

Charming the worker bees

Narrowing the gap between executive and non-executive employees compensation may not be as expensive as you think.

By David Westman, McGladrey & Pullen, LLP

The gap between executive and employee compensation continues to widen. Executive perks are becoming perkier, but the non-executive employees are seeing the same, if not worse, benefits packages year after year.

Why do so few companies go beyond the traditional approach to compensation? Unfortunately, many top managers lack both the time and creativity to take advantage of numerous other compensation vehicles that drive productivity and build employee morale and commitment. These vehicles are not necessarily expensive. In fact, some of the most effective ideas don't cost very much at all.

How to choose and package alternative incentives

Given the multitude of alternative low- or no-cost programs available, there are four key principles to consider when developing a compensation package:

1. Define the role you want your incentive programs to play in supporting the company's overall strategy and other compensation programming. Consider how these incentives will affect and compliment other facets like base salaries, traditional annual and long-term incentive compensation plans, and traditional benefit plans.

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 you see presented here, ask your counterparts in other organizations for suggestions.

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, for example union versus non-union and supervisors versus staff. Feedback can be accumulated by administering a survey, holding focus groups, or conducting interviews.

4. Use a systematic process to finalize program design and roll-out. 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 lack of focus. It is better to spend time administering a few programs and then gauge staff reactions. Let experience guide the organization and shape future ideas. Helpful hints for program design:

✓ 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, and gather input

✓ Request a review process that includes the project team and top executives

✓ Develop and implement a communications campaign to publicize intentions and efforts

✓ Administer the programs, obtain feedback, and fine-tune the ideas over time for best results.

Examples of creative alternative incentives

Once the review and design process is understood and established, your company is ready to delve into the many options of alternative incentives. There are three types of programs that will achieve results at minimal or no cost: performance-based, perk, and relationship-based programs. These programs can be used in combination to meet your company's specific compensation needs.

Performance-based programs. Following are examples of programs that tie rewards directly to employee performance:

Travel expense gainsharing: Create an incentive program for employees who make efforts to save on travel expenses. For example, allow them to keep half of the cost difference between their choice of hotel or transportation and the company's standard.

Time off surprise: Give supervisors a bank of days and/or afternoons off that can be used to reward staff on the spot for meritorious service. Variations of this program include handing out \$20 bills or lunch coupons.

Cash for ideas: Periodically hand out index cards and ask employees to record money-saving ideas for the company. Pay a nominal amount, like \$3 per idea, and if the idea is used, pay an additional \$25 or 10% of the savings, whichever is greater.

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.

Employee perk programs. Employers should also consider non-performance based programs. Organizations that offer incentives to enhance satisfaction beyond the job will benefit



from employee loyalty, commitment, and future performance. Balance between work and free time has become a factor for employees seeking a job. The findings of the 1993 National Study of the Changing Workforce conducted by the Families and Work Institute revealed that the effect on personal/family life ranked much higher in importance than wages as a deciding factor for people considering a new job.

Although many employees are motivated by the potential rewards that good performance often brings, others perform well when they are treated well from the start. Examples of non-performance based programs include:

Employee discounts for company goods: Offer to your employees at-cost goods and services purchased by your company (e.g., gasoline, computers and peripherals, and office supplies).

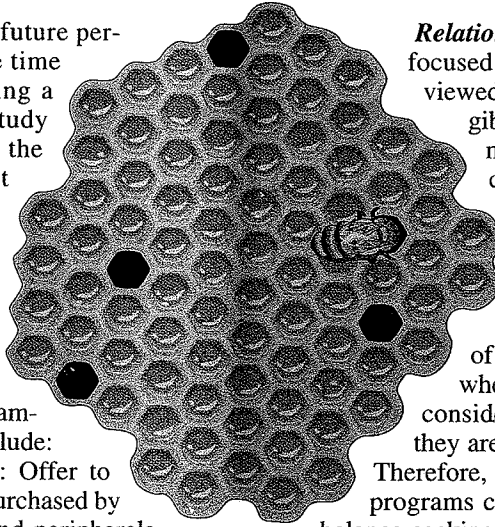
TIPS (Tips for Improving Performance): Offer employees a 15- to 30- minute workshop on topics that will enhance their professional and personal lives.

Discount program: Initiate a discount-card program with local merchants that gives savings of 10-20% to staff on purchases like haircuts, clothing, food, and entertainment.

Services on the spot: Introduce an SOS (Services on the Spot) program that offers employees the ability to "run errands at their desks," such as drugstore item deliveries or drivers license, auto tag, and title renewals.

Casual dress program: Institute a casual dress day once a week, during the entire summer, or on a permanent basis.

Core hours: Give employees flexibility with regard to when they work on-site.



Relationship-building programs. Programs that are focused on relationship-building are not often viewed as compensation because there are no tangible rewards given and no exchange of cash or merchandise. However, such programs foster camaraderie, open communication channels, and break down organizational barriers, all of which are valued by employees and serve to motivate and enhance performance.

The findings of the 1993 National Study of the Changing Workforce also indicate that, when searching for a new job, people take into consideration the company culture, which means they are in search of healthy working relationships. Therefore, in today's job market, relationship-building programs can be used as an alluring incentive for the balance-seeking employee. Examples of relationship-building programs include:

Cooperative charity day: Give each department an annual day off to work with a local charity. Some organizations, in response to the recent volunteer initiative directed by Colin Powell, have taken this concept a step further. Companies are giving employees a designated number of hours per year of paid time to work with local charities. In addition to the public relations value, such programs build pride in the workforce and serve to enhance internal relationships.

Stand by me: Executives spend a day each year working side by side with their employees. This program is simple, inexpensive, and mutually beneficial.

Special dress days: Plan special dress days to promote a sense of humor. Examples might include Ugly Tie, Hawaiian, and Halloween Costume days.

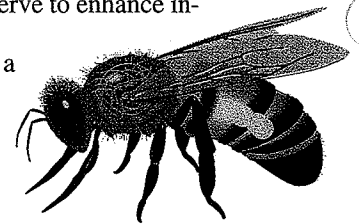
Executive coffee breaks: Institute a program where the CEO and/or other top executives meet with small groups of staff for an hour or so over coffee.

Orient the family program: Sponsor an employee family orientation program for new staff.

Companies are not bound by tradition when it comes to compensating and motivating employees. Executives, supervisors, and human resource professionals don't have the time to research alternatives that motivate, recognize, and reward employees. Take advantage of the accumulated experiences and creativity of others to craft a new approach to compensation management that will express your value of employees and drive performance to new heights.

Ed

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The dos and don'ts

In addition to identifying and implementing low- and no-cost programs, it also makes sense to give supervisors a list of additional ideas for use within their specific work units. Ideas that may not be appropriate for the entire organization may prove highly effective for certain departments and employees. Guidelines for program development and implementation include:

- Offer a variety of programs. What is meaningful to one person may not be meaningful to someone else.
- Assure broad eligibility for awards. Recognize that staff at all levels contribute to the organization's success.
- Avoid programs that are designed to categorize winners and losers.
- Reward, recognize, and build relationships throughout the year.
- Allow personal expression by giving employees several reward options.
- Consider merchandise as an alternative to cash awards. Merchandise reminds employees of the company's appreciation every time they look at it, be it a gym bag or a VCR.
- 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.