

Employee Compensation – Entitlement or Motivator?

Do your employee compensation plans change behavior? Do they contribute to the success of the company? Do they make a line manager's job easier? Would your employees say that how much they earn is up to them and their teammates?

Pretty important questions, aren't they.

As you can probably recognize, they're not the usual questions asked by Human Resource Departments . . . unless your company is very fortunate. They're the questions that operational management thinks about as they try to balance the company's needs and the employee's skills, needs and desires. These questions deal with the company's ultimate success. How do you mobilize and focus your employees on those things that they can affect and that are critical to the company's success? How do you avoid the "us versus them" attitude that can develop around questions of "how much work for how much pay"?

The answer is to build an ownership culture - a culture where employees see themselves as owners of their work, their results and their relationships with customers. They see themselves as owners because they get paid as owners for the results they attain.

As with all fundamental changes, you earn or create this new ownership culture by introducing a series of very specific changes. We have found that one of the keys to this is a sophisticated form of Gainsharing incentive compensation. It's self-funding, which means that bonuses are paid out of new or additional profits that your company probably would not have received without this plan. It pays bonuses for results beyond your plan or goal. Not all this new money is paid out. Most returns to the company.

But it doesn't just focus on financial achievements. Having financial success is important but it is also important that the non-financial goals are attained. This includes things like customer satisfaction, timeliness of service and quality. In other words, employees are rewarded for attaining a balanced set of goals. The strength of this type of approach is that these goals can be customized to fit each specific area.

It focuses everyone on those specific goals that their team, unit or department must attain to be successful -- their core success measures. It pays bonuses when these goals are surpassed. It raises the performance bar throughout the company. Employees are no longer satisfied with planned results, because they don't get a bonus at this level. They receive a bonus only for results above plan.

If you want to read more about this we've had two articles published in Best's Review on this subject. One was in 1993, the other in 1997. We'd be happy to send you copies.

If you'd like to talk to us about your situation or just learn more about these ideas, please call me. We'd be happy to discuss Gainsharing or some of the other approaches we have for making your company more effective.