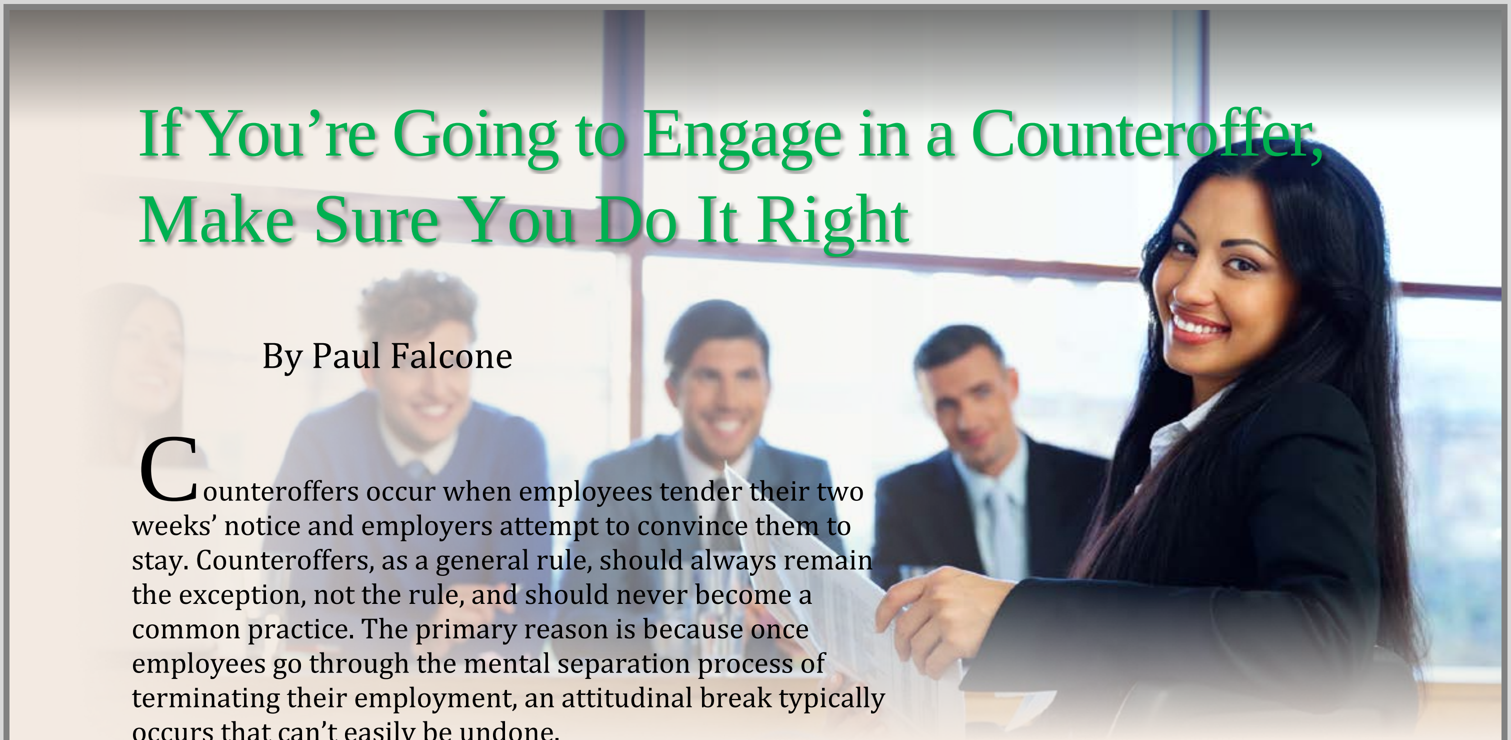
If You're Going to Engage in a Counteroffer, Make Sure You Do It Right



By Paul Falcone

Counteroffers occur when employees tender their two weeks' notice and employers attempt to convince them to stay. Counteroffers, as a general rule, should always remain the exception, not the rule, and should never become a common practice. The primary reason is because once employees go through the mental separation process of terminating their employment, an attitudinal break typically occurs that can't easily be undone.

