Effective Reward Programs

Housekeeping

RESTROOMS
MEN WOMEN

IN CASE OF FIRE
EXIT BUILDING BEFORE TWEETING ABOUT IT

from potential to performance
**Agenda**

8:00 – 9:15
- Icebreaker

9:15 – 11:30
- Total Rewards
- Compensation / Bonus Programs
- Work/ Life
- Reward and Recognition

11:30 – 12:00
- Assignments for Session 9 and Pre-work for Session 10
- Time to work on your Engagement Action Plan

**Icebreaker**

- Team up with someone who you have never teamed up with before
- Describe an example when you were recognized professionally that had great impact with you, even today.
Total Rewards Program

Total Rewards

- Compensation (including Bonuses, and Incentive Plans)
- Benefits
- Work-Life
- Recognition
- Training and Development
Rewards vs. Recognition

Difference between Reward and Recognition

Reward
• Significant
  – Year end or quarterly bonus
  – Promotion
• Includes some sort of monetary increase
• Usually recognizes long term
Difference between Reward and Recognition

Recognition
- Reserved to highlight an event, episode, and/or going above and beyond
- Often includes something of value (money, time, etc.)
- ‘Thank you’ is recognition but recognizes a job well done (not necessarily above and beyond)

Compensation (including Bonuses)
Case Study

- Partner up in groups of 3
- Answer the below questions

1. Come up with a plan to divide both your salary pool and bonus pool. How do you base your decisions?

2. What additional decisions would you make as department manager

Compensation

- Base Pay
- Variable Pay (ie commissions, tips)
- Short term incentives (bonus plans)
- Long term incentives (stock,
Compensation
Golden Rule

Fairness rules!
it’s about fair pay,
not high pay
Today’s Business Environment

- Pay increases have been small
- Promotions have been few (slow growth and low turnover is perfect storm for status quo)
- Hiring is just now picking up (*we’ve been doing more with less*)
- Bonuses have returned but smaller
- Layoffs have slowed
- Survivor anxiety/burnout
Some Compensation Principles

• Compensation communicates
• Compensation is emotional
• Compensation should drive the behavior you’re looking to drive
• Compensation should reward achievement

Compensation 10 Commandments

Complete the evaluation assessment

<table>
<thead>
<tr>
<th>Compensation 10 Commandments</th>
<th>Command</th>
<th>We don’t do this yet</th>
<th>We do this yet</th>
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</thead>
<tbody>
<tr>
<td>Command 1</td>
<td>Frequent and transparent communication</td>
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<td>Command 2</td>
<td>Pay for performance</td>
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<td>Command 3</td>
<td>Balance of qualitative and quantitative metrics</td>
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<td>Command 4</td>
<td>Avoid the ‘peanut butter’ approach</td>
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<td>Command 5</td>
<td>Avoid greasing the squeaky wheel</td>
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<td>Command 6</td>
<td>Do not over pay base compensation</td>
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<td>Command 7</td>
<td>Hot markets and sectors are rewarded with variable pay</td>
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<td>Command 8</td>
<td>Differentiate between rewards and recognition</td>
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<td>Command 9</td>
<td>Emphasize achievement</td>
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<td>Command 10</td>
<td>Fairness</td>
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Look at what you don’t do well and identify actions you can take to improve.
Compensation 10 Commandments

1. Communication must be frequent and transparent
2. You must PAY for performance
3. You need a balance of qualitative and quantitative metrics
4. The peanut butter approach must be avoided
5. Avoid greasing the squeaky wheel
6. Do not over pay base compensation
7. Hot markets and sectors should be rewarded with variable pay whenever possible
8. Do not confuse Rewards and Recognition
9. Always emphasize achievement
10. Must always be fair

Base Pay
Base Pay

- Year end ‘merit’ pool (change it to salary adjustment program)
- Have been averaging 2 - 4% for many years
- Very difficult to ‘pay for performance’ with merit pools being so small the past 20 years
- Promotional budgets – can be .5 - 2%

Cash Bonuses
Your Pre-work...

- What percentage of your population is eligible for bonuses?
- What percentage of the bonus is based on qualitative results?
  - What are examples of your qualitative measurements?
- What percentage of the bonus is based on quantitative results?
  - What are examples of your quantitative measurements?

Bonus Programs

- **Profit Sharing**
- **Gain Sharing bonus programs** are most common in manufacturing and are designed to reward productivity and improved product quality
- **Spot Bonus Awards** reward employees on the spot for achievements that deserve special recognition. Spot bonus awards are typically $50 and up
- **Sign-On Bonuses** are commonly used for new employees
- **Mission, Task or Milestone Bonus** are given as a reward for special achievements and are usually offered sparingly.
- **Referral Bonuses** are paid to employees who refer friends
Bonus Programs (continued)

- **Retention Bonuses** are given to employees in circumstances, such as a merger or acquisition, to provide continuity through a certain time period when there is potential uncertainty about an employee’s continued employment at the company.

- **Holiday Bonuses**

- **Sales Commissions**
"The more GENEROUS and FORMULATIC you make your incentive plans, the greater the probability your employees will CHEAT!!"

