

The Counter Offer Is Counter Productive

BY PAUL POMPEO

At the beginning of my LIGHT-FAIR presentation last June entitled, “Finding, Recruiting and Keeping The Best Candidates,” I asked attendees to imagine their best employee walking into their office and giving notice. We’re going to talk about the same scenario in this article but take it in a slightly different direction.

Let’s say someone on your team (perhaps even the most valuable member) announces that she is resigning to pursue an opportunity with another firm. Of course, the first temptation is to make a counter offer to persuade that person to stay. No one likes to be fired...and employers are no different. It’s the “You can’t quit until I fire you” syndrome. The normal reaction is to try and make things right—whatever it takes. But before making a knee-jerk counter offer, think things through.

This may sound like employment heresy in some circles, but the counter offer is not always what it’s cracked up to be. First, unless the employee in question often makes decisions without thinking them through or acts hastily and thinks about the results later, he has probably weighed the pluses and minuses of making a career change before ever approaching you. As for the employee who does things in haste, is that really someone you wish to “bribe” into staying?

So let’s talk about a couple of the key reasons why you might want to rethink the counter offer:

1. Counter offers buy you less time than you think. According to *The National Business Employment Weekly*, nearly four out of five people who accept counter offers are gone within the year. Four out of five! Those aren’t good odds, in Vegas or anywhere, so you really might be better served beginning your search *now* to replace your dissatisfied employee vs. waiting the few months (or even weeks) until that employee leaves anyway, with his extended stay a bittersweet coda to his tenure with your firm.

2. Money doesn’t buy happiness. You’ve heard that old axiom many times: Most studies show that not only is money *not* the main reason people make a career change, it’s usually not even one of the top three reasons. Some studies don’t even put money in the top five! Yet money is the *main* element of almost every counter offer. Companies are only buying time with the vast majority of counter offers they make; they are not renewing an employee’s allegiance to the team. Inevitably, the real reasons that caused an employee to look elsewhere will crop up again.

3. The relationship is forever changed. When an employee

accepts a counter offer, you may feel like everything is back to normal, but actually the situation is irrevocably changed. There is a level of trust that will almost always never return. First, there is the “other shoe” scenario—waiting for the employee in question to become dissatisfied again or simply leave. And since statistics show nearly 80 percent of candidates who accept counter offers are not with that company within a year, do you really want the problem to crop up again, or have an employee whose loyalties are torn, or whose heart is not in it? And the employee who is prone to renegeing on his/her commitment to the new company to be bought back by your firm is a high risk to give notice again in the future—possibly at the worst time.

4. Employees are getting wise. Employees have become more savvy career-wise and they are increasingly aware that the counter offer is rife with pitfalls. In a *Wall Street Journal* column entitled “Accepting a Counteroffer Can Be the Road to Ruin,” Paul Hawkins (publisher of the respected *Fordyce Letter*) writes, “*In my four decades in the hiring community, only a small percentage of counter offer acceptors I’ve known haven’t regretted their choice. If in your naïveté you believe that your current company loves you despite how it’s treated you, you deserve the ho-hum career it may offer. The momentary flattery just isn’t worth it. Decent and well-managed companies don’t make counter offers. Their policies are fair and equitable, and they won’t bow to coercion. When you say, ‘I quit,’*

mean it. It’s really your only honorable option.” Hawkins’s advice is not much different from what the vast majority of executive recruiting professionals will tell you: employees now realize that the benefits of an accepted counter offer are much more in the company’s favor than theirs.

5. Muddywater. Perhaps the most undesirable outcome of an employee accepting your counter offer is that he may become a cancer in his department, destroy morale or in the worst case corrupt data. Recruiting

‘Decent and well-managed companies don’t make counter offers. Their policies are fair and equitable, and they won’t bow to coercion’

expert Mary Lindenmuth says, “The disgruntled but ‘bought back’ employee *hangs around* and they feel it is their empire! For instance, if they are sales people, if they’ve built their client list, they sometimes feel it is now theirs. The *law* states that the information belongs to the company, but that doesn’t take away what the human being *feels*. And if the employees feel they are entitled to it, *they will undermine you.*”

WISH THEM WELL

If you have ever made a counter offer to an employee, ask your-

self, how many of those situations worked out well? How many of those people remained with you for a year? How many remained with you for six months and continued to function at past performance levels? Remember, once someone is unhappy, it often doesn’t matter what the company does.

So if you feel you simply *have* to make a counter offer, only make it once. Your employee has usually already made the decision to leave; in most instances, the decision will not be reversed by offering more money. Also, once the seeds are planted in someone’s mind or heart, trying to persuade her to stay with your company can often produce mixed, or short-term results at best. So realize that sometimes the best response to an employee leaving is to wish them well so that you and your team can move on and move forward.



Paul Pompeo is principal with The Pompeo Group in Albuquerque, NM, a leading executive recruiting firm in the lighting and electrical industry. He is the past president of the IESNA/ Rio Grande section for New Mexico. He can be reached at paul@pompeo.com or www.pompeo.com