



THE AYERS GROUP, CPI

WHITE PAPER

RASHOMON*—THE CAREER DECISION: A CAUTIONARY TALE

** “Rashomon” is a classic, award-winning Japanese film by Akira Kurosawa that describes an event from the perspectives of four different people with remarkably different viewpoints on what took place*

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THE COUNTEROFFER DILEMMA

A White Paper by Martin J. Cohen

There are two people left in the waiting room, you and a well-dressed gentleman you have seen around there once before. The receptionist informs you that Dave, the executive recruiter you are scheduled to see at 9:30, is running a little late, and will be with you shortly. You are eager to see Dave, who you have been working with for several weeks, to report the good news that the last company he sent you to has made an offer and you have accepted. Your mind is filled with thoughts. As you put your excitement on pause for the moment, something Dave said at one of your first meetings causes you to drift into a reverie.

You think to yourself, imagine this...

You are good at what you do. You have been feeling overworked, underpaid and under-appreciated in your job for some time. You discretely looked around and put out feelers, and within a few months, with the help of an employment professional, have lined up a job that offers a career step up, along with significant upside potential. You have handed in your letter of resignation, giving your employer the required two weeks notice. You are feeling good about the smooth way you handled everything, and about your decision – you feel you are on your way toward the future you envision for yourself and you know you deserve. Within two days of submitting your resignation, however, your boss surprises you with an offer designed to get you to stay. The package includes a 20% pay hike, a promotion and a plum assignment. Amazing! All your complaints wash away in a flash.

After a reflective pause and consultation with your family, you have decided to accept the counteroffer. You congratulate yourself on your apparent coup, and are encouraged by the support you have received from family and friends on your strategic career decision.

In thinking about how you will explain your decision to the new company, and to the executive recruiter who has worked hard on your behalf - and in the spirit of fairness to them and yourself - you decide to do a little research and to give the entire matter a more thorough evaluation. Are you doing the right thing, after all?

You feel your mind is still open, but you can hardly imagine you will discover anything that will diminish the exhilaration you feel at the moment or alter your decision.

Your plan for gathering intelligence is to check the internet, make a run through the library, ask your friends at your present company, and have a straightforward talk with your executive recruiter and with the new company's HR recruiter, with whom you have established a good rapport. You expect this fairly rigorous approach will satisfy the due diligence needs of your conscience, and allow you to accept the buy-back offer unfettered. You dive into your research with the same intensity you would devote to an important project at work, and complete it within a week.

Having accomplished all you set out to do, here is what your research and thinking has uncovered...

YOUR OWN PERSPECTIVE BASED ON YOUR RESEARCH FINDINGS

So, what does the literature and Internet say about whether or not to grab the dangling carrot? First, it clarifies the definition of our subject: *Counteroffers* are simply an inducement from your current employer to get you to stay after you have announced your intention to take another job. What is the likelihood of receiving a counteroffer? Some say counteroffers are more the rule than the exception these days. Many companies, however, actually have policies against making counteroffers. A national survey recently conducted by The HR Team, Inc. of human resources executives (at companies with more than 50 employees) found that less than 20 percent of respondents make counteroffers. Others say that well-run companies would never make a counteroffer. It may be that an increasing number of “ordinary companies” are the ones extending counteroffers.

For the companies that do make counteroffers, the package components depend upon the employee's perceived value and contribution to the company, as well as the employee's skills, position and previous performance. Counteroffers usually include more money, a promotion (with or without more responsibility), new reporting relationships, promises of future benefits, disparaging remarks about the new company or job, and remarks to trigger feelings of guilt.

ASSUME A COUNTEROFFER

Nevertheless, it is considered naïve these days for executives to be surprised by a counteroffer. Not surprisingly, as the economy rebounds, companies shift their focus to retaining their best employees. They reason, presumably, that top performers, feeling taxed from being overworked and underpaid during the recession, suddenly have new options.

In fields where talent is at a premium, the offers are a common retention tactic. The scarcer the talent, the harder they will fight to keep it. So, if you have given notice and are a valued employee, it is reasonable to expect the possibility of a counteroffer.

