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Innovative Employee Compensation Methods To Motivate Employees

By David Westman

Executive compensation is hot. Compensation consultants and the variety of program packages they offer are increasing exponentially. In contrast, regular employees are getting shafted when it comes to compensation issues. These non-executive workers feel ignored and frustrated as they see the gap between executive and employee compensation widen with each passing year. Yet, it is these people who make up the bulk of the work force and collectively contribute the most to company success.

Several trends indicate a need for more focus on employee compensation. These include:

- A continuing shortage of qualified professional, technical and administrative employees.
- A growing need for employees who are multi-skilled and adaptable to change.
- A decreasing level of long-term commitment by employees (i.e., employees are much more willing to move around to meet their career and lifestyle preferences).
- An increasing need for balance between work and other facets of life.

Despite these trends, many companies continue to

offer employees the basic compensation package that has been around for years: base salary, traditional benefits like health, welfare and retirement, and perhaps a profit-sharing plan.

Are there alternatives to consider? Absolutely! Unfortunately, many top managers lack both the time and the creativity to take advantage of numerous other compensation vehicles that drive performance improvement and build employee morale and commitment. These vehicles are not necessarily expensive. In fact, some of the most effective ideas involve minimal or no cost.

During the course of research, I identified over 100 low-cost or no-cost programs which have been used successfully by companies. Following are examples of programs that tie directly to employee performance:

- **Time Off Surprise:** Give supervisors a bank of days and/or afternoons off that they can reward to staff on the spot for meritorious service. Variations of this program include handing out \$20 bills or lunch coupons. Of the employees I've surveyed, 68% believe this would improve staff performance and morale.
- **Behind-The-Scenes:** Recognize employees yearly or

periodically who are not usually in the limelight. An alternative, the *Good Tries* program, involves recognizing employees who take risks, regardless of whether those risks result in failure or success. More than 70% of employees surveyed support implementation of these programs.

- **Cash For Ideas:** Periodically hand out index cards and ask employees to record ways the company could save money. Pay a nominal amount (like \$3 per idea). If the idea is implemented, pay an additional \$25 or 10% of the savings—whichever is greater. The *Poster Ideas* program is somewhat similar. It involves hanging poster board at key locations within the company. Written at the top of each board is a problem that needs solving. Anyone can write their ideas in the space remaining on the poster.
- **Travel Expense Gainsharing:** Create a program for employees who save on travel; for example, allow them to keep half the cost difference between their choice of hotel or transportation and the company's standard. I recently took advantage of a similar program myself. One of my clients required me to make frequent trips to Vermont. At \$1100, the weekday round-trip airfare cost more than a similar excursion to Europe. By taking advantage of my company's gainsharing program, I arranged to stay the weekend and pocketed half the \$750 difference in airfare. I used this bonus to fly my wife out to join me for a wonderful get-away in the height of the colorful Vermont leaf season.

The above programs are tied to performance, but employers should also consider non-performance based programs. One compelling reason is that most employees believe there is a need to find a better balance between work and free time (per a Milliman & Robertson survey). Organizations which offer incentives to enhance satisfaction beyond the job will benefit from employees' loyalty, commitment and future performance. These types of programs enhance recruiting initiatives. The 1993 National Study of the Changing Work Force findings reveal that when employees were asked the most important deciding factors for accepting a job, the "effect on personal/family life" ranked far ahead of wages.

Non-Performance Based Programs

These programs also complement post-performance

reward programs like those discussed above and traditional incentive compensation plans. Although many employees are motivated by the rewards that good performance often brings, others perform well if they are treated well from the start. Examples of non-performance based programs abound. They include:

- **Core Hours:** Give employees flexibility with regard to when they work on-site. For example, all employees could be required to be at work between 10:00 a.m. and 3:00 p.m. Beyond this general guideline, some employees may choose to arrive at 6:00 a.m. and leave at 3:00 p.m. Others may choose to start their day later and leave later.
- **TIPS (Tips for Improving Performance):** Offer employees a 15- to 30-minute workshop on topics they need to enhance their professional and personal lives. Some topics might include handling difficult situations, goal-setting, dealing with change, nutrition, fitness and recycling. Attendance for these programs should be voluntary.
- **Casual Dress Program:** Give staff a casual dress day once a week, during the entire summer, or on a permanent basis. Who would have dreamed years ago that companies such as IBM, Amoco, and Arthur Andersen would let their employees go casual? Yet these and hundreds of other companies of all sizes have joined the casual-dress bandwagon.
- **Employee Discounts for Company Goods:** Offer certain goods and services purchased by your company at cost to staff like gasoline, computers and peripherals, and office supplies. More than 65% of employees surveyed support this type of program.
- **Deserve a Discount Program:** Initiate a discount-card program with local merchants, which can result in 10-20% savings to staff on purchases like haircuts, clothing, food and entertainment. More than 80% of employees surveyed supported this. You don't have to be as large as American Association of Retired Persons to initiate this idea. Nearly 20 years ago, while at a small Midwestern college, I started a similar program with 15 area merchants which resulted in 10 to 15% savings to our approximately 2,000 students.
- **SOS (Services on the Spot):** Introduce an SOS program which offers employees the ability to run "errands at their desks," including any or all of the following:
 - Dry cleaning pickup and delivery

- Shoe shining and repair
- Drivers license, auto tag and title renewal
- Gasoline fill-up and/or oil change service
- Drugstore item delivery
- Cafeteria take-home dinners

Relationship-Building Programs

A third category of ideas to consider to motivate employees and maximize performance are relationship-building programs. These incentives may not be viewed by some as compensation because there is no exchange of cash or merchandise, and no traditional or non-traditional benefits or perks. But such programs encompass a broad set of interactions which build camaraderie, open communication channels and break down organizational barriers—all of which are valued by employees and enhance their motivation and performance.

