



## **How to Ask for a Raise and Get It**

Created: 14 October 2013  
Revised: 14 October 2013

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**Published by:**



**Austin, Texas  
2013**

# Introduction

There is no more nerve wracking event in the life of a new businessman or businesswoman than asking for a raise for the first time. Relax, I'm going to tell you exactly how to do it and, more importantly, how to do it successfully.

How?



Well, I was a founder, President, Chief Executive Officer or Director of public and private companies for longer than you have been alive. I've had so many folks ask for raises that I can't even count them. I'll tell you how to do it in a thoughtful, pragmatic and easy process.

I currently work as an advisor to CEOs and founders of startups and small companies. I advise CEOs on just these kind of topics. I'll share my advice with you and let you in on some secrets.

I promise you that if you follow these ideas, you will overcome your anxiety and you will dramatically increase your probability of success.

I will share this information like we were sitting around a campfire and chatting about the folk lore, the legend of your company. This is how seasoned business executives share wisdom with new businesspersons like you.

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Want to learn more? Read [www.themusingsofthebigredcar.com](http://www.themusingsofthebigredcar.com) for other tips. This will be fun.

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**June 2013**

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## **How to Ask for a Raise and Get It**

The purpose of this document is to provide you with an easy guide to the process of asking for and getting a raise in your salary. If you will follow these steps, you will increase the probability of being successful.

### **The Design of Compensation Plans**

When we speak about asking for a raise, we are talking about the salary component of a well-designed compensation plan. A well designed compensation plan should include the following components:

1. Salary --- the base salary for your position and the primary focus of this document;
2. Benefits --- company provided benefits such as health/dental/vision/life insurance, retirement plans (401K), cafeteria 125 plan, vacation/sick/bereavement leave and other defined and documented benefits provided primarily at company expense and tax deductible to the company;
3. Short term incentive compensation --- typically an annual performance or profit based bonus;
4. Long term incentive compensation --- typically stock options or other equity based bonus;; and,
5. Something special --- typically such things as a tuition reimbursement program, company car, home computer gear. This can become very creative.

While salary is the primary focus of asking for a raise, it is not inappropriate to also ask for improvements in the other elements of a well-designed compensation plan. For clarity, many

jobs and small companies may not offer anything other than a salary and benefits. This is not abnormal and will differ from company to company.

### **Why would anyone ever get a raise?**

Before we launch off into the process, let's chat a minute about why anyone would ever get a raise. Why?

Every company ultimately only accomplishes what its people actually do. Companies are communities of committed workers who are joined together by a Vision, Mission, Strategy, Tactics, Objectives, Values and Culture.

None of these laudable considerations can be accomplished without the efforts of people working together with their work aligned to accomplish them. Good companies have good people.

The most important job of any founder, Chief Executive Officer or President is to attract, inspire, inform and retain good people. The better the CEO is at communicating his Vision for the company, the more aligned the company's folks will be in accomplishing the Mission, Strategy, Tactics and Objectives.

One of the most important Values of any company is its policies toward its people. Good people will not stay with companies who are confused or uncertain about their Values and Culture.

Good companies --- and good CEOs --- will reward their folks with excellent compensation and a well-designed compensation plan. This requires the company and the CEO to recognize and reward:

1. Job performance;
2. Market value;
3. Talent;
4. Education;
5. Experience, longevity; and,
6. Hard work.

In the end, it is all about retention of talent and the avoidance of the costs associated with the loss of critical team members.

If the company prospers, it will share that prosperity with its team. If not, then you are at the wrong company.

Know this --- the CEO needs you to be productive and desperately wants to retain your services at all costs. You, on the other hand, need a job and want to excel.

Nobody ever woke up and said: “Well, today, I want to do a mediocre job.”

## **Negotiations**

In life you don't get what you deserve, you get what you negotiate. Say that again to yourself.

The corollary of that statement is this: “You --- and nobody else --- are responsible for managing YOUR career.”