CONSENSUS: ACCEPTANCE OF COUNTEROFFER IS A MISTAKE

There is a virtual mountain of evidence and expert opinion suggesting that accepting a counteroffer may be a serious mistake. Estimates by career professionals indicate that between 80% and 90% of all counteroffer acceptances fail to work out within the year of returning. Career-planning experts generally agree that accepting a counteroffer is almost always a bad idea. “It never works out, not for more than a month or three, so forget it,” advises Burton E. Lipman, author of *The Professional Job Search Program*. “Career suicide” is Paul Hawkinson's two-word opinion of counteroffers. In 20 years as an executive recruiter, Hawkinson says he has seen “only isolated incidents in which an accepted counteroffer has benefited the employee.” He sums up his experience by saying that the litany of horror stories he has come across clearly indicates counteroffers should never be accepted.

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Why such a high failure rate? One clue is in the question, “Why would a company wait until the eleventh hour to keep someone it claims to value so highly?” Clearly, the move is purely defensive. The employee may feel flattered and tempted, but should not be fooled. A counteroffer is never about what is best for the employee; it is about what is best for the company. When the whole deal (“psychological contract”) is examined, the fatal flaws for the employee are easy to spot. It may be the bad timing, expertise needed, cost factors, or a boss’s bruised ego driving the offer - but all bets are off once the company has repositioned itself to get on without the would-be defector.

Most people who accept counteroffers express regret after the fact, saying it is difficult to see the pitfalls while their current firm is courting them to stay. Cathy Norris, president of a Dallas-based search firm, says a candidate who accepted a counteroffer called three months later to say he regretted the decision.

Another reason for the brief reengagement is because the original reason for leaving still exists. A Wall Street Journal survey reported that over 50 percent of individuals receiving counteroffers accepted them. Within eighteen months, 93 percent of those accepting counteroffers had left, some voluntarily and some fired. The remaining 7 percent were actively seeking new employment. All in all, the reasons employees have for seeking new employment in the first place do not go away just because they receive more money or a promotion.

The most common reason people leave a job voluntarily is because of the boss. If the boss is part of the reason for wanting to leave, and the boss remains the same after the employee accepts the counteroffer, chances of long-term satisfaction are slim.



BOSS'S/COMPANY'S PERSPECTIVE

You have always wondered what the boss and the company honestly think of you and your work. Now, it is doubly important for you to figure this out because the answer is critical to knowing whether or not to accept the counteroffer. What does the counteroffer really mean?

By asking a few friends at your present company for their candid opinions about where the boss and the company really stand on the prospect of your departure, and about their philosophy on counteroffers, you gained some valuable insights. In summary, here is what you gleaned, together with your own interpretations:

BOSS'S INITIAL REACTION

What the boss was probably thinking when he first heard about your tendered resignation:

- ◆ This couldn't happen at a worse time.
- ◆ How is this going to inconvenience me?
- ◆ Maybe I can keep him on until I find a suitable replacement.
- ◆ How long will it take me to find a replacement?
- ◆ Who will do his/her work in the interim?
- ◆ I'm working as hard as I can, and I don't need to do his work, too.
- ◆ Who will train his/her replacement?
- ◆ What did I do wrong?
- ◆ Why didn't I recognize the problem earlier?
- ◆ I've already got one opening in my department. I don't need another right now.
- ◆ What if this resignation starts a mass exodus?
- ◆ If I lose another good employee, the company might decide to 'lose' me too.

Frankly, when someone quits, it is a direct reflection on the boss. Unless you are really incompetent or a negative influence in your department, he/she might look ineffective by "allowing" you to go. The gut reaction is to do what is necessary to keep you from leaving -- until it is convenient.

The reality is that bosses and employers do not like to be "fired." Ego is part of it, but so is image. Your boss is likely concerned that he/she will look bad, and that his/her career may suffer. Bosses are judged, in part, by their ability to retain and develop staff. When a talented staff member quits, morale suffers. In addition, your leaving might jeopardize an important project, increase staffers' workload or even foul up a vacation schedule. It is never a good time for someone to quit, and it may prove time-consuming and costly to replace you, especially considering recruitment and relocation expenses.

