COMPENSATION CONVERSATIONS

WHAT TO KNOW & HOW TO PREPARE

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OBJECTIVES

• How firms determine compensation structure

• Sources for finding your market value

• How to handle compensation conversations

• How to prepare for an offer
WHAT GOES INTO A COMP PACKAGE?

COMPENSATION PHILOSOPHY

- **BASE PAY**
  - "SALARY"
- **SHORT-TERM INCENTIVES**
  - "BONUS"
- **LONG-TERM INCENTIVES**
  - "EQUITY"
- **OTHER BENEFITS, PERKS & AWARDS**
MARKET EVALUATION PROCESS

DETERMINE COMPENSATION PHILOSOPHY

WHAT DO WE PAY FOR?
HOW DO WE PAY?

HOW MUCH DO WE PAY?
CREATE GROUPS & LEVELS
MARKET EVALUATION PROCESS

GATHER JOB DOCUMENTATION

- Position Descriptions
- Requirements/Education/Certification, Years of Experiences
- Scope of Responsibility
- Reporting Structure
MARKET EVALUATION PROCESS

COLLECT MARKET DATA

- INDUSTRY SURVEYS
- PROXY STATEMENTS
- 990’s
- SEC FILINGS
- REVIEW INTERNAL EQUITY
MARKET EVALUATION PROCESS

EVALUATE CURRENT PRACTICES

ALIGNMENT WITH GOALS/MARKET

FINANCIAL IMPACT
MARKET EVALUATION PROCESS

IMPLEMENT CHANGES

- DEVELOP NEW PAY GRADES
- EXTEND OFFERS
- EDUCATE LEADERSHIP/ADMINISTRATION ABOUT CHANGES OR FINDINGS
MARKET VALUE SOURCES

• Employment reports
• School Data
• Industry/Function-specific benchmark studies
• External recruiters
• Informational interviews
• Insights from colleagues
• Job descriptions
ONLINE MARKET VALUE SOURCES

transparent
CAREER

LinkedIn
SALARY

glassdoor

salary.com

PayScale
HUMAN. CAPITAL.
TARGET: Senior Product Management role in Tech Sector
Engineering undergrad; 5 years out of b-school
- 2 years product management at insurance company
- 1.5 years head of product at early stage startup
- 1 year product management at internet-based retail company

**Proposed Range**

- Online Source (Avg Performer): $135K
- Current base salary: $150K
- Networking Contact - retail: $170K
- Networking Contact - consumer electronics: $185K
- Recruiter contact: $190K
- Networking Contact - internet company: $195K
- Salary Survey (75th percentile): $200K
- Online source (Top Performer): $220K
GENERAL ASSUMPTION
GET ON THE SAME SIDE OF THE TABLE
COMPENSATION CONVERSATIONS

PASSIVE CANDIDATE

ACTIVE CANDIDATE

HUMAN RESOURCES & SEARCH CONSULTANT

HIRING MANAGER

FINAL STAGES
What would you be looking for as a base salary?

I haven’t properly researched the market value for this role. Can you please explain the general compensation structure for this position? Is there a range you’ve been asked to work within?

What are you earning currently?

At this stage, I still consider that confidential.

Responses by Patti Reich, University of Maryland Smith School of Business. Used with permission.
What would you be looking for as a base salary?

I’ve done some preliminary research and see a range of $185K to $200K base for this level of work. What are your thoughts on this?

What are you earning currently?

My current role is different than the one we’re discussing so it’s not comparable, but...
What would you be looking for as a base salary?

I appreciate that you’re asking. It’s an important subject for both of us...

In preparation for this conversation I did a bit of research...

For the role we’re discussing, I’ve seen a base salary range of $185K to $200K...how does that compare to what you’ve seen?

Will you please explain how incentives factor in?

What are you earning currently?

My current role is different than the one we’re discussing so it’s not comparable, but...
What would you be looking for as a base salary?

I appreciate that you brought that up. It’s an important subject for both of us...

My sense is the market value of this role has a base salary of anywhere from $185K to $200K...how does that fit within the company’s compensation structure?
I’d like to come in at a competitive level and be situated to succeed in the short and long terms.

What are you earning currently?

My current compensation is around X. It’s different than the role we’re discussing so it’s not comparable...I’m looking for growth opportunities where I can leverage my expertise (strengths).
What would you be looking for as a base salary?

I’d like to come in at a competitive level so that I can be prepared to succeed in the short and long term. I hope you will propose a package that you think makes sense, given our conversations thus far. From your perspective, what parameters do we need to work within?

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PREPARING FOR AN OFFER

Know your core competencies and how you’ve leveraged them successfully in the past.

What problems need to be solved and how can you solve them?

Show your relevance and ability to contribute.
PREPARING FOR AN OFFER

Always have a clear sense of your market value!

Know your dollar thresholds - baseline, fair, ideal
BARGAINING MIX

MONEY
• Base salary
• Signing bonus
• Bonuses/commission
• Equity
• Deferred compensation
• Relocation

TIME
• Earlier raise/review
• Vacation days
• Start date/schedule
• Flexibility (remote work)

MISCELLANEOUS
• Title change
• Professional development/tuition reimbursement
• Work space/resources
• Non-compete/solicit
COMPANY PERSPECTIVE

• Intentions, interests and values of the firm
• Employers expect some negotiation
• Employers will evaluate you through the process
KEY TAKEAWAYS

• Understanding of how employers approach compensation

• Importance of gauging market value and clarifying your position in the market

• Dialogue to use in moving forward with compensation conversations

• Factors involved in preparing for an offer