

CREATING AN EMPLOYEE REWARDS PROGRAM

A slow economy has meant declining annual merit budgets for most companies. Even top executives are seeing minimal, if any, salary increases from year to year. Yet, employees must remain motivated to stay loyal to a company. Here are some tips for rewarding employees financially, much like Gould Incorporated has successfully implemented:

- Educate employees on the new economy and complete focus groups to find new and relevant ways to reward them. Be sure to point out that the traditional merit increases that took place in the 1990s aren't relevant in today's society – case studies and examples of similar companies' changes are excellent tools for this tactic.
- Give staff the good news. Today's financial reward plans are driving incentive pay for performance to lower levels of the organization. In the past, only top executives received bonuses. Today, any member of a team can be eligible for a bonus depending on how the plan is constructed.
- Develop a plan that takes into consideration the duties of each area of the company and make sure goals and incentives are specific to each area.

CPS Reinvents Company's Compensation Strategy to Accommodate New Economy

It's no secret. Today's economy has slowed growth for many companies. That fact has presented problems for employers who want to reward staff members for their hard work. Giving annual flat-percentage pay increases to staff across the board just isn't possible for companies watching their fixed costs. So how do small-to-medium sized businesses continue to motivate, reward and incent loyal employees? Many look to human resource experts like Corporate Performance Strategies (CPS) to develop and implement incentive plans that keep them competitive in pay and benefits, while adjusting to economic trends.

One such company is Gould, Inc. Gould was founded over 20 years ago and remains a privately held company based in Duluth, Georgia, a suburb of Atlanta. The company manufactures high-quality display and storage products for institutional, business office and industrial use. Gould's employee base consists of administrative, hourly manufacturing, and marketing and sales professionals. Many of these employees have been loyal to Gould for years and have reaped the financial benefits of the company's success. Yet, company president Dave Gould recently needed a way to stop using his fixed cost salary budget to continue to motivate and reward his staff. He thought a pay-for-performance plan might be the way to go, but wasn't sure how to go about putting it in place. Mr. Gould hired the Corporate Performance Strategies team to help him develop a variable incentive plan.

CPS' David Brookmire and lead consultant Bill Price, met with Mr. Gould to assess his objectives and get moving on a plan that could be developed quickly and efficiently.

"Basically, Gould, Inc. wanted to find a way to create excitement among employees," explained Brookmire. "They wanted to share the wealth with their staff without getting into the fixed costs of salary increases. And, they wanted to continue to treat their employees right and maintain the environment they had created that attracted loyalty and honesty among long-term employees."

After hearing what Mr. Gould had in mind, CPS laid out the plan objectives. These objectives were to provide a competitive total compensation package to employees, allow staff to share in company growth and financial success, reward employees for achieving departmental or functional goals, and make sure the plan reinforced teamwork.

Detailed methodology and focused research are necessary to developing all good plans. CPS immediately set out to learn more about the company itself and to develop a plan that would benefit its particular employees best. The CPS team interviewed key managers and employees and held focus group sessions among larger groups of employees in order to hear their needs clearly. Then, CPS began

designing the plan. The design process was also very hands-on and interactive, using feedback from key employees as each portion of the plan was created. CPS believes managers and employees must be included every step of the way to ensure the final plan is applicable, well-received and worthy of success. Finally, CPS presented drafts of the plan to Mr. Gould and worked with his feedback to tweak the plan in areas he felt were important. Within two-and-a-half months of CPS' initial meeting with Gould, Inc., a plan was created and ready to be implemented.

"I was pleased with the approach CPS took," said Mr. Gould. "The time frame was excellent and we worked on the plan together. They were flexible with us and utilized our feedback."

The final step of the process was presenting it to employees. Mr. Gould recalls some suspicion among staff. They weren't sure what to expect, so it was important to make sure they realized all of their concerns had been noted in the plan and to present it well. CPS was ready.

"When we presented to the staff, we showed them the opportunities that this new plan gave them," said Price. "We didn't sugarcoat it, though. They knew they'd been getting big pay increases in the past and this would change that slightly, but we were able to use their input to create a plan that truly seemed worthwhile and comparable to them in the current economic environment. It was well received."

The plan that was put into place is one that divides employee pay into two components: base pay with annual adjustments based on performance and marketplace trends, and a quarterly incentive potential of two to five percent. Before any incentive can be earned, a threshold profit target must be met. Quarterly measures are in place to determine the incentive payout. The first measure quantifies department performance, breaking out each department's threshold, target and above target goals. To that end, an administrative staff member has very different departmental goals from a manufacturing employee, but all are tied to the key profit drivers of the particular employee's functions (e.g., quality, sales, etc.). The second measure quantifies company earnings before taxes at threshold, target and above target levels.

The plan worked well, and most importantly, Mr. Gould reports that, six months later, the new plan continues to meet both his and his employees' needs. The program has paid out for staff and they've seen the results of their work. Gould will need to occasionally make adjustments in the plan to continue with success and CPS includes such adjustments in their service offerings. As part of the process, a CPS expert checks in regularly with Gould to make minor changes as needed to keep the plan on par with company goals and relevant in continually changing economic times.