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It is much cheaper to keep you now, even at a slightly higher salary, and to fire you later when the timing is right for the company.

The converse is also true—when you accept a counteroffer, it makes the boss look good. You can't help wondering if your acceptance buys you sincere appreciation, or just a mock welcome back into the fold. A boss will likely feel somewhat betrayed when someone they need resigns. Is this repairable?

TIMING/YOU'RE OUT!

While your employer may truly consider you an asset and genuinely care about you personally, you can be sure that your interests are secondary to your boss's career and your company's profit or survival. Thus, flattering offers and comments are attempts to manipulate you to act in your employer's best interests - which are not necessarily your own. In other words, they are not about you. In fact, chances are the employer isn't going to gamble on your continued loyalty for too long.

The boss's best guess is that you are mentally "out-the-door," and it is probable that you will leave in the not-too-distant future anyway. You are never quite trusted again, and the company immediately begins contingency planning for a replacement.

BUYING TIME

"Counteroffers are usually nothing more than stall devices to give your employer time to replace you," Hawkinson wrote recently in *National Business Employment Weekly*. In many cases, the first answer that comes to mind is, "Let me buy some time to sort this out." If the employee can be persuaded to stay, the employer can buy some time to evaluate the impact of the unexpected departure.

A ComputerWorld survey on "How To Handle An IT Counteroffer" (March, 1998) found: *"Recently, while attending a Professionals in Human Resources Association meeting, the question of whether to issue a counteroffer was posed. Approximately 200 human resources managers were there. The members of each table had to decide what they would do in this particular case. Every table's representative stood up and said they would issue a counteroffer to buy them enough time to replace the individual."*

Once the boss has bought some time to find a suitable replacement, you will be out (not on your terms anymore, but on his), and the great job you had lined up will be long gone. At this point, you are a "double loser."

REPLACEMENT/EXPENSE

Despite the counteroffer flattery, the employer may decide that his most logical long-range solution is to get a replacement on board as soon as possible. The employer can put out a confidential search with a recruiter for the person's replacement, and also have time to evaluate others on staff that might be good replacements internally. The three to six months it takes to sort things out will be inexpensive compared to the potential cost of sudden loss of a key manager or staff member.

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In one case, the employer offered a defector 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.

BOSS: WHAT HE/SHE MAY SAY

When the company is courting you to stay, what will the boss say to keep you onboard? Counteroffers are typically delivered along with compliments and “feel good” messages. Some of these comments are common, so be wary when you hear them:

“I’m really shocked. I thought you were as happy with us as we are with you.”

“You’re too valuable, and we need you; you have too much to offer.”

“You can’t desert the team/your friends and leave them hanging.”

“Why would you want to work for that company?”

“What did they offer you?”

“Why are you leaving?”

“What do you need to stay?”

“I’ve been meaning to tell you about the great plans we have for you, but it’s been confidential until now.”

“The VP has you in mind for some exciting and expanding responsibilities.”

“Your raise was scheduled to go into effect next quarter, but we’ll make it effective immediately.”

“The President/CEO wants to meet with you before you make your final decision.”

If you are determined to leave, do not let yourself get drawn into a discussion of these topics. Remain professional and polite, with a firm insistence that you need to move on to new challenges and opportunities.

COMPANY: HOW THEY WILL VIEW YOU

In answer to your questions about how you are likely to be viewed in the company, you received rather shocking and unnerving insights.

You may wonder, “If the company has just offered you a raise to make you stay, why would they want to replace you?” The answer is that you are a loyalty risk. By announcing your resignation, you have demonstrated a lack of fidelity, and the bond of trust has been broken. You are no longer considered a “team player,” and you have lost your insider status in your old firm.

No matter what the company says when making the offer, the person who stays will always be questioned in terms of loyalty. Your boss and co-workers will wonder if they can really count on you, so your prospects will be limited. Basically, the damage is done.

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BLACKMAIL

If you decide to accept the counteroffer and stay, it may be perceived as a strong-arm tactic to get more than the company has been willing to pay. This can cause resentment in management and co-workers. Without a doubt, you will always be viewed differently. In essence, by agreeing to stay, you have "blackmailed" your boss.

