

Chapter 11: Salary Negotiation

Evolution of Salary Negotiation

There are two conflicting schools of thought on salary negotiation, and we are going to share them both with you. One school, lead by Jack Chapman, author of *How to Make a \$1,000 a Minute Negotiating Your Salary* and followed by most career management firms, suggests that companies want to pay you the least amount they can get away with. You should therefore withhold salary information until the company has already made you an offer, the idea being that whoever mentions a figure first loses. This philosophy works best with smaller companies who have under 300 employees, and is favored by some more venturesome executives. The other school, supported by Directors of Staffing at major Silicon Valley companies including chip manufacturers, software vendors, and networking companies, says that companies will offer the candidate the most fair compensation package available regardless of what he is currently making. If the candidate is not willing to be up front and trusting about his current salary, the company will not continue to interview him.



without knowing if they will be able to come to an agreement. The larger and more successful the company, the greater chance that they have a very detailed, well defined policy for their recruiters about what information they need to get and when. Because the vast majority of company recruiters these days are contractors who go from company to company as they ramp up their staffs, recruiters at small companies bring with them the large companies' ideas and rules.

In the last three years, we have increasingly seen candidates being told that if they are not absolutely forthright about their current compensation, they will not be considered. This may not be the policy of the Vice President of Human Resources, but the recruiter may be your primary contact if you have not developed a strong personal relationship with the hiring manager. We have seen candidates eliminated from contention for a job because they declined to go along with a recruiter's atypical requests. We have also seen many candidates, especially ones who have top-notch skills, saying that they will not go along with unusual or overly personal questions. Let's give you enough knowledge so that you can make your own decision.

Companies are becoming increasingly sophisticated about recruiting, which is very expensive, and are often not willing to invest time in a candidate

Benchmark Your Experience and Knowledge

You need to have a very clear understanding of what you do, and at what level you do it. This involves two steps of evaluation. Most jobs can be divided into five levels, beginning through management. Once you have figured out your management and responsibility level, evaluate your technical skills as they pertain to your job. Entry level, mid-level, or top-notch skills dramatically alter one's effectiveness on the job, especially when you are new on the job. Companies place a premium on someone who can hit the ground running.

General Definitions of Responsibilities

The standard amount of levels that companies use to determine job titles and compensation depends on the area. For example, manufacturing management only has three levels and engineering has five. The following is a typical lay-out of responsibilities.

Level One-You are told what task to perform and perform it acceptably according to a predefined manner.

Level Two-You are told what task to perform and perform it very well.

Level Three-You are told what task to perform, the parameters for getting it accomplished and a time frame, but you get to choose how it is done.

Level Four-You determine what needs to be done based on the strategic direction and needs of the company. You decide how it will be done.

Level Five-You determine the strategic vision for the department, determine the needs, and coordinate with the person who determines the tactics.

Precision and Honesty

It is crucial to be honest with yourself when benchmarking your skills, so that you understand your value to a company. If you end up misrepresenting your skills either too high or too low, you or the company will ultimately not be pleased with the arrangement. Getting paid too much is worse for the employee than getting paid too little. If you are overcompensated, the company may feel disappointed in your performance and there may be a high chance that you will be terminated, especially if the company has hired you to solve an important problem quickly. Getting paid too little may mean that you are dissatisfied with the job and begin looking around. This could have two consequences: one, that you develop a less than enthusiastic attitude on the job, and two, that you end up quitting with very little to show for all of your effort.

Determining Your Salary Range

You probably already have much more salary information than you think. Try to estimate the salaries of some people that you know such as coworkers or friends. What are the tangible skills you noted that caused you to put them into certain categories? What were the skills you had developed when you received increases in your current and past positions? Next, look at the newspaper and on-line want ads. This will provide you with a range for many positions.