Companies are not paternalistic and looking out for your welfare. That is not intended to imply that there are not great companies and CEOs out there who anticipate everything that is in this document. There are.

You are responsible for managing YOUR career and you will only get what you negotiate.

The three most important rules of negotiations are this:

1. Everything is negotiable.
2. Remember to negotiate.
3. Give yourself a chance to get lucky.

If you want to learn more, read the wonderful books by Chester Karass on the subject. There is a lot of wisdom in those books.

## **Prepare**

The key to success in attaining a raise is preparation. Preparation can often be hard work but preparation will provide the confidence for you to execute well.

How does one get to Carnegie Hall? Practice, practice, practice.

How does one successfully negotiate a raise? Preparation, preparation, preparation.

The first thing is to research your company's policies and politics on the subject. Answer the following questions:

***Does the company have an existing written policy on the subject of compensation changes or raises?***

***When are raises normally scheduled?***

***What is the normal process for receiving a raise?***

***How do raises correlate with performance appraisal?***

***Evaluate the company politics and mood --- what's going on right now?***

***Is your company hiring in general and for this position in particular?***

If the company has a policy on the issue, then try to conform to the policy but don't be intimidated by the policy. If the company typically undertakes its salary actions in March and it is September, so what. Go for it anyway but know what you are up against.

Make sure you know whether salary increases are part of the performance appraisal process. Many companies undertake performance and compensation issues separately. Not a good policy in my view but sometimes this is the case.

How is the company doing? If it's hitting its numbers and profits are up, then go for it. If the company is struggling, then you may want to pick a more opportune time to pursue a raise. Hey, you knew that, right?

Find out if your company is hiring for the position. This may indicate a heightened awareness and interest in personnel retention. Read this carefully.

Once you have accomplished the above basic research, then:

***Write your own Job Description.***

If you have one already, then just update it with a bit more detail and add any new or expanded duties.

Once you have completed your Job Description, then:

***Appraise your own performance.***

If you have received a recent Performance Appraisal, then start there. In evaluating your own performance touch on the following issues:

*What is the quality of your performance?*

*How hard are you working?*

*What are your key accomplishments in the last 12 months?*

*How has your job grown? What additional duties have you undertaken?*

*Rank your performance in comparison to the rest of the team in your department. Are you an MVP or meh?*

*Evaluate the company's bench strength in your position. Is there a deep bench and would you be missed if you departed?*

A thoughtful and honest evaluation of your performance will inform your efforts and make sure you do not oversell the raise. Be humble but don't be afraid to toot your own horn.

## **Research**

Once you have completed your preparation, it is time to establish what the market thinks about the value of your position. Use your Job Description to guide your inputs and use sites like Getraised.com, Salary.com and Payscale.com to conduct your initial research. There are others out there but this is a good start.

Know what the term "median" salary means --- half above and half below but not the average.

So you are going to do three specific things:

1. Research the median salary for your position as described above.
2. Review job postings for your position at places like Monster.com and Indeed.com --- there are many others.
3. Get a sense of where your company is currently hiring at for your position.

These three data points will inform you as to what others think about this position. Do not be afraid to suggest that, if you are a top performer, you should be compensated on the high

end of the scale. On the other hand, do not allow your ego to outsell your brain. Balance, please.

## **Justify**

You will have to justify the notion of receiving a raise with some foundation logic. We discussed earlier why any company would give you a raise. The justification must resonate with those basic considerations.

Ultimately, this is going to end up as a set of bullet points. So, start thinking bullet points. What is your justification for asking for a raise?