Soon after giving the counteroffer, the employer is likely to begin second-guessing your contribution to the firm. The employer may feel betrayed, and worry that other employees will use job offers to leverage their positions in the future.

Decent and well-managed companies do not make counteroffers. Their policies are fair and equitable, and they refuse to succumb to "counteroffer coercion." It sets a bad precedent and bad example for other employees - almost like paying ransom to terrorists. The line of previously loyal employees threatening to leave to gain a raise begins forming at the door. If someone is not committed to being with the company, it compromises the team and causes broad, negative ramifications well beyond simply losing that person. Ultimately, the integrity of the employer, manager and indecisive staff member can all be irreversibly damaged.

FUTURE

When a real promotion opportunity comes up, will the company choose to advance the person who had been looking and had to be induced into staying? Or will they reward a loyal, dedicated coworker who has demonstrated a genuine commitment? In addition, when your next salary review comes up, the boss can remind you of the big raise you received as part of the package to stay. You will usually be the first to go if cutbacks occur, future advancement becomes more difficult, and as stated previously, the company has most likely begun to seek your replacement.

IMPACT ON CO-WORKERS/SUBORDINATES

What about your co-workers? Regardless of how discrete you have been, some are sure to know you were planning to leave. The office grapevine rarely deals kindly with these matters. Maybe subordinates have begun maneuvering for your job. Maybe they are relieved you are leaving. Or maybe they have planned a farewell testimonial luncheon. As rumors circulate and escalate, awkward situations may develop. Your sudden reversal may be perceived as a sign of weakness, and cause you to lose their respect. Almost certainly, your relationships will never be the same.

WHO WINS WHEN A COUNTEROFFER IS ACCEPTED?

There is a bit of a chess game going on. What is the strategy and who will be the winner? In the view of recruitment professionals, the deal strongly favors the company when employees accept counteroffers. The employer holds most of the cards.

While the returning employee may earn a bit more money, it is often, in effect, borrowed from future earnings. An employer may make or attempt a few improvements as appeasement, but will rarely make profound or lasting changes to accommodate a single employee.

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With trust now an indelible concern, in most cases, your career at the company will essentially plateau, and a replacement without this awkward baggage will look increasingly attractive.

Employers always try to avoid the transition turmoil generated when a key staff member leaves. They also know that for employees, changing jobs ranks as a major stressor along with death, divorce, moving and other of life's undesirable challenges. They make counteroffers knowing that employees feel significant ambivalence about leaving the familiar and starting all over again at a new job.

Of course, trumping the new firm's salary offer, changing the job title, creating a new project or promises of any kind can tip the balance between going and staying. The current employer who gains back its staffer may seem to be the big winner. Initially, the current employer may appear to lose ground because of the pay increase or promotion it extends, but these costs are minimal compared to the loss of momentum on a project, and are significantly less expensive than the cost of finding a replacement. A counteroffer is always deemed a temporary fix until the timing is more opportune.



What the Prospective Employer may be Thinking and Feeling

What about the prospective employer, who went to considerable effort and expense to get you to the offer point? Presumably, you negotiated in good faith and arrived at a mutually acceptable offer. In business, your reputation can be your most valuable asset, and the marketplace has a long memory for broken commitments.

If you're considering a counteroffer, why should you care about the company you are rejecting, or the executive recruiter for that matter? Aren't you still so far ahead of the game that their disappointments are just a minor inconvenience – something that comes with the territory?

Indeed, you imagine that backing out of your commitment will be no great hardship for such a well-regarded company. After all, they must have a huge backlog of applications for the attractive position you had accepted. Your talks with the executive recruiter and the company's HR person, however, give you unexpected new insights into the fallout from your seemingly innocent, if self-serving, decision to renege.

By now, you are better able to put it in perspective. You can acknowledge that in the prospective employer's view, you have analyzed, accepted and committed to their company, and that they undoubtedly have made plans and accommodations around you. Obviously, the rebuffed 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 may have lost months of productivity and unrecoverable revenue because the position has remained unfilled for so long.