The National Study of the Changing Work Force findings cited previously indicate that the most important deciding factor for accepting a job is "open communications," which can be translated as healthy working relationships. The same factors that motivate people to start a job search will likely motivate them on the job as well. Examples of relationship-building programs include:

- **Executive Coffee Breaks:** Institute a program where the CEO and/or other top executives meet with all or small groups of staff for an hour or so over coffee. Although the discussion is free-flowing, employees are encouraged to send questions in advance. Nearly 90% of employees surveyed expressed enthusiasm for this idea.
- **Stand By Me:** A Chicago-area financial institution sponsors numerous radio advertisements promoting a program in which their executives spend a day outside the bank each year working side by side with their customers. This idea can be equally effective in building relationships internally as executives work side by side with staff. Nearly 70% of employees surveyed liked the concept.
- **Orient the Family Program:** Sponsor a family orientation program for new staff which includes refreshments, office tours, a slide or video introduction to the organization and dialogues with top executives. Follow up with family socials throughout the year. Many companies neglect to consider the influence that spouses and other family members have on employee satisfaction.

- **Cooperative Charity Day:** Give each department an annual day off to work with a local charity organization. Some organizations, in response to the recent volunteer initiative directed by Colin Powell, have taken this concept a step further. Timberland is giving each employee 40 hours of paid time each year to work with local charities. In addition to the public relations value, such programs build pride in the work force and serve to enhance internal relationships.
- **Special Dress Days:** Plan special dress days to promote a sense of humor. Examples might include Ugly Tie/Earrings, Crazy Sweater, Silly Socks, Hawaiian, and/or Halloween Costume days. Prizes might be given for best costumes.

Application Issues

Given the multitude of alternative low- or no-cost programs available to motivate, recognize and reward employees, why do so few companies go beyond the traditional approach to compensation? A primary reason is that executives, supervisors and human resources professionals don't have time to research alternatives. Many also lack the creativity to design or develop new ideas. Even with time and creativity, patience is rare. Like any compensation initiative, low- or no-cost programs should not be slapped together. Here are four key principles to consider:

1) *Identify the role incentive programs should play in supporting the company's overall strategy and other compensation programming.* Examples include base salaries, traditional annual and long-term incentive compensation plans, and traditional benefit plans. The entire compensation package should work together, without competing priorities.

2) *Identify as many program alternatives as possible for consideration. Don't just settle on the one or two you personally find appealing.* In addition to the ideas presented here, ask your counterparts in other organizations for suggestions. Consultants can certainly offer their experiences working with numerous companies. I also highly recommend the following books as references:

- "Getting Employees to Fall in Love With Your Company," by Jim Harris
 - "1001 Ways to Reward Employees," by Bob Nelson
 - "Care Packages For the Workplace," by Barbara Giant
- 3) *Gather input from a cross-section of employees to select new programs.* Such feedback may reveal that different

- programs are more appropriate for different employee categories (e.g., union versus non-union, supervisors versus staff). Action steps to keep in mind are:
 - Define specific programs to include in a survey.
 - Identify survey participants and employee categories: for example tenure, organization level, role, etc.
 - Tailor and administer the survey to selected participants.
 - Develop a presentation format and tabulate survey results.
 - Conduct follow-up focus groups to clarify and expand upon survey results.

4) *Use a systematic process to finalize program design and rollout.* Companies should target no more than five programs for initial development and implementation. Moving forward with too many programs can be overwhelming and result in a lack of focus. It is better to spend time administering a few programs right and then gauging staff reactions. Let experience guide the organization and shape future ideas. Specific action steps to keep in mind are:

- Convene a Project Team to establish general guidelines for each selected program.
- Assign a champion or sponsor accountable for each selected program to:
 - Draft administrative guidelines
 - Develop a detailed implementation plan
 - Assure that all appropriate stakeholders have input.
- Utilize a review process which includes the Project Team and top executives.
- Develop and implement a communications campaign.
- Administer the programs, obtain feedback and fine-tune the programs over time.

Helpful Tips

In addition to identifying and implementing organization-wide low- and no-cost programs, it also makes

sense to give supervisors a list of additional ideas for possible use within their specific work units. Ideas which may not be appropriate for the entire organization may prove highly effective for certain departments and employees.

Other guidelines for program development and implementation include:

1) Incorporate variety in program offerings, since what is meaningful to one person may not be meaningful to someone else.

2) Assure broad eligibility for awards. Recognize that staff at all levels contribute to the organization's success.

3) Avoid competitive programs to the extent possible (i.e. don't divide employees into "winners" and "losers.")

4) Reward, recognize and build relationships throughout the year.

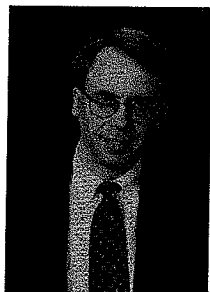
5) Allow personal expression by giving employees several reward options.

6) Consider merchandise as an alternative to cash awards. Employees might simply use money to buy groceries or pay the electric bill. With merchandise, employees are reminded of the company's appreciation each time they look at it—be it a gym bag or a VCR.

7) Use your corporate logo when possible. More than 70% of respondents to a recent survey believe that the corporate logo or related symbols add meaning to an award.

Summary

Companies are not bound by tradition when it comes to compensating and motivating employees. Take advantage of the accumulated experiences of others and internal creativity to craft a new approach to compensation management which employees will value and which will drive performance to new heights. ♦



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