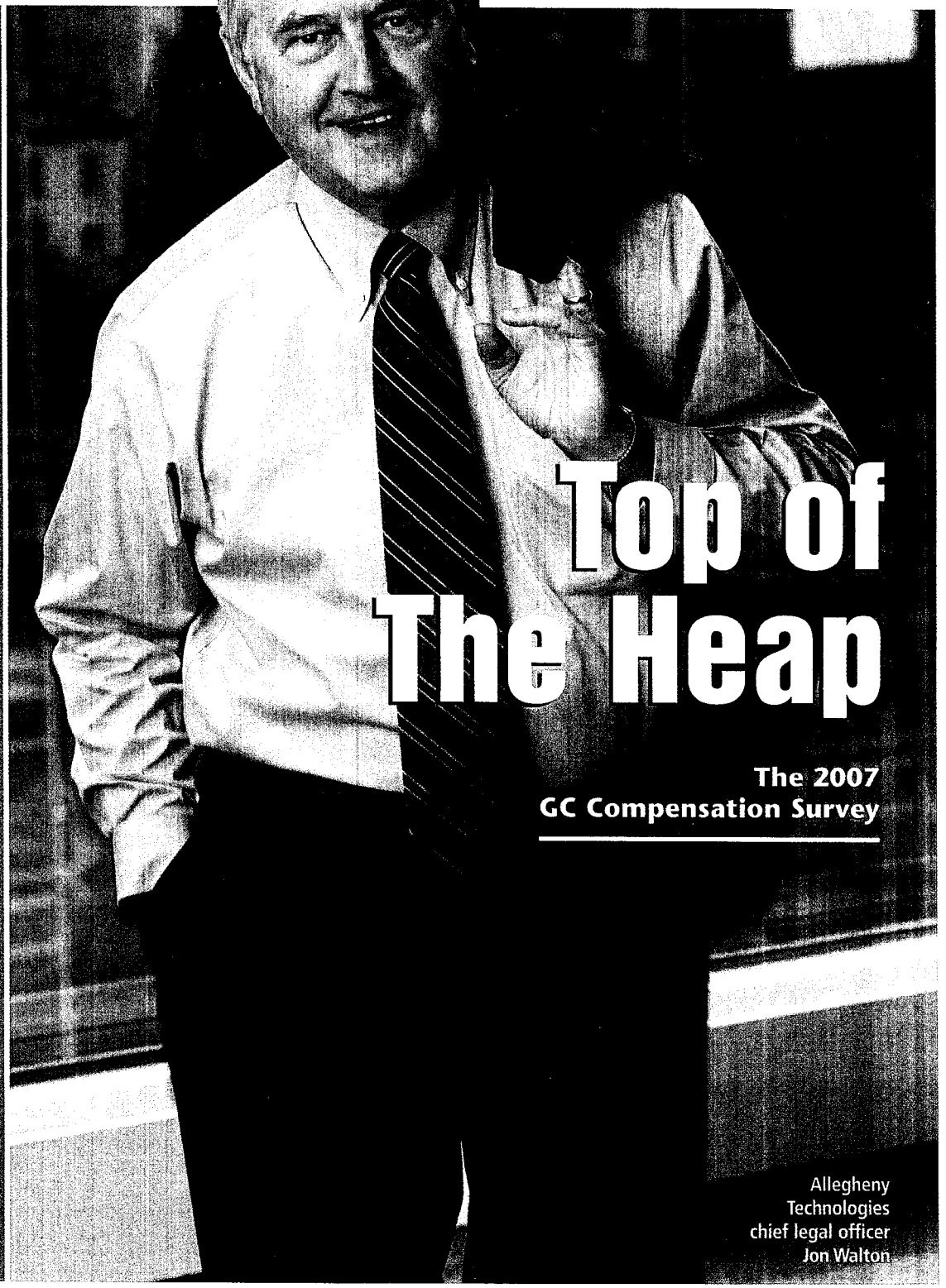
The Business Magazine
For The Chief Legal Officer