At your research follow-up meeting, the prospective employer's HR person pointed out to you what the executive recruiter was too discreet to mention. Any executive recruiters involved in the search lose as well when a counteroffer is accepted. A recruiter can lose credibility with a client company, a substantial amount of time, allocated resources and possibly income when a candidate backs out after accepting.

Why should a candidate care what a recruiter thinks? A good search professional 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 cannot be trusted. Word of your lack of integrity can dog your career for decades.

Consider a case where a company had recruited an executive 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. The finalist then reneged on his acceptance. "It was devastating to our organization and our progress," says the CFO. By backing out, the candidate seriously jeopardized the company's relationships and credibility, and the alternate candidates were no longer available. The search had to start over, causing a serious loss of momentum for the company, and it did not reflect well on the candidate personally.

WHAT WILL BE YOUR FINAL DECISION

You have gathered the strikingly different viewpoints of the key players in your mini-drama – the prospective employer, your current employer and yourself. It has certainly been an eye-opening experience, offering you sufficient reason to re-think your decision. So, how should you process this collection of insights, opinions and information, and translate it into the best possible decision?

In the form of a summary review, here is what you have uncovered ...

Rationale for Accepting a Counteroffer

A decision to stay with your present job is appealing because of the raise in salary, the promotion to the next level, remaining in a familiar environment, keeping pleasant working relationships and friendships intact, and avoiding the uncertainties of a new employment situation. Arguably, it would be easier to stay in the old position. Like any venture into the unknown, a job change creates anxiety.

Rationale for Rejecting a Counteroffer

Since buyback offers can create confusion and “buyer’s remorse,” you should understand the subtleties and implications that come with acceptance. Before resigning with your current employer, consider the pros and cons of your choice. The “uncertainties” in the new job situation can give you second thoughts, but the reasons you decided to leave likely still exist. Apart from a short-term, superficial treatment, chances are that nothing will change within the company. After the dust settles from this upheaval, you will be in the same old rut. A rule of thumb among recruiters is that more than 80% of those accepting counteroffers leave or are terminated within six to 12 months. Half of those who do revert are back job-hunting within 3 months. While buyback offers can be tempting, the risks seem to far outweigh the positives.

It will help you reach a decision if you ask yourself a few critical questions:

What kind of future can I expect at a company that doesn't trust me?

Why did I have to threaten to leave before the company did the right thing?

From where is the money for the counteroffer coming? Is it my next raise, early?

Counteroffers are only made in response to a threat to quit. Will I have to solicit an offer and threaten to quit every time I am looking for improvements in my job situation?

If it is generally accepted that most decent and well-managed companies don't make counteroffers, what does a counteroffer say about my company?

Why is the boss so reluctant to lose me?

If I accept the counteroffer, how likely is it that it will work out well for me?

What are all the reasons I wanted to leave the job in the first place, and do those reasons still exist?

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Is the company truly acting in my best interest, or have they just realized it will be inconvenient, and probably expensive, to replace me?

If I am miserable enough now to quit, how likely is it that more money or a fancier title will change that?

KEY POINTS TO REMEMBER

- Your company knows you will probably leave, and will immediately start looking for a new person at a lower salary.
- You have now made your employer aware that you are unhappy. From this day on, your loyalty will always be in question.
- When promotion time comes around, your employer will remember who was loyal and who was not.
- When times get tough, your employer will begin the cutbacks with you.
- The same circumstances that now cause you to consider a change will most likely repeat themselves in the future.
- Statistics show that if you accept a counteroffer, the probability of voluntarily leaving in six months or being let go within one year is extremely high.
- Accepting a counteroffer is an insult to your intelligence and a blow to your personal pride, knowing that you were bought.
- Once the word gets out, the relationship that you now enjoy with your co-workers will never be the same. You will be the defector who was brought back, and will lose the personal satisfaction of peer group acceptance.
- Think about the measures you took to try to change your working conditions *before* you made the final decision to leave – you know, the ones that failed....
- Once you even consider leaving, your days at your current job are probably numbered. Not that you'll be fired. But the closer you come to winning the talent contest elsewhere, the less likely you are to remain content in your existing position.
- Finally, when making your decision, look at your current job and the new position as if you were unemployed. Which opportunity holds the most real potential? Probably the new one, or you wouldn't have accepted it in the first place.

