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DOING YOUR EXECUTIVE COMP DEAL?

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We'll bet you're expecting an article on negotiating a compensation deal with an employer that will take a "win-lose" perspective—telling you how to "win" and how to make the company "lose." Guess again.

Even in times of scarce talent, the deal must be a "win-win" one for both the enterprise and the leader. "Win-win" negotiating will keep the deal you make from coming back to plague your career with the employer you choose as your business partner. Remember, this is about your career and not just the deal you negotiate coming in. You're not buying a car; you're going into business with an organization. It's not an adversarial relationship but an opportunity for partnership.

We're in a time of an acute global shortage of quality talent. Great people are difficult to find and retain, so leaders who are well prepared and willing to add value to an enterprise are well positioned to negotiate a deal for themselves that is also in the best interest of the company they decide to join. Our objective here is to share some strategic tips about the dynamic talent market based on our new book, *Pay People Right! Breakthrough Reward Strategies to Create Great Companies*, to give you competitive advantage:

- Total rewards is the name of the game. Focusing only on the elements of total pay limits the deal you can make.
- Better workforce deals are available now than have ever existed before. The relationship between what executives can get and what organizations offer has changed.
- Understanding potential employers' rewards is more essential than ever. Leaders on the move must educate themselves about the total reward strategy of potential employers.
- Decoding the rewards market is easier, but it's becoming increasingly tricky to do it right. Although more information is available, some of it is misleading.
- Adding value to the enterprise is the "secret sauce" of reward dealmaking. People who have results in their sight are best positioned to make the deal they want.

There's more to it than this, but if you keep these five points in mind, you'll have unprecedented advantage in making a difference for yourself and an excellent organization.

TOTAL REWARDS

Companies are responding to a scarce-talent market by moving from pay to total rewards as the basis for a reward solution. In Exhibit 1, we suggest the four components of total rewards and questions you might ask about the suitability of a potential employer's total reward package. Your task as a recruit is to match your preference for a specific balance among the components with the balance favored by prospective employers. Some companies, such as General Mills and IBM, emphasize all four components. Others stress one or two elements over the others. For example, until recently, Amazon.com emphasized a compelling future and stock options. Companies seeking identity as "best places to work" or "employers of preference" tend to emphasize a positive workplace over other total-reward components.

Exhibit 1

TOTAL REWARDS	
Compelling Future • Does the company have a vision and values that you buy into? • Is the company thriving, growing, successful, or can you make a meaningful contribution to turning it around? • Does the company have an image and reputation that you are proud of, or can you make a significant difference in changing it? • Is the relationship defined as a win-win between the company and you?	**Individual Growth** • What long-term career opportunities are available? • What are the opportunities for you to learn, grow, and develop? • Does the performance management process encourage constructive feedback and coaching so that you can continue to develop?
Total Pay • Is the total pay package competitive, and does it reflect your value to the organization? • Are the elements (base pay, short- and long-term cash incentives, stock, stock options, benefits, perquisites, recognition) integrated into a meaningful total pay package?	**Positive Workplace** • Does the leadership style reflect your values? Does it match yours in such areas as communications, people focus, and employee involvement? • Do executives practice what they preach, and are they effective role models? • Are executives and the rest of the workforce people you would like having as colleagues? • Is the company culture one that you would like to be a part of or help evolve? • Is the work itself challenging?
Source: Zinghelm. Patricia K., and Jay R. Schuster. *Pay People Right! Breakthrough Reward Strategies to Create Great Companies*. San Francisco: Jossey-Bass. 2000.	

BETTER WORKFORCE DEALS

The key to making the deal you want is to learn about how your target companies view the concept of total rewards. Very often, search organizations emphasize only cash compensation and stock options in the deal process. However, companies that are seeking a total-rewards balance will be less willing to emphasize just the economic component of rewards at the expense of others. So why would executives want to discuss this during their reward dealmaking process? Because companies with a total-reward perspective believe they can get the very best people by balancing the components of compelling future, individual growth, positive workplace, and total pay.

As a senior leader in such a company, you will be expected to be a role model for those assigned to share your organizational mission. It is not helpful for a leader to be paid in a significantly different way from those he or she must call on to make the organization a success. A leader can't preach, for instance, a philosophy of paying for results when the workforce knows their leader's pay is unrelated to organizational or individual achievement. Executives should be paid more because the competitive market says so, but the philosophy and elements of their competitive total reward deal should be similar to those of the people they lead.

You can expect that the deal executives will get from an employer will be significantly different from just a few years ago. This is what we call a "better workforce deal," and it is the latest of at least three deals that have existed since perhaps the 1950s, summarized in Exhibit 2. Under the "old" deal of entitlement, it was common for people at all organizational levels to spend their entire working life in the same company. Pay raises were fairly automatic, and people—including management—got used to receiving a raise each year.

The old deal was a casualty of reengineering, downsizing, rightsizing, flattening, and streamlining, a trend bringing the "new" deal into clear view. As a result of companies believing they could shrink to greatness, more people were chasing fewer jobs—including executive jobs. The issue of the new deal was "employability," where the balance leaned to the company while the responsibility for proving they add value went to the workforce. As people became increasingly disenfranchised, the idea of spending an entire career with one company went by the boards. The new deal created many of the challenges companies are presently dealing with.

A tight market and the need for companies to grow to remain successful ended the new deal with a balance between companies investing in people and the workforce delivering the results the company needs to thrive. This better workforce deal has been accelerated by people being very scarce while companies are doing very well. This deal has created the total rewards perspective we believe will be the key to the deal you negotiate with your next employer. It's also the deal you'll need to provide people you lead so they add value to the business and share your success. The old days of negotiating only on pay are over—it's now necessary to provide and receive rewards on all four total-reward components.