Executive recruiters will have a definite idea about how you should be compensated, and will be willing to share this information with you if there is a strong interest in working together. You can also ask your coworkers or managers or colleagues for feedback. A good way to phrase it is, "This is exactly what I do. What do you think is the standard range for people in my position?" This way, they are not put on the spot. One of our consultants can sit down with you and determine very closely what your range should be. Right now it is a seller's market for candidates who have up-to-date skills. There is a true shortage of workers who meet the needs of modern companies. Conversely, there are many candidates whose skills are so out-of-date that they could not be hired by a company and immediately contribute. If your skills are outdated, talk to us for recommendations of some quick courses that you could take to brush-up.

A First Hand Opinion

According to a compensation and benefits executive at one of the Valley's top companies, who is also known as a leading compensation specialist in the nation; "We always expect any candidate that comes to our company to truthfully state what their base salary was at their previous employer. In fact not representing their salary accurately is grounds for dismissing their candidacy. However, we obviously have wage standards for the job they are being hired for. So if they are at a very low salary at their previous job, this will not necessarily hurt them. Really, the basis for the start of a good employment

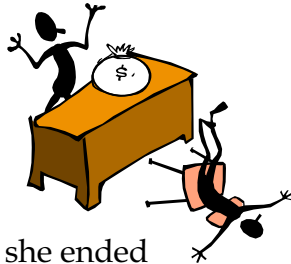
relationship is complete honesty in that regard. By the way, there may be other companies that negotiate, but with us, our first offer is our best offer. We do not trade offers back and forth. This is the company policy. I cannot necessarily say that this reflects what other companies do, but this is what **we** do."

Candidates, please note: the reason this company does not negotiate once they have made an offer is that they have no need to. They talk everything through with the candidate before putting an offer in writing. They prepare charts showing current income, housing, spending, compared to new company income, local housing, and local spending. They have done such a great job standardizing their offer process that the candidate has a very clear picture of what is being discussed. This is empowering to the candidate and the company.

Another Opinion

It can take a real leap of faith to share with a prospective employer's representative that you are only making \$60,000 as a sales manager, for example, even though you have 15 years' of experience and have always exceeded quota. Other sales professionals with this experience range are making between \$120,000 and \$250,000. It is really hard to justify your value when you are being seriously underpaid. According to William Metzger, President of Assets Unlimited, the premier compensation and benefits consulting firm in Silicon Valley, one way to handle this is to say, "I'm currently making \$XXX,000 a year, with

such and such responsibilities and successes. Other professionals at my level are making \$XXXX.00. My current employer is notorious for underpaying its employees, and right now I am being underpaid by 45%. For me to make a move, I will need to be compensated in the \$XXXX.00 range.” This lets the prospective employer know that you are aware of your contributions, both present and future, and that you have a good handle on your value to an employer. We helped a candidate do this recently, and she ended up with a 71% increase in salary!



Not Too Hot, Not Too Cold

As part of your self-assessment and benchmarking process, you need to know exactly why you have been under- or over-compensated, and have a simple explanation for this. Over-compensation does happen. We recently had to help a bunch of wildly overpaid engineers convince new employers that they would be happy at a lower pay range (don't worry-they were still making a bundle.) These engineers had been at a start-up company funded by two of the largest corporations in the world, who had stolen them away from the competition with outrageous offers. When the start-up folded, the engineers needed to return to a normal salary range and normal jobs. Many companies were reluctant to invest in recruiting them and making them offers, because they did not want to waste their recruiters' time.

What Can You Negotiate?

You can ask a company to pay for just about anything you need to make you happy and get you to accept the job. In *Getting to Yes*, Roger Fisher and William Ury of the Harvard Negotiating Project suggest that you start by letting a company know that you are happy that they want to make you an offer, and that you would like to be able to accept it. This is called negotiating in good faith. The attitude that you want to convey is that you would really *like* to have this job, in fact you might *love* to have this job, but you do not *need* this job. This attitude is conveyed through quiet confidence and enthusiasm. You want the company to know that it is worth their time to negotiate with you because when they have come up with the right offer, you will accept it. Remember that companies hate to waste their time recruiting and interviewing people who are not serious. “Time is money” applies to both parties.

