perhaps the firm could approve a higher offer. Can we pursue this together?”

7 Use your enthusiasm throughout

If you load maximum enthusiasm into your statements, it becomes nearly impossible for the employer to conclude that you should not be with them. Enthusiasm assumes even more importance when you have been underpaid. Ideally, an offer should be based on your value to the company, but in reality, most employers will base their offers on present earnings.

When an offer is received... consider these negotiation goals:

- Get your job responsibilities expanded
- Increase your initial salary offer by 10-30%
- Secure a package of benefits
- Negotiate a signing bonus of up to 10-25%
- Negotiate some form of stock options

What some people achieved through negotiations

Situation #1

The CEO of an investment firm sent our client a short e-mail with an offer of a \$300,000 base, plus bonus potential, and a reasonably attractive package of options. Then, he turned it over to his general counsel.

Our client retained a top law firm to represent him, and our first assignment was to strategize and draft his initial counter proposal. The next ten days involved a series of discussions by all parties. We could see that the general counsel was under great pressure to get the deal done. Our senior staff took the lead in phone conferences, which included our client, his attorney and the general counsel.

We communicated the client's needs and our rationale. To educate the firm, we presented a written analysis of several other deals, and an option package our client had available. Everything worked out.

Situation #2

A client earning \$250,000 was offered a position by a firm being pursued in an acquisition. In this case, the senior HR executive took the negotiating lead. We were successful in getting an initial offer of \$350,000 raised to \$400,000. In addition, we negotiated a \$50,000 signing bonus in lieu of relocation assistance.

The key was to move the corporation up by educating them on the current market, and other deals that were going down. Because risks of acquisition were involved, we focused on an attractive severance package... one that amounted to two years of income and immediate vesting of stock options.

■ *"I joined a nationally known non-profit in a #2 capacity. The initial offer was \$210K. Over three weeks we raised this to \$245K."*

■ *"My new position is manager of a sporting goods store. I negotiated a financial package that is worth 30% more to me in the first year alone."*

■ *"I was general manager of a coffee plant at \$130K, and locked from further progress. I now have similar responsibilities for several plants with a frozen food company. It took a few weeks, but my final package included a base of \$170K, plus annual bonus and stock options."*

■ *"An M.D., I left a center to join a pharmaceutical firm known for its R & D capability. Guaranteed salary and bonus were equal to my previous earnings, but the stock grant and future options may cover my retirement."*

■ *"I decided to leave my law firm. I negotiated an operations job in a small service firm along with General Counsel responsibilities. My package was 27% more."*

Negotiation can be you and your next boss collaborating against the compensation committee.



When you are persuading people, you're really helping them help themselves. They are already convinced that your joining the firm benefits them.

Sample letter for responding to an executive offer. The exact language in these matters can critically impact the negotiation process. This is a letter that was successful.

Dear John:

Thank you for the offer of employment. I am excited about this opportunity and look forward to joining your team. Based upon our meetings this past month, I am convinced that this is the right fit for both of us. In thinking through the offer, there are a number of items I would like to discuss with you, and I appreciate the invitation in your letter to discuss the terms.

I view our discussions in this regard as our first business project and decision together. Accordingly, I would like to conclude an arrangement that is reasonable and attractive to both of us. I have the following thoughts and suggestions:

1. Title. We would like to discuss the proposed title of Vice President of Program Management, Transportation and Stationary Power. In terms of the functions we have talked about and as outlined in your offer letter, should the title be Chief Operating Officer and Senior Vice President? This would likely give me greater credibility in my business development role, cultivating customers and strategic partners. I also think it would be beneficial to the company in utilizing my relationships with utility and energy companies to attract financing and joint ventures.

From my standpoint and in terms of overall career management, it is also important that I have a title that reflects progress in my career. As you know, at Global Energy Company, I was President and CEO, so I would be concerned about taking a new title at less than the COO and Senior Vice President level. Please let me know your thoughts.

2. Base Salary. As we have discussed, I have had the opportunity to review current trends in executive pay. It is important to me to move forward in my career on compensation, and have a package competitive with current market trends based upon industry and position. Under my most recent employment contract with Global Energy, my base salary was \$225,000, and my total cash compensation was \$275,000. Naturally, I would like to improve on this package based on the experience I am bringing to the firm.

I have reviewed current market data on compensation trends for similarly situated executives in the energy industry. I find that a base salary in the range of \$200,000 to \$250,000 is consistent with several studies. It would help my family and me a great deal if we could discuss a base salary in this range.

3. Bonus. We have discussed an incentive bonus plan, but there is no reference to such a plan in the offer. As you know, I am highly motivated by incentive compensation plans and would like to discuss this further with you.

4. Signing Bonus. Does the company offer such a recruiting incentive? I understand from reviewing the current data that signing bonuses in the range of 15 to 25 percent of base salary are quite common. Also, I have previously received a \$30,000 signing bonus, and this was quite helpful in making the transition to the new job.

5. Relocation. I would like to discuss a relocation package that would ensure that the company pays reasonable and necessary expenses incurred in connection with the move. I understand that this is the norm in the market these days, so that people do not incur any financial losses to join the firm. The most significant expense I would incur would be the real estate commission on the sale of my home, and I would estimate that the total cost of the relocation would be in the range of \$90,000. I would also like to discuss our timing.

