

## CASE STUDY

### A Counteroffer that's actually a Demotion in Disguise

In a real, actual situation which occurred this past year, an individual professional accepted what he believed was a "better" counteroffer.

In actuality, he was duped into taking a job with triple the responsibility, worth about \$224K dollars in the open marketplace, for just thirteen-thousand-five hundred dollars more than the \$150K salary he was already making. It was the great train robbery of the decade disguised as a counteroffer.

Here's what happened

#### *Current compensation*

- \$150
- No Car
- 15% maximum Bonus
- Managed a 4-state territory 2 layers away from VP

#### *New Offer*

- \$163.5K
- Company Car and T&E expense account = \$8,000/yearly
- 15% - 30% bonus
- Same 4-state territory
- Reports directly to Division President

The professional's previous combined gross compensation was about \$172,500 (salary + maximum bonus)

New offer combined compensation = \$212,550 (salary + maximum bonus)

Net increase of \$40,050 (not including company car value)

Net Increase of \$40,050 + 8,000 car value = **\$48,050 Better offer**

By any type of analysis the new offer presented is *significantly better* and represented a whopping increase of just under 30% more compensation overall (27.86% increase to be exact).

Since only 10% of offers ever exceed more than 20% this offer was firmly within the top-best offers from an overall percentage.

Upon resignation the individual was counteroffered as follows:

- Match \$163,500k salary (\$13.5k increase in salary)
- Additional territories (9 more states) to manage in addition to the current 4-states
- Chance of higher bonus (nothing was put in writing however)

## **WHAT WOULD YOU DO?**

During emotional stress our innate need to have our egos stroked tend to trump logic and reason.

In the counteroffer outlined, it appears that A) Larger Title + B) 3 times more territories = C) More prestigious role with more responsibility for D) the same salary offered by a competing company.

By one viewpoint, having a manager role involving 13 states instead of 4 could be viewed as a more prestigious role.

By a different analysis, a position that comes with greater geographic responsibility involved an entirely different compensation tier.

## **OUTCOME**

The individual in our case study accepted the counteroffer. Ironically, he would never have had the original offer, which was used as leverage to generate the counteroffer, if a search consultant did not help his fulfilling a questionnaire that would have aborted his original offer altogether.

The resulting outcome is he just received a demotion disguised as a counteroffer. The roll accepted commonly pays \$224,000 in his industry, while in this case it is paying what he should have been earning in his previous situation.

This individual effectively took a cut in pay by about \$60,500. He was not comparing apples to apples. He was given a position involving the next salary tier, for the salary he should have received had he remained put.

## **SUMMARY**

As humans we tend to make many rationalizations for big mistakes we make.

Such as:

- "I'm not really doing four times more work"
- "Others will be doing the work for me" (assuming they stay on the job)
- "They promised they would adjust my bonus, I want to believe them"

When it comes to counteroffers you should never accept them.

In fact you should never allow the subject to even come up for discussion.

A true, trustworthy, ethical, business professional takes pride in the firmness of his or her decisions. A proper process during resignation should follow this course:

If an employer tries to get you to divulge things like "Who is it?" or "What did they offer you?" or "Where are you going?" it's always for the purpose of obtaining data to use as leverage against your departure. It is best to avoid all of these questions as follows:

*I feel it is best for us not to get into this level of discussion. I've considered my new offer carefully, have given the company my word, placed my signature of acceptance in writing, and I must ask that you respect my decision just as I have respected many of your decisions while working for you.*

**OR**

*"I prefer to not discuss particulars as I feel this would be unproductive. I've given the company my word and thought carefully of the new opportunity I'm pursuing and ask you respect my wishes"*

Always have a nicely written letter of resignation to hand in as companies do keep these on file and they help prove you did your best to resign on positive terms.