- ❖ Performance --- you've been doing a great job and deserve a raise because of the character of your performance. Be prepared to cite examples. This is where the Performance Appraisal comes into play.
- ❖ Expanded duties --- you've been doing a lot more work than envisioned in your Job Description and merit a raise because of this expanded performance. This is where your Job Description comes into play.
- ❖ Experience --- you have now mastered your job and have much more experience which translates into higher quality performance and expanded duties as noted above.
- ❖ Market forces have driven the salary level for your job higher and higher. Be right about this and be prepared to show the accuracy of your numbers through your research. This is where your research comes into play.
- ❖ The cost of living --- including taxes and Obamacare, if applicable --- has increased and you are going backwards. As an aside, the cost of living is increasing approximately three percent (3%) per year even when you are sleeping.

You will likely have a winning argument on more than one of these bullet points and there may be more that you want to add. The list is going to be short and sweet. These are the big ones.

Once you have made your bullet points review them with a trusted advisor and make sure you have presented a reasonable and honest analysis.

## **Present**

Now you are ready to perfect your “pitch”. Calm down and just write out what you want to say. Start with something like this:

“I love my job here at Startup Company and I have really learned a lot. I am so grateful for the opportunity to learn and grow that you and the company have given to me. I would like to discuss how I can continue to learn and grow and earn additional compensation.”

This introduction will set the tone for the balance of the conversation, so make damn sure it focuses on your sense of gratitude as a key theme.

Then you will launch into your talking points.

Write out your pitch and practice, practice, practice it until you can give it in your sleep. If you have a Labrador, practice it on the Lab. If you have a boyfriend or girlfriend, practice it on them. The Lab may be more receptive.

Do it with notes and do it without notes. Do it.

Schedule a time to visit with your supervisor or boss. Don't be afraid to tell them that you want to talk about compensation. Try to work the following issues to your advantage:

1. Have the meeting in a relaxed setting --- don't be afraid to go to lunch. Keep it light.
2. Do not have your meeting right before lunch when everyone's blood sugar is falling. Pick a high energy time of day.
3. Make sure the meeting space is private and cozy, if possible.

Make your pitch with an emphasis on how grateful you are for the opportunity to work for the company.

Three important considerations:

1. Dress for success. Dress like the person who has already gotten the raise.
2. Remember to breath. There are 3 billion Chinamen who don't even know you are asking for a raise today.

3. Calm down and enjoy the learning experience. It is like shooting the rapids --- bit scary but fun.

## **The Ask**

The most important part of the discussion is the “ask” --- what you are asking for. You have now reviewed the company’s policies, researched the market and justified the action.

### ***How much of a raise are you going to ask for? What is the ask?***

You will be guided by your research and the comparison between what you are currently making and what your research indicates the position is worth. Don’t fret as to the magnitude of the raise. Sometimes the cumulative impact of the passage of time, market forces and cost of living gang up to make a very large raise in order. Make damn sure you have a reason to ask for such a raise.

Remember that the annual increase in the cost of living is approximately 3%. Factor that into your ask.

There is a funny phenomenon in the fashioning of the exact number that you are going to request as a request. Let’s say for the sake of our example that you are making \$50,000 and having done your research, you decide to ask for a \$10,000 raise. The number appears to be driven by the marketplace in your view.

When you request a round number, your answer is likely to also be a round number. You request \$10,000 and your boss says: “How about \$5,000?”

Why, you ask? Because you used a round number, even though it was well justified, you boss responded with a round number and effectively tried to meet you halfway.

On the other hand if you had requested a raise of 11,250 or \$9,750 --- your boss’s knee jerk reaction would not also be \$5,000 because these are not round numbers. They are specific numbers. There is a bit of research that suggests people do not respond to specific numbers with round numbers which enhances the probability that negotiations will conclude closer to the number our have requested.

I am convinced that this is a real phenomenon and I suggest you always request a specific number rather than a round number.

## **Engage**

The meeting is a dialogue. You'll be a bit anxious and you will have a tendency to speak a bit quicker than normal. Relax, take a breath and engage.

Anticipate potential objections such as the following:

1. The timing is just not good.
2. The budget has no extra money in it for this.
3. The company's financial health is not that robust.

Prepare discussion points and arguments for each of them. Consider the possibility that each may, in fact, be true. That's tough but it can happen.

