Negotiating a salary increase is a career ritual that no one cares for. But it seems to be an inevitable part of career progression and it's certainly important for wealth-building.

As AltoPartners Australia country manager Richard Fortune points out, inflation can make your real salary go backwards over time. And pay boosts can get people ahead of the inflationary curve, especially if they negotiate that all-important first pay package correctly. NPR quotes economist Linda Babcock of Carnegie Mellon University as saying: "I tell my graduate students that by not negotiating their job at the beginning of their career, they're leaving anywhere between $1 million and $1.5 million on the table in lost earnings over their lifetime."

Birgitte Olrik, partner at Peoplement / AltoPartners Denmark, points out that the process of negotiating a salary is valuable in ways other than financial. She notes that the process enables you to quantify your market price, which is useful in benchmarking current and future packages.

Whether landing that first job, climbing the ladder in an existing career, or moving to a new position, working on your remunerating is a vital part of building confidence and experience. As Fortune says: you have to be your own best cheerleader.

How to be your own best cheerleader in an existing job

For people hoping to improve their prospects in an existing job, it could be helpful to take a step back and think about the negotiation process as a whole. It's a common assumption that to get ahead, people need to sit around a bargaining table with their employer. But Dr Thomas Heyn, managing partner at Jack Russell Consulting / AltoPartners Germany, believes salary increases shouldn't be a negotiation game at all, for either the company or the employee.

"No one should have to negotiate a salary increase if you have functional measurement and evaluation tools in place. For existing team members, negotiation nearly always leaves a bad taste, even if the employee gets what they asked for. Many times, the employee walks away wondering if they should or could have asked for more, and whether they're being underpaid or taken advantage of. This is just haggling, which is what happens when the process is not transparent. And, like in all haggling situations, there is inevitably a winner and a loser."

For employees who feel that what they are earning does not reflect their contribution, and who try to change that situation, Heyn believes that the outcome depends on the respective maturity levels of the employee and the employer. "Mature employers have processes in place to ensure that salaries are benchmarked and commensurate with experience and qualifications, and that they are regularly adjusted against employee performance levels."

And mature employees have done their homework about the level of remuneration they could reasonably expect given their experience and qualifications, and they are able to quantify the value of their contribution. "They are also able to understand nuances around market-related packages, and what the company’s cash flow will allow. If budget is a constraint, it might not always be – especially if as a C-suiter your job is to turn it around. Then you need to make sure you share in the upside when it happens. But either way, it’s a transparent process based on solid, quantifiable data.”

Being your own best cheerleader in this case means doing your homework – and perhaps considering a change if your employer is not able to match your own level of maturity.

How to be your own best cheerleader when negotiating a package with a prospective employer

AltoPartners search experts agree: negotiations begin with solid research. Olrik says: “As a candidate you should know your market price - and be able to support your arguments with valid salary statistics and benchmarks. It is necessary to demonstrate what value, skills and experience you bring to the company when joining them.” Fortune adds: “Come armed with data – look at revenue, and research your peers in the market. Tie your expectations back to the strategy of the company, and the value you create, wherever possible. Based on that, you can have an open-ended discussion that begins: ‘Here’s where I think I sit in the market – how does that align…?’”

Heyn says that research should range wider than determining market value. New employees should also have questions for a prospective employer, starting with asking how that employer reviews salaries, and how often? “Is there a standard annual increase to adjust for inflation, and / or a performance-related bonus? Who qualifies, and how are the increases determined?”

Working with a recruitment expert

At senior levels, salary negotiations are integral part of working with a recruitment expert. Experts in the AltoPartners network say the relationship between a candidate and a consultant should start with discussions about expectations.

Robin Goolsbee, managing director at Diversified Search Group / AltoPartners USA, recommends that candidates and search consultants discuss candidate expectations and client salary ranges throughout the process. “This saves a lot of time if there is a mismatch. Better to know up front than to wait until the end of a long process. We ask what the candidate’s expectations are on the first call and will continue to check in throughout the process. We also share the salary range that the client is offering.”

Heyn says his firm advises candidates to look carefully at the total package, not just bottom-line take-home pay. “Never underestimate the value of fringe benefits and performance bonuses. There is usually more room for manoeuvre in these areas.”

What to do (and not do) in salary negotiations – tips from the experts

AltoPartners experts’ top tips for negotiating a salary increase:

- **Never lead with salary as a candidate** – determine if there is a match with the role first.
- **Be consistent**. Don’t significantly increase your expectations when you get an offer. This can undermine that good first impression, and the client could change their mind.
- **Purge negative emotions before you raise salary discussions, including the desire to be liked.** Don’t then do away with likeability, only to flip over into aggression. Don’t put them in

a corner with ultimatums. Don't make it all about you, but wherever possible turn it back to strategy and value.

- **Ask pertinent questions.**
  - Are salary reviews based on performance – and if so, whose? Is it company, department, or individual performance, and if so, when and by whom are these targets set and how and when are they measured?
  - In the case of bonuses, when are they paid out? Don't assume that it will be December. Some companies only pay out only after financial year end, which might involve a considerable wait.
  - Is the company willing to invest in your personal and professional development? "For example, Salesforce, the leaders in enterprise cloud platforms, are masters at this. All their employees get one paid day's leave a month to take part in a social upliftment project of their choice. Thus, the company is in effect lending out its top talent to support grass roots and non-profit endeavours. In return, employees get to exercise their passion in a way that benefits everyone. That's a win-win," Heyn says
- **Don't feel pressured to give an immediate answer**. Ask for time to reflect on what has been offered to you.
- **During a search process, don't use negotiations to leverage a strong counter-offer from your existing company.** This will reflect very poorly on you. People talk, industries are small and this could be detrimental to you later in your career.