HOW DO YOU IMPLEMENT YOUR DECISION EFFECTIVELY

The time to leave is when you are ready to go, not when your boss is ready to get rid of you. Frequently, we are so busy looking for a new job that we put no thought toward leaving our current one. Often, how you leave a job can be just as important as how you get one. Once you accept a new job, you need to consider the timing of your resignation – the norm is two weeks' notice.

The best advice is to make the change you have agreed to and stick with it. Keep relationships with important people in your old organization intact, but politely deliver the firm message that you have decided to move on. If it is made clear that you are not open to renegotiation, you may be able to prevent the counteroffer attempt, and save embarrassment for all concerned.

There is a right way and a wrong way to resign. In fact, there are many wrong ways. Handing a letter of resignation to your boss's assistant would be one of them. This is too important to handle any other way. Don't use the phone unless it is physically impossible to meet, and don't even think about e-mail or voicemail. There is no science to the timing, but morning seems best or maybe lunchtime. This is not a surprise you want to spring at the end of a long day.

If you expect to receive a counteroffer, how should you handle it?

- 1 – Write a polite, clear and unequivocal resignation letter that leaves no room for discussion. The letter should be brief and to the point (and not bitter in tone).
- 2 – After you have spoken to your boss, hand him/her a signed letter of resignation. Although it is the least important part of the process, it establishes your end date, and it remains in your personnel file. By behaving honorably, you may have the option of re-employment with the company or to join a former boss elsewhere later on. You will 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.
- 3 – Be certain in your own mind of all the reasons you have decided to depart before you announce you are leaving.
- 4 – By handling the resignation positively and professionally, you leave possible doors open for the future with the company and the boss.

Watch what you say about quitting – word gets around. If you have told your boss you are leaving to take a great new job, do not tell your co-workers that you are fleeing because the boss is a creep. Stick to your story and keep it positive. Take the time to say good-bye. You have shared many experiences with the people in this company, and some of them may have taught you a lot. So, let them know where you are going, mention your good memories, and say “thank you.” It is the right thing to do – and it

is a small world. You may work with some of them again someday, and you may want them to be references for you in the future.

AFTER THOUGHTS...

The above scenario may be a “worst case,” it may turn out to be fairly accurate for your own situation, or it may be irrelevant. While it may not happen exactly this way for you, you should nevertheless be prepared, and perhaps ask yourself:

- 1 – How much of this is likely or plausible in my situation?
- 2 – What is the likelihood that I will receive a counteroffer from my firm?
- 3 – Does all the information in this scenario cast my possible decision in a new light?
- 4 – What do I have to gain and lose if faced with that choice?

If there is a counteroffer, think about the cluster of events and emotions that precedes it. It may include any or all of these: dissatisfaction, a decision to leave and a willingness to give up all the positives – the camaraderie, security, familiarity, certainty, positive track record, etc. Then, there is the surreptitious job search (hiding, sneaking around, covering up); feelings of betrayal (in both directions); blackmail; threats, persuasion, coercion; exaggerations and lies; an apparent willingness to abandon the team; and shattered trust. This is quite a laundry list! You need to ask yourself how solid a foundation this backdrop provides for a renewed relationship in the trappings of a fatter paycheck and a more prestigious job title. How much would you be willing to wager on a positive, long-term outcome for a re-marriage in this sort of context? It always comes down to how you weigh the factors. If there is anything you are hoping for, perhaps it should be that your company does not make you a counteroffer!

The receptionist suddenly drags you back to reality by announcing “Dave will see you now.” Your sobering daydream has slightly tempered your exhilaration as you take a seat in Dave’s office. “Hey Dave,” you say enthusiastically, “I got the job!” Then, on a more serious note, you add, “I just hope that Allied doesn’t make me a counteroffer!” Dave smiles knowingly, and you shake hands congratulating each other.