Start the Ball Rolling

Start off by going over the job description in detail with the company, even if you have already done it. This will make them very aware of all the responsibilities you will have, and of all the problems that you will be forced to deal with. This puts your value right up front, where they cannot avoid it. Once you have gone over the job description, ask the company for some easy things, to get them feeling comfortable saying “yes” to you. Do you have a benefit package? What is it? How soon do I get access to it? Will my significant

other/children be covered? Work down a list, with the easiest items first.

List of Potentially Negotiable Items

Job description- authority, responsibilities, reporting hierarchy, subordinates, pay grade, how you will be reviewed in quantifiable measures.

Resources-new equipment, full page monitor, extra system for home, cellular phone and bill paid, staff, temporary staff budget, supplies, discretionary budget for team lunches, expense account for team building, birthdays, client lunches, research projects.

Logistics-office or cubicle, flexible hours, telecommuting.

Hours-delayed starting date, extra vacation days, religious holidays, time off for volunteerism.

Professional development- memberships, news, trade and magazine subscriptions, travel and admission budget for trade shows, time off for trade shows (Sigraph, Comdex.)

Education-tuition reimbursement for both continuing education and advanced degrees, time off for classes, pay raise when additional education is complete.

Stock Options-how many, at what price, how soon do you qualify, what are the restrictions, stock purchase plans.

Benefits-health, dental, life, partner/dependant coverage, 401K, outplacement and severance if you get laid off or fired.

Relocation-moving, down payment for home, assuming the sale of the old home, spousal relocation, hotel and

meals, mileage, babysitting, air travel, low interest loans, per diems.

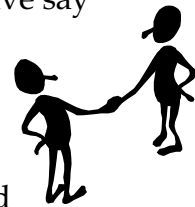
Bonuses-sign on bonus, commission, profit sharing, achieving goals, raises.

Special needs-private school tuition paid, babysitting subsidized, other special needs.

Salary-amount of salary quantified in either hours or by-weekly amounts, when you will get reviewed, guaranteed raises.

Closing the Deal

When the company has agreed to quite a bit, you say something like, "This is very good. I am really glad that you are being reasonable or flexible. I am really looking forward to working here. There is only one problem (sigh.) The salary." Then sit quiet. Do not say anything. Let the company representative say something first. They may come up with a higher amount, or say that they could go back to the hiring manager and try to get more, or they may ask you what you want. Try to have them come up with a dollar figure. If it turns out that you are not negotiating with someone who has the authority to make you an offer, or who does not seem willing to do so, weigh the outcome of talking to the hiring manager or someone else in personnel. At this point, you want the company to really want to hire you, and feel that they have invested a lot of time and money in recruiting you. Done well, it is possible to get what you want and develop a great relationship with the company. Make sure that you are asking for things



you really want, not negotiating for the sake of negotiating. That is a real turn-off.

Disabilities

Note: the time to address any special accommodations that you need because of physical or invisible disabilities is once the company has made you an offer in writing. This is when you let them know what your disability is, and what they can do to help you succeed on the job.

Examples: "I have a bad back. I need a straight-backed chair, and need to alternate sitting and standing at my desk. I will need to be able to put a low stool under my desk that I can put my foot on sometimes." Or, "I have dyslexia, and need to be able to spell check my email and memos before I send them out. I also need to be able to read over written material silently before reading it out loud. Can we arrange to have someone quickly edit any correspondence before it goes out?" Or, "I am deaf in my left ear. I need a telephone head set that goes over my right ear, and at trade shows will have to meet with customers in a corner or in the hallway if the noise is extremely loud."

Project Hired and the Rebus Institute are local organizations that work with professionals with disabilities and can provide you with more information. Because of the Americans With Disabilities Act, companies are required to make accommodations for employees with disabilities, and in fact, receive special tax breaks if they hire them.

Many of the top Silicon Valley companies recruit candidates from Project Hired for this reason. You may need to educate your new hiring manager about your disability and necessary accommodations, but you can expect that the Human Resources department knows all about it.