In addition, appearing to throw dollars or titles at people to stay aboard once they've committed themselves to another employer could be perceived as a desperate move on the company's part and poor career management on the individual's part. Ask any headhunter if counteroffers work, and they'll quickly tell you that in most of cases, employees who accept counteroffers will likely be gone within six months because the underlying reasons for their dissatisfaction don't often change.

Barring sincere management intervention, therefore, the additional cash from a counteroffer may simply delay the inevitable, and employees who accept counteroffers for fear of change or out of a sense of loyalty eventually come to realize that if the original reasons they were considering leaving didn't change, then leaving still makes sense.

Add that to the fact that companies that engage in counteroffers on a regular and consistent basis run the risk of creating a moral hazard with their employees. Co-workers watch the pattern play itself out time and again and come to reason: "This company won't do much for you to keep you happy unless you threaten to leave, so you have to give notice to get noticed and leverage more money." Not a good employment strategy at all for obvious reasons.

There may be times when a counteroffer makes sense in terms of dealing with an employee's resignation. The key lies in knowing how to structure the counteroffer to help the individual reconnect with the organization and regain a sense of value—both in terms of her impact on the organization and her ability to build her career there. That may be more easily said than done, however, because it takes goodwill and transparency on both sides to make the outcome successful. Both sides—the company and the worker—must readily admit their shortcomings in allowing the situation to rise to this crisis stage, and both must be willing to make a sincere and conscious effort to turn things around. With a double commitment from both secured, the healing process can begin, and the individual can go about reinventing her relationship with the organization with a fresh perspective.

Here are two simple guidelines to follow if you, the employer, are sincerely thinking that a counteroffer would be effective in dire circumstances where a valued employee has tendered her resignation: First, if you are truly committed to listening, hearing what this individual's issues are, and partnering to turn around the true core problems that caused the individual to look to leave in the first place, there's a chance that an honest employer intervention in the form of a counteroffer could work. But it's got to be sincere, selfless, and focused on the individual's needs rather than your own. Throwing money or a title at the problem and then forgetting that it ever occurred is a formula for disaster because it simply delays the inevitable. And that's not fair to your employee who may be walking away from a great opportunity elsewhere.

Second, prepare for the exercise as if you had no money or title changes available to offer. Would you still be able to make a compelling argument as to why this individual might want to remain with your company? What else—beyond money and title—could change, and what would that renewed relationship look like? True, you arguably wouldn't extend a counteroffer without trying to meet the demands of the new opportunity that's been offered, but if you're not looking at this holistically and in a broader sense than simply in terms of dollars and titles, you may be missing the point of the whole intervention.

In short, if you're not willing to engage and invest in a "hyper-care" opportunity where you'll dedicate yourself to this individual for the next year to ensure that everything remains on track in terms of the agreements you're making now, then forego the counteroffer and wish her well in her new job. We're talking true engagement that's required here, and that includes ongoing partnership and follow-up.

More likely than not, your proposed counteroffer will not meet the terms of the external company's offer. You'll either not have enough room in your salary budget to bridge the gap, your internal equity matrix will not allow you to award the salary increase even if you had the money in your budget, or a promotional title increase won't be available until someone else in the organization leaves and frees up the headcount.

Still, with a respectful, selfless, and well thought out counteroffer strategy lined up that focuses on career and professional development (in addition to whatever you can do dollar-wise or title-wise), you'll no doubt have a chance at retaining this individual. Even if you're not successful, you can at least rest assured that word will get out that you handled the whole matter professionally, that you put the individual's career interests above your own needs, and that you were very "cool and classy" about the whole thing. The outcome may be beyond your control; the strategy that you employ, however, will make you feel good personally and help you distinguish yourself as a true leader within your organization.

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