



**Ten Minutes of Your Time. Lasting Business Impact.**

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"You can't charge more, but you can have a raise."

- **Kevin Weiss**, CEO, Philip Crosby Associates and The Capability Group

### **What's On My Mind This Week**

#### **Give Yourself A Raise!**

*By Kevin Weiss*

*CEO*

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I'm meeting with one of my suppliers this week who wants to raise her hourly rate. She's very nice about it, explaining which costs are going up and how my rate would stay below what she charges new customers.

She can raise her rates all she wants - just as long as she cuts my bill.

You may need to read that sentence a few times, but understand what I said because it's the key to your future salary increases. The way we think about salaries is generally all wrong, which is why the subject of pay - or in the case of your company, price - is such a contentious one.

Consider the usual thinking: You'd like to have more money, so you work more paid hours or raise your hourly rate. Obviously, more money for the same time is better, so you ask your boss for a raise and note your lengthy experience, superior attitude, letters from satisfied customers, and perfect attendance.

Then you wait for an answer. If your supervisor says 'Yes', she has three options: She pays the increase herself, by tapping her department's reserve fund. She cuts other costs, reallocating funds. Or she asks for an increased budget - in effect, asking her boss to give the department a 'raise'.

The request for more money generates a series of decisions and requests, as increased costs are absorbed or passed up the chain. Your raise might even be added to other cost increases and passed completely through the distribution system to the final consumer. And if customers accept a price increase, then all is well - right? Except customers have the same three options when accepting a price increase: paying out of savings, cutting costs somewhere else, or asking for an increase in salary.

No one in this process is having fun, because this is commonly called a 'win-lose' situation. You 'won' when you got more money and someone in the chain 'lost' when they paid you more for the same output. It is why requests for more money are generally met with a polite 'No' by the immediate supervisor, and it's why my supplier will be told 'No' if we're discussing a simple price increase.

So how can my supplier increase her rates? Start with the obvious. By cutting the costs paid to her suppliers, she saves money and effectively raises her hourly rate. My bill stays the same, so both she and I 'win' in this situation. But by now you'll see her request for a cost reduction starts the same round of requests and decisions as your pay raise - just in the opposite direction. Asking suppliers to cut prices has the same 'win-lose' aspect as asking employers to raise wages.

So on to the non-obvious. If more money for the same amount of work is the 'better option', then more money for less work must be the best option of all. Cutting five hours out of her work but billing me the same amount raises her profits per hour, but also creates five additional hours in her schedule. Using this time to serve other clients, find new clients, or discover new ways to work more efficiently, puts even MORE money in her pocket. This is why improving productivity in your organization is far more profitable than asking suppliers for a price cut or customers for a price increase.

Doing more with less is the only thing that generates real value in our economy, and it's how companies increase their profits and gain the ability to cut costs and gain market share. On an individual level, when you finish tasks faster, you increase your output or take on additional projects that create value for the organization. These activities create the funds available for salary increases.

How do you become more productive? Understand the customer's needs, so you give them exactly what they want - every time. Produce things right the first time, so there is no time or money spent correcting mistakes. Remove all non-value added activities from work routines, so there is no wasted effort in meeting customer requirements. Become so good at what you do that outside reviews and checking of your work are minimized or eliminated. Rearrange processes and workflows to complete tasks in less time. And choose suppliers that have the lowest total cost, and who improve their own productivity to create and share benefits with customers.

This is not easy. It requires the help of co-workers and colleagues to be successful on a company-wide level. But when you take this approach, you control your destiny. Job security and income potential are no longer doled out by management, but created through your efforts. Future raises are everywhere if you come to work every day and think 'win-win'.

So, why are you waiting? Consider the following and get back to work!

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