CORPORATE counsel

corpcounsel.com • August 2007



Top of The Heap

The 2007 GC Compensation Survey

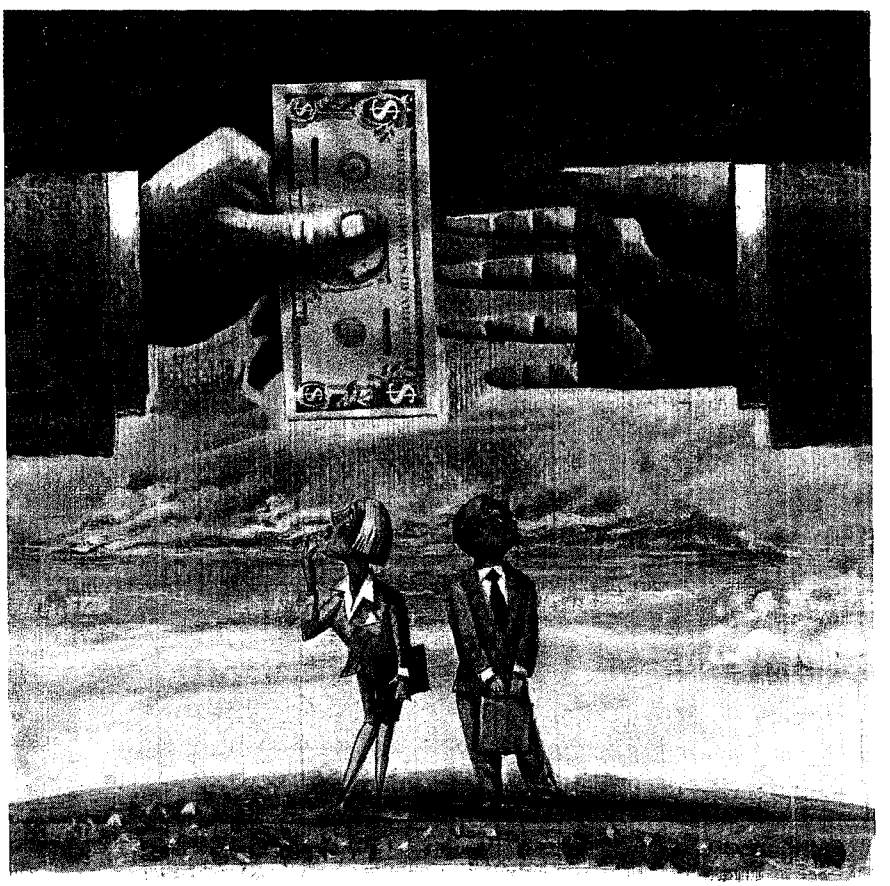
Allegheny Technologies chief legal officer Jon Walton

LEGAL MANAGER

Stand Up and Be Counted

Women and minority GCs need to assert themselves in compensation negotiations.

By Lloyd M. Johnson, Jr., and Michele Coleman Mayes



VAL BOCHKOV

MOST GENERAL counsel in the Fortune 500 go for the gold when it comes to their compensation. White men, however, are going beyond the gold and grabbing the platinum. Do women and minority general counsel unwittingly settle for less? Data gleaned from Securities and Exchange Commission filings and conversations with experts who negotiate compensation for general counsel present a compelling case that the problem is commonplace.

Julie Goldberg, managing director of Korn/Ferry's legal specialty practice, is highly familiar with this issue. "Some of the most competent, able women who are GCs just haven't gone to the mat the way men do [over compensation]," says Goldberg, who has placed nearly 75 general counsel in her ten years of legal recruiting. "You don't see the level of analysis and intensity in women that you do in men."

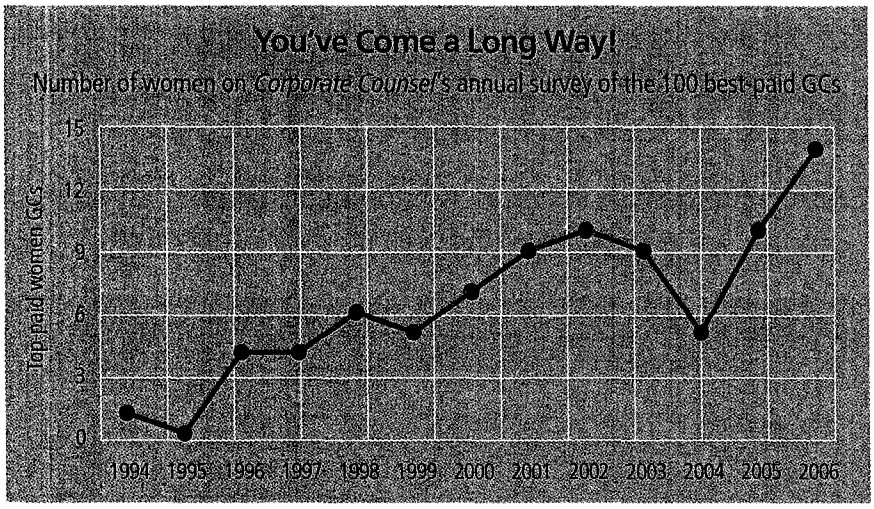
According to data culled from ALM surveys (ALM is *Corporate Counsel*'s parent company), proxy statements, and the Minority Corporate Counsel Association, there is good news and bad news on this front. First, the good news: The number of women on *Corporate Counsel*'s annual list of the 100 best-paid general counsel is on a steady and gradual rise (see "You've Come a Long Way!" page 102). Fourteen women appear on *Corporate Counsel*'s latest survey of the 100 best-paid general counsel, which is a record (see page 83). Now for the bad news: When you look at the number of white women, minority men, and minority women in the top 100 salary positions over a recent five-year period, there is a noticeable and troubling disparity (see "What's Wrong with This Picture?" page 102).

