

## ***Leadership***

### **Increase profits with bigger raises, bonuses**

*By Rick Maier*

I'm going to open a coffee shop in Macon one of these days. You'll want to stop by frequently, not only for the best cinnamon buns in the world, but because the enthusiasm of the employees will make you feel wonderful.

Our chief product, by far, will be service, so I will do everything possible to see that employees look forward to coming to work and feel motivated on the job.

I won't start up the shop until I have the capital to hire some great people, then I'll keep them charged up with exciting compensation and stimulating opportunities.

Simpler said than done? You say you can't find good help in Macon, and high turnover is killing you?

I'll bet it has a lot to do with how you treat your employees. Say you can't afford to pay more? What if sales increased several dollars for every dollar you raised the pay of your key people?

#### **Overpay over-achievers**

Many organizations have fallen into the rut of giving across-the-board annual increases of 2 to 5 percent, and a lot of employees accept that as OK. This narrow band may be safe ground for static operations, but growing organizations count on key individuals for successful results and new strategic direction.

If you treat them the same as everyone else, they will leave and you will encourage more mediocre behavior. Big companies who award the same raises across different divisions and locations dilute the motivation of their leading performers in the same way. And even the best companies have to guard against falling into comfortable patterns that are in sharp contrast to the unorthodox, quirky pay strategies that made them successful in the first place.

When I hire the cook, head server and bookkeeper at the coffee shop, I'll pay them just enough to lure them away from other successful restaurants. Once they're on board, however, their compensation will rise or fall based on the business's success – measured in terms of how much faster revenues rise than expenses.

Some people will get 15% plus raises, and some people will get terminated. I will overpay the over-achievers, underpay the under-achievers, and run off the slackers.

People will know what is expected of them and they will receive feedback on how they are performing against those standards every week.

### **Contrasts with many organizations**

A good pay plan rewards key employees for both individual performance and the operation's success. Is that how your organization operates?

Too many employees still have a 'cost of living increase' mentality, even though it's been years since businesses have been able to pass on the reciprocal "inflation" increases in their prices.

At the same time, employers fail to create specific standards and goals, and offer little or no incentive for extra effort and growth.

Top executives frequently receive bonuses and stock options based on individual and company performance. These arrangements work well, so why not push modified versions down deeper into the organization? It's a challenge, but measures and rewards can be created for most positions. There are special projects and initiatives, surveys from customers and teammates, and departmental or team goals.

Let's take the cashier at the coffee shop for example. We could periodically survey his or her teammates for feedback, track how often customers have to wait to pay, or how often he makes them smile, and of course expect cash to balance with the register.

Money may not be the most important thing about the job – making a contribution, meaningful relationships, having fun and personal development rank high. Rewards such as extra time off, fun assignments and creative recognition (like buying dinner and a movie for a hard working employee's family) can be valuable parts of a total package.

Pay should be the centerpiece of your comp program, but it's crucial to satisfy your employees' need for fairness and respect. People want to be on a winning team.

Do your star employees even know how your business is doing? Keep them informed through pay plans that are directly connected to the success of the organization.

Customers at the coffee shop will be happy to pay premium prices and tip generously if they receive superb service. That will provide the business with the resources to handsomely reward those employees who work hard and achieve great results. Superstar employees may even earn an ownership share of the next branch location.

Make sure every one of your employees is compensated equitably relative to their teammates, the market, and their contribution to the organization.

And use raises and bonuses to expand sales, increase efficiencies and accomplish your major strategic initiatives.

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