Dr. Dean Spitzer,
author of
"Transforming Performance Measurement"
Incentive Plans

• Eligibility can vary – usually mid to senior level
• Can be designed as formulaic or discretionary
• Best plans incentivize high performance
• Best plans differentiate high and low performance
• Best plans also have both quantitative and qualitative metrics
• Best senior leadership plans link metrics with company wide results (to reduce silo behavior)
• Best mid level plans tie payout window (timing) as close to behavior as possible

Quantitative Measurements (THE WHAT)

Health & Safety
OSHA recordable & lost time case rates

Employee Engagement (for line Managers)
Turnover of Staff
EDP % Completion (Managers)
Employee Engagement Survey Results
% of Recognition Budget spent
% of Learning (% of payroll)

Cost Management
Working Capital Management
Non-Labor Cost Management

Client Satisfaction and Quality
Net promoter score
% Repeat business
Overruns and write-offs
### Quantitative Measurements (THE WHAT)

<table>
<thead>
<tr>
<th>Profitability</th>
<th>Revenue Growth</th>
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<tbody>
<tr>
<td>Budget Management</td>
<td>Opportunity Backlog</td>
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<td>Individual Profit Contribution</td>
<td>Proposal Backlog</td>
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<td>Utilization</td>
<td>Bookings</td>
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<td>Days Sales Outstanding</td>
<td>Account Management</td>
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<td>Lead Generation</td>
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<td>Gross Sales</td>
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<td>Net Sales</td>
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### Qualitative Measurements (THE HOW)

- Teamwork
- Health & Safety Awareness
- Self Starter
- Solution Driven
- Support of Company's Strategic Initiatives
- Attitude
- Efficiency
- Cost Considerations
- Work Life Balance
- Quality
- Client Service
- Innovative
Exercise: Bonus / Pay Matrix

- Think about 10 people in your organization.
- If you were going to assign bonuses to those 10 people, in what quadrant would you put them?
The Law of Unintended Consequences

Long Term Incentives Programs

Work / Life
Work Life

- Flexible Work Hours
- Telecommuting
- Emergence of unlimited vacation time
- Job sharing
- Sabbaticals
- Part time benefit packages
- Community Involvement

Recognition Programs
Difference between Reward and Recognition

Recognition

- Reserved to highlight an event, episode, and/or going above and beyond
- Often includes something of value (money, time, etc.)
- ‘Thank you’ is recognition but recognizes a job well done (not necessarily above and beyond)

Your Pre-work...

- What are some examples of ongoing recognition programs you have in your organization?
  - What problem are you attempting to solve?
  - What specifically are you recognizing?

- What other types of recognition programs have you seen?
Why Have Recognition Programs?

- When companies were asked:
  - Are you satisfied with the level of recognition, 34% of companies with formal recognition programs answered Yes compared to 18% without a formal program.
  - If managers and supervisors effectively acknowledge and appreciate employees, 55% of companies with formal recognition programs answered Yes (compared to 36% without programs).
  - Whether employees were rewarded according to their job performance, 64% of companies with formal recognition programs said Yes (compared to 36% without programs).

Recognition challenges

(Shrm G2012 Global Survey)

Companies with recognition programs vs. without recognition programs

(Answering “yes”)

- Employees are satisfied with the level of recognition they receive for doing a good job:
  - Companies with Recognition Programs: 34%
  - Companies without Recognition Programs: 18%

- Managers/supervisors effectively acknowledge and appreciate employees:
  - Companies with Recognition Programs: 55%
  - Companies without Recognition Programs: 36%

- Employees are rewarded according to their job performance:
  - Companies with Recognition Programs: 64%
  - Companies without Recognition Programs: 36%
Recognition via Gamification

- **Definition:**
  Gamification is the use of game elements in any context that is non-game related, usually by providing rewards and by fostering user interaction with the learning material.
  - The form of rewards can vary, but the more common ones include:
    - Points
    - Badges
    - Levels

By 2014, 70% of global businesses will be using some form of gamification

Gartner Research
Evaluating your Recognition Programs

Has value to who it is given to on all levels

All employees have the opportunity to achieve

Available to everyone

Tied to an outcome Related directly to a known goal or specific outcome

Delivered consistently Everyone receives in a fair and ongoing process

Valued by employee(s)

Evaluate your Rewards and Recognition

Using the reward and recognition form, evaluate two of your programs to be sure it is:

• Available to everyone
• Tied to a specific outcome
• Delivered consistently
• Valued by the employees

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Exercise – What is the best example of recognition?

In your assigned groups, come up with a list of recognition program examples that you have seen.

Then, vote and present back one recognition example that is the best of your list.

Significant prize for Best recognition example

Recognition Ideas and Best Practices

- Schedule reminders
- Have ‘valuable’ items on hand to hand out
  - Hats, shirts
  - Movie tickets
  - Gift cards
- Establish a formal award given to an employee as a culmination of the year (but don’t overdo)
- Let other recognize – it’s not just you that can recognize
- Write a note!
Assignment

– Rate your organization on how it views work life balance options
  • What could the organization do better?
  • What’s preventing it from being more focused on work life balance issues?
– Conduct a Recognition Evaluation on two additional recognition programs – how could the programs be improved?
– Re-evaluate your incentive plans to ensure that both quantitative and qualitative criteria are included
Pre-work for Session 10

Finding and Selecting Engaged Employees

Pre-work for Session 10

– Flow chart your recruiting and hiring process
– Outline your on-boarding process
– Bring a job description and resume submitted for a position in your organization
– Identify how you determine in an interview if the person is a cultural fit for your organization
Thank you

*See you on*

*April 18*