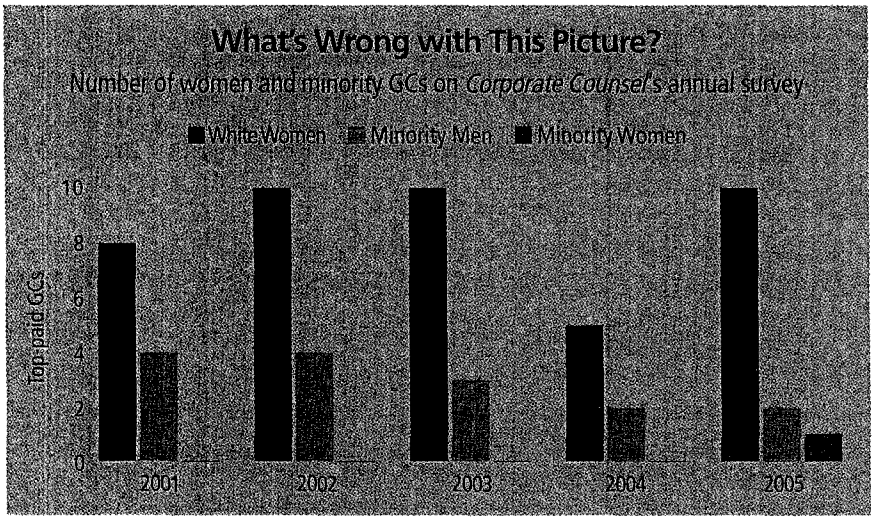
CLEARLY, THE DATA contained in securities filings tells only part of the story. Public companies are required to list only their top five highest-paid employees. GCs who are not among the top five may still be highly compensated. Nevertheless, the available data paints a disturbing picture.

According to Goldberg and other experts, the problem of not being appropriately compensated is complex, with at least four dimensions: gender-based, psychological, generational, and racial.

Gender is an ever-present issue when considering disparities in workforce demographics. As a rule, white male candidates will go toe-to-toe to enhance their offers and compensation packages. Women are not as good at putting themselves at risk and tend to be more accepting of the initial offer.

"Women are socialized so that it is hard to say 'I want' without breaching what society deems appropriate," says Jane Pigott, founder and managing director of R3 Group, LLC, a diversity





Sources: SEC; *Corporate Counsel*; MCCA; *Diversity & the Bar.*

consulting firm. According to Pigott, women typically believe that their achievements at work alone will get them noticed and rewarded, without the need for self-promotion: "There are societal expectations for feminine and masculine behavior, and you are punished if you cross those lines. Women are punished for displaying masculine behavior, but they are also punished for displaying feminine behavior."

That mind-set is obvious to those interviewing the candidates, according to Christine Edwards, a partner at Winston & Strawn in Chicago who, as the chief legal officer at Morgan Stanley Dean Witter, was the first woman to crack the list of five highest-paid GCs on *Corporate Counsel*'s anuual survey. "In interviews, female candidates will be strong, confident, and engaged, but when you switch to the topic of compensation, their eyes will drop, nine times out of ten," Edwards says.

The psychological dimension is another major factor in salary negotiations. For many women and people of color, discussing salary is extremely uncomfortable. So negotiating for what may seem like a great deal of money is particularly difficult. "It is something that is really deep-seated," says Korn/Ferry's Goldberg. "A lot of it is psychological, and some of it is experiential. It is part of the milieu in which you grow up and function."

The problem is also a generational one. "For women who are considered for general counsel–level positions, we're still talking about the generation that was taught to please and be the best they can be," says Goldberg. "Women want so much not to be seen as difficult and high-maintenance."