Listen very carefully and make sure you give your boss an opportunity to speak, discuss and engage. This is a two way conversation. It may be helpful to ask your boss --- ***Have I been clear and can I answer any questions for you?***

Be patient, flexible, measured and polite. Take notes.

Sell, do not beg. This is a normal part of the employer-employee social contract. You are simply trying to discover the right value for our efforts, nothing more. This is a conversation an enlightened employer wants to have rather than to lose a good person.

## **Follow up**

So now you've had our meeting and things did not go perfectly but you are optimistically hopeful. Here are some things to do to follow up:

1. Send your boss an email or letter outlining the talking points and anything of particular importance that came up during the meeting. This is very important to ensure that the boss sends the right message up the chain of command. Make sure your note is "grateful".
2. Commit to a time certain to have another conversation to receive the decision. Get buy in on this follow up meeting. Put this date in your follow up note.

3. Ask what you need to do to have this request approved. Do not let a stone lay unturned in your quest for a raise and make sure your boss agrees that you have completed the requisite research to justify the raise.

## **Outcomes**

When you have perfected your pitch and before you meet with your boss, take a second an model what you will do given various likely outcomes. What will you do if the answer is a flat “no”? Will you make plans to depart the company? Mull this over so you know what you are going to consider doing. Don’t beat yourself up on this score because I am betting you will at least get some portion of what your request.

So what are the possible outcomes?

1. Yes;
2. No;
3. Maybe or half a loaf; or,
4. I’ll get back to you.

If the answer is “yes” then you express your gratitude and move on.

If the answer is “no” then you ask why and put the next step of your plan into play.

If the answer some portion of your request, then you are somewhere between “yes” and “no” --- again, figure this out ahead of time if you can.

If the answer is “I’ll get back to you” --- then press for a date certain as to when and act accordingly. Do not accept just getting kicked down the road. But know that after some period of time this means “no” and act accordingly.

Think through these outcomes and be prepared to act but do not complicate your life. Be kind to yourself.

## **What is your boss thinking?**

One of the most important considerations of asking for a raise is to model what your boss may be thinking. You should know that your boss may find this as odious as you do but on the other hand, your boss does not want to lose a good worker under any circumstances.

Here is what the boss is thinking:

*Is this request fair?*

*Can I afford to lose you?*

*What could I replace you for? How much money? How much time? Recruiting expense?*

*Do I have the money in my budget to say “yes”?*

*How will this impact other employees --- groundswell of such requests?*

*What happens if I say “no”? How much time do I have to find a replacement?*

*Do I have time to deal with this right now?*

*What will my boss say if I report I have lost a key employee?*

*What do I have to do to sell this upstream?*

*What else can I throw into the mix to satisfy you if I cannot add substantially to your salary?*

Understand that the boss is being graded on employee retention and while you may take a singular view of your own situation --- correctly so, mind you --- the boss is thinking about the cost of losing you and how difficult it may be to replace you. I call this the “headache” factor.

As a former CEO, I can assure you that employee retention v cost to replace a key worker always argues for retention over the discontinuities of lost personnel. Don’t think this is a trump card but it is not insignificant.

## **Never, ever do these things**

There are some very important considerations to avoid:

1. Never, ever deliver an ultimatum. Never, ever. This will not get you what you want.
2. The corollary of the above is never, ever threaten any kind of action should your request not be granted.
3. Do not inject any sob stories into your pitch. This is a purely business consideration. Cost of living covers all the upward financial pressures in the marketplace. Do not inject emotion into this entreaty.
4. No whining about anything particularly the treatment of another worker. No whining.
5. Never compare your compensation to another employee's compensation. Argue for the merits of you rather than the demerits of another worker.
6. Do not interrupt your boss during the conversation. Give the boss plenty of time to ask questions, share facts and muse with you. Do not interrupt.
7. Do not overstay the conversation. Say your piece. Engage and get it done. You are looking for a decision only.