

Why Counteroffers Are Lose-Lose Propositions

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Before accepting a counteroffer from your employer, consider whether you'll be the winner or the loser in this employment maneuver.

Although no statistics are available, many employees who give notice are receiving counteroffers from their current companies to encourage them to stay. These proposals can include one or more of the following:

- A pay increase.
- A promotion and/or added responsibility.
- A promise of a future raise, promotion or other incentive.
- The creation of a new, more appealing reporting structure or organization.

An employer may accompany its offer with an added motivator, such as a special call or visit from the vice president or CEO and other flattering gestures. Or it may try to manipulate a departing employee by heaping on a sense of false guilt.

The Prevailing View

Now suppose that after months of interviews and negotiations, you accept a position with a new employer. When your current company makes a counteroffer, you decide to renege and stay where you are. The popular notion is that you're the winner. After all, you'll be paid more money, keep your tenure and possibly receive a promotion.

Obviously, the jilted company loses. It must restart its search from scratch. Other good prospective candidates, who might have jumped at the job earlier, have long since accepted different positions or lost interest. The company has lost months of productivity and perhaps millions of dollars in unrecoverable revenue because the position has remained unfilled for so long.

Any recruiters involved in the search lose as well. Counteroffers are a headhunter's nightmare. A recruiter can lose face with a client company, a substantial amount of time and allocated resources and possibly income when a candidate backs out after accepting.

What Really Happens

If you're considering a counteroffer, why should you care about the jilted company or the headhunter? Aren't you still so far ahead of the game that their misfortunes are just a small setback? Not really. In business, your reputation can be your most valuable asset. By backing out of a commitment to a prospective employer, a candidate loses all respect from the firm's leadership.

Consider the experience of a Seattle-based pre-IPO software company, which had recruited an executive for a Midwest regional manager's role after months of searching. After the candidate accepted the offer and committed to a start date, the firm stopped its search and announced the hiring to its staff, customers, and alternate candidates, says Sterling Wilson, chief financial officer of the company. The finalist then reneged on his acceptance.

"It was devastating to our organization and our progress," says Mr. Wilson. By reneging, the candidate seriously jeopardized the company's relationships and credibility, and the alternate candidates were no longer available.

"The search had to start over," says Mr. Wilson. "It caused a serious momentum loss for us, and didn't reflect well on the candidate personally."

Candidates who renege after committing to start dates are called "no-shows." One spurned vice president was so angry with a candidate who reneged that he shredded the person's resume, The Wall Street Journal reported recently. Another hiring manager complained of how draining it had been to lose a candidate at the final hour.

Why should a candidate care what a recruiter thinks, especially if they had never met previously? The value of a good search professional should never be underestimated. He or she can do more for you during a career lifetime than you might realize. But out of concern for client companies, reputable recruiters avoid candidates whose word can't be trusted.

It's Never The Same Again

The current employer who gains back its staffer may seem to be the big winner. Initially, it may appear to lose ground because of the pay increase or promotion it extends. However, these costs are minimal compared to the loss of momentum on a project or the expense of recruiting a replacement.

Still, winning back an employee is only a short-term fix, and the move may ultimately cause worse personnel issues. First, the company's relationship with the employee is never the same. Most employees who accept counteroffers leave within six to 12 months, merely deferring their inevitable replacement.

"We know the person is mentally 'out-the-door' and it's probable that he or she will leave in the not-too-distant future anyway," says a Dallas-based former partner of a Big-Five consulting firm. "We never quite trust them, and immediately begin contingency planning for a replacement -- on our timeframe."

Second, the line of previously loyal employees threatening to leave to gain a raise begins forming at the door. "If someone isn't committed to being here, it compromises our team and causes broad, negative ramifications far greater than losing that person," the former partner says. Ultimately, the integrity of the employer, manager, and indecisive recruit can all be irreversibly damaged.

Perceived Blackmail

Does the "no-show" really win? He or she may earn a bit more money, but the increase is borrowed from future earnings. An employer may make or attempt a few improvements, but will rarely change its culture for one employee. The employee's integrity, loyalty, and commitment are forever in question after this perceived blackmail tactic.

He or she will never be trusted or considered a member of the inner circle. Grudges will most certainly be held, whether overtly or covertly. Future advancement becomes more difficult, and the company will begin to seek a replacement.

A former division president of a major software company relates the consequence of accepting an employment counteroffer. "After receiving and accepting a competitive offer, I announced my resignation," he says. "The response from more senior executives was, 'you can't leave, you have too much to offer the company.'"

The firm offered him a sizable compensation increase, a promotion to corporate officer, and multiple stock options to stay, which he accepted. Nine months later, after a major project was nearly finished and his replacement waited in the wings, he was fired without explanation. "I'm sure they thought that I was no longer a 'company man'," he says.

Cathy Norris, president of the Norris Agency, a Dallas-based search firm, says a candidate who accepted a counteroffer called three months later to say he regretted the decision.

"Despite all the promises, none of the things that caused me to want to leave in the first place have changed," he told her. "And the big raise they gave me has since been cut back due to budget problems. Once I'd made the decision to leave, I should have followed through."

What Should You Do?

It's naïve for executives to be surprised by counteroffers these days. In fields where talent is at a premium, the offers are a popular retention tactic. But why would a company wait until the eleventh hour to keep someone it claims to value so highly? Obviously, the move is purely defensive. You may feel flattered, but don't be fooled. A counteroffer isn't about what's best for you; it's about what's best for the company.

If you expect to receive an offer to stay with your firm, how should you deal with it? First, don't allow a counteroffer discussion to occur. Leaving the door open for discussion induces the company to invest time and resources into enticing you to stay. This can make you feel guilty, which makes it more difficult to stick to your decision to leave, even though you know you should honor it.

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Take an active part in your own career management. If your company is interested in your progression, you'll know it before you decide to resign. If you change your mind and stay, your motives and methods will always be suspect. Keep a steady course and don't look back.

Submit a courteous, positive and final resignation letter that leaves no room for discussion. By behaving honorably, you may have the option or re-employment with the company or to join a former boss elsewhere later on. You'll also have the chance to start a promising new role with additional challenges, an expanded network, an untarnished reputation, and a clear conscience. Everybody wins.