6. Benefits. Could you please provide me with the details on the corporate benefits package referenced in your letter? For example, does the plan cover all members of my family. Also, I understand that, at the senior executive level, entitlement to benefits typically occurs on the first day of the employment.

7. Stock Options. As you know, I am very excited by the equity opportunities you have. I understand that equity compensation for senior management is typically related to a percentage of the authorized and outstanding stock. Are the 150,000 incentive stock options referenced in your letter tied to a certain percentage of ownership in the company that is related to what other senior executives joining the company have received? I am also told that a 4-year vesting schedule is the current market norm. Additionally, I would like to discuss the exercise price with you.

8. Vacation. I am accustomed to receiving 3 weeks of paid vacation each year, and I understand that this is consistent with what other senior executives are receiving. Can we discuss this?

9. 401k. Could you please provide me with the details on the company's plan? I understand that, at the senior executive level, eligibility typically occurs on the first day of employment.

10. Confidentiality and Non-Compete. The agreement you have sent to me is acceptable.

11. Severance. I understand that it is quite common for severance benefits to be tied to the length of the non-compete agreement. The company's agreement is for 2 years, and I am also told that severance for a period of 1 to 3 years is the norm at the senior executive level. Severance packages typically include base salary, accrued bonuses, and continuation of benefits for 6 to 12 months. Entitlement to severance typically occurs when the executive is discharged without cause or in the event of change of control. In addition to the other elements of the severance package, the executive ordinarily receives immediate vesting of all equity. Can we discuss these matters?

12. Start Date. Let's firm up a start date.

13. Contract. Does the company utilize a standard employment contract to formalize arrangements? In my discussions with Harold Perkins, I understand that he utilizes a number of different employment contracts based upon the industry, size of company, and position. I am sure he would be happy to help us with appropriate documentation for our employment relationship.

In closing, John, let me reiterate my appreciation for the offer to join your organization. I look forward to a long and mutually profitable relationship.

Very truly yours,

What to negotiate



Base salary and signing bonus. When you make a change, you want to expect a total package that is more than where you were. Elements include commissions, medical and life insurance, annual bonus based on meeting performance goals, profit sharing and pension plans. If you negotiate profit sharing, know the accounting.



Exit strategy... and outplacement assistance. Standard agreements cover six months' to a year's severance... triggered if the firm lessens your responsibilities. Regarding outplacement assistance, what you want to negotiate is a provision for private professional assistance for a period of up to six months... with you selecting the specific service provider of your choice.



Stock option purchase plans... and stock grants. If you purchase stock at market price, the company may buy an equal amount under your name up to a percentage of your income. With stock grants, you will most likely be obligated for taxes based upon the market value.



ISOs (incentive stock options). This is an option to purchase a certain number of shares at market value on a given day, generally exercisable years away. The primary value of ISOs is that should you eventually buy them, no tax is due on the day of purchase... as you pay only on your capital gains when your shares are sold.

Restricted stock units... phantom stock options and stock appreciation rights (SARs). Restricted stock units are pegged in value, e.g., as one share of stock for every five units. The key is when you can convert to cash or shares. Phantom stock options or SARs usually involve the difference in market value between the time granted and value when converted.

Non-qualified stock options. This is an option to purchase stock below market prices. Tax will be due on the difference between the price at which you exercise your right of purchase and the market value of the stock.

Relocation expenses. This can include house purchase, moving expenses, mortgage rate differential, real estate, closing costs, cost of bridge loan, trips to look for a home, lodging fees, tuition, and spouse reemployment services.

Other perks. These can include automobile lease, luncheons, athletic/country club membership, child care, physical exam, disability pay, legal assistance, product discounts, dining room privileges, financial planning assistance, tuition reimbursement, CPA and tax assistance, short-term loans, insurance benefits after termination, special reimbursement for foreign service, outplacement assistance and deferred compensation.


Negotiating a job offer is different from all other negotiations... it sets the tone for your relationship!

In negotiating a job offer, winning is not everything. In most negotiations you're never going to deal with an individual again. This is not the case here. So in the job search situation, the use of intimidation and attack strategies will have no value. Techniques for one-upmanship can cost you the job.

Never allow yourself to be seen as overly aggressive. In fact, the reason most people don't like the term "negotiation" is that they associate it with confrontation and being tough. This is something that does not come naturally for most people.

The truth is the best negotiators are low key. They avoid anything that might cause irritations. So remember, never project an image of being argumentative or emotional. Follow the best negotiators and make sure you appear sincere and reasonable—never cold or calculating. **The advice in this chapter alone can pay you back 100% of the investment you make in your job search.**

"He's a businessman. I'll make him an offer he can't refuse."
—Mario Puzo in *The Godfather*, 1969



#18 RECAP

Use our 7-step negotiation formula

This proven system is simple, straightforward and easy to use. It's a soft sell system that doesn't provoke confrontation. It has helped people at all levels achieve better financial packages.

Most people leave money on the negotiating tables... that employers would gladly have paid.

Quick action steps for negotiating

Our professionals can and do play a key role here for clients, but just following these guidelines can have a major impact on what you can achieve. Follow the 7-step formula to the letter, and be sure to know what you want to negotiate.