Racial issues play out in the corporate environment just as they do everywhere else. The disparities in pay among GCs who are white men, white women, and people of color are striking, according to Veta Richardson, executive director of the Minority Corporate Counsel Association.

HERE ARE THREE THINGS women and minorities can do to address this issue:

Try to figure out the impact that race and gender have on how you conduct your negotiations (e.g., body language, eye contact, how you listen and what you hear). Analyze your own psychology and behavior and avoid such telltale gestures as Edwards's drooping-eyes syndrome.

There are many studies, books, and other resources that can be used to understand the psychological dynamics of salary negotiations. These include: *Women Don't Ask: The High Cost of Avoiding Negotiation—and Positive Strategies for Change*, by Linda Babcock and Sara Laschever; "Do Women Lack Ambition?" by Anna Fels, *Harvard Business Review*, April 1, 2004; and "Women and Minorities Negotiating Salaries," by Lee Kass and Kathleen Gale (posted on the Minority Scientists Network Web site, September 27, 2002). (One quick tip: Practice asking for your compensation goals in the mirror, or by role playing with another person.)

Develop your own private team of advisers, consisting of executive compensation specialists, people who understand what is acceptable in negotiating with your prospective employer, and current and former GCs. If you are using

a recruiter, effectively leverage him by asking questions such as: Where does the position of general counsel fit among the other senior executives? What are the most effective ways to articulate my value to this CEO? What compensation negotiating strategies have worked with this CEO and company in the past?

Finally, think positioning and valuation. Develop a strategy that culminates in a clear definition of your value. Here, start with the obvious, which is the compensation analysis in the company's proxy statement. This addition to a public company's filings is a treasure trove of information. Mine it well. As part of this process, find out where the general counsel position stands in the batting order of the top executives of the company. Most importantly, in addition to your technical competencies, identify the unique dimensions (e.g., extensive contacts with the political party that controls the U.S. Senate and House of Representatives; other unique or special qualifications) that you possess. How much does your prospective employer value each of those dimensions? In the end, though, compensation negotiations are really pretty simple: You get what you ask for, not what you're worth.

Focus on the key questions: What compensation negotiating strategies have worked with this CEO and company in the past?

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MAKE THEM AN OFFER THEY CAN'T REFUSE

MICHAEL CORLEONE HAD A CONSIGLIERE. DO GENERAL COUNSEL IN THE FORTUNE 500 need one? Whether you need a wartime consigliere (negotiating a noisy withdrawal) or a peacetime consigliere (negotiating your compensation), you may want to call Christine Edwards. While some women and minority men have difficulty negotiating a fair compensation package, Edwards clearly does not. She was the first woman to break into *Corporate Counsel*'s top ten list of 100 highest-paid GCs. As chief legal officer at Morgan Stanley Dean Witter, she ranked number four in 1997 and number three in 1998 on *Corporate Counsel*'s annual survey. (No woman entered the top ten after Edwards until Maura Abeln Smith of Owens Corning ranked number three in 2002.)

Now a partner in Winston & Strawn's corporate practice group, Edwards has identified four categories of mistakes that women make when negotiating compensation.

Ace compensation wrangler Christine Edwards

1. "Here's what I made in my last position."
Your salary doesn't depend on what you made in your last job, according to Edwards. It depends on the value you bring to the new organization.

2. "Just cover my expenses."
Edwards says you shouldn't focus on what your mortgage payment is or how much your kids' college tuition costs. "Your value is not what your expenses are," she says.

3. "Just get me in the door, and I'll take it from there."
Some candidates think that if they can just get a foot in the door, their salaries will rise when they prove how smart and indispensable they are. It doesn't work that way, particularly at large companies that have salary grades and a limited pool of money for raises and bonuses. "It's much wiser to come in at the right value from the start," she says.

"I've had the experience with women who have asked [the company] as often as men [have] about compensation," says Edwards. But according to her, as soon as a woman hears that her initial demand may not be feasible, she fails to follow up—unlike many men. "Women back down after hearing concerns, whereas men simply ask, 'Okay, how can we restructure this to make it work for both of us?' " says Edwards.

4. "I don't know what I'm worth, but it's more than he is."
When it comes to bonuses, employees aren't supposed to discuss them—and, of course, that is the first thing they do. Asking for the right-sized bonus is critical. "You have to think a long time about what you ask for," Edwards advises.

Often, women have either not done their homework or are not prepared to negotiate. There are no good excuses for this. These same highly accomplished lawyers would not dare fall short when representing clients. Edwards asks, "Why shouldn't the same expectations apply when negotiating for themselves?" — L.M.J. AND M.C.M.