UNDERSTANDING REWARDS OF A POTENTIAL EMPLOYER

Few leaders are ready for the reward negotiation process unless they do considerable homework on how the company assembles total rewards for people in roles such as the one they're seeking. It makes sense to do some research on the companies in contention for your services. Many executives take guidance only from search organizations and advisors in the business of seeking and placing people in a scarce labor market. Making even a cursory review of Web sites also provides extensive information describing competitive practice in one talent market or another. But the emphasis is clearly on only cash compensation and equity rewards in the form of stock options. Not much information is available on total rewards or differences in company perspective or philosophy.

What does this mean to you as an executive searching for the right company and reward package? It means you must spend time digging around and asking the right questions of those in the know. As you are evaluating companies, it just makes sense to look at how they view rewards. Much can be learned by just asking the company, and more can be gathered from public information on the organization or from their Web site. The key issue is whether what you want in terms of rewards is something they are going to provide.

If your best-fit employer pays a lot of cash compensation or many stock options in exchange for long hours and little time with those who matter to you, it makes no sense to talk with its representatives unless this fits your goals as well. If total rewards in a company acknowledge a "family-friendly" view of the work process, this is valuable only if it meshes with your work expectations. It can get pretty frustrating if your needs and the philosophy of the company are not in sync—and this is magnified if you are in a leadership position and responsible for keeping the organization focused and on track.

Exhibit 2

THE EVOLVING WORKFORCE DEAL	
DEAL	**CHARACTERISTICS**
Old Deal	Paternalism Career Employment Balanced Toward Workforce
New Deal	Tough Love Employability Balanced Toward Organization
Better Workforce Deal	Mutual Accountability Win-Win Partnership Balanced More Equally
Source: Zinghelm. Patricia K., and Jay R. Schuster. *Pay People Right! Breakthrough Reward Strategies to Create Great Companies*. San Francisco: Jossey-Bass. 2000.	

DECODING THE REWARDS MARKET

It's your responsibility to get the real scoop on what your talents are worth in the competitive market-place. Every company, including your present employer, sponsors or participates in surveys of reward practices and reward levels. Because most companies have moved away from reward solutions based on internal equity for determining job value to a basis of the competitive labor market, companies are making these survey results more available. You will want to understand these data.

Without an understanding of the realities of what you are worth in the labor market, you are without effective ammunition for negotiation. Information is also available on Web sites but you need to understand that some of it may be misleading because of inaccurate job matching, sampling, sizing, and self-reporting. You need to do a realistic assessment of what you are worth in the market. The market affects both your current employer and any future employers that may be interested in you.

It's possible that you will be able to negotiate a better total-reward package with your present employer at the next performance feedback session—perhaps even better than what you can get from a new employer. Remember, a new employer will have to spend money just to keep you whole by buying out any retirement and options you have, paying a hiring and retention bonus, moving you and your family, and integrating you into your new role. Your current employer may find it a bit easier to pay you what you're worth because you're known to them, and losing you means a costly and difficult recruitment process.

So, it's critical to know what you are worth as an executive. Spend time seeking out information—go to as many sources as practical. You have to be as knowledgeable as the employers who will be interested in you.

ADDING VALUE TO THE ENTERPRISE

We saved the most important for last. If you follow only one piece of advice, follow this one. The only reason companies would consider total rewards and a better workforce deal is to improve the alignment of people with business goals. The only business case for total rewards is one that justifies this change because it adds value to the business. If you're looking into an executive role with an enterprise that accepts this strategy, you must be willing to add value to the business (and be rewarded in exchange).

Finding out what the executive "job is" isn't enough anymore. Companies have different expectations in terms of results. Again, here's an important match you must make—are you willing and able to generate the results the organization wants from the individual in your role? You must know what is expected of you, because it will affect your total rewards and future with the business. Some companies measure themselves in terms of specific accounting measures of performance such as profit, earnings per share, or return on assets. Others look at measures of value creation, including economic value added. No matter what the direction, you must find out how they measure success. Then, look at the role you would play in the enterprise and discuss expectations with them. You're going to be able to negotiate a much better total-reward deal if performance expectations are part of it.

It isn't enough to know that you will be in a pay-for-performance total-rewards solution. This can range from fairly automatic pay adjustments to a reward-at-risk situation where the upside opportunity is high but so are the result expectations. Look at the public financial records of the enterprise to see whether it sets difficult goals and, most of all, whether it consistently meets or exceeds them. Goal reality is critical to you in a business where performance counts. It's also important for the company to have built credible tools to measure outcomes. These measurement tools will be important to you as a leader when it comes to communicating performance expectations to the people you lead.

Extending the line-of-sight of the workforce to the goals of the enterprise is the objective. The more easily you can see what you're expected to do and how it helps the business, the more likely it is you will receive the awards attached to these results, because you will be able to communicate this to your organizational unit. So your performance plan must start when you join the enterprise or when you reaffirm commitment to your current enterprise. It's not possible to negotiate entitlement rewards in a company that wants to be high-performance. If you do, you can be assured that the next time around, the focus will be on outcomes, and you should be ready for this eventuality.

THE NEW GAME

The market for executive talent is changing significantly. The five opportunities we mention are not often on the radar screen of people who are either seeking a change or being sought out. It's no longer as simple as trying to get a higher base salary or more stock options. It's about partnering with the business to be successful—more like managing your leadership career as a business than just looking for a better job with more pay. We hope this continues, because companies need leaders who are willing not only to buy into these new directions but also to champion them aggressively with their workforce.

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