Incentive/Bonus, Performance or Recognition: Finding the Right Solution for Your Organization

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Total Rewards Model

- Base Pay
- Benefits
- Variable Pay
- Work-Life
- Performance & Recognition
- Development & Career Opportunities

Business Strategy
Total Rewards Philosophy
Just so We’re All on the Same Page

- Incentives/Bonus
- Performance
- Recognition
What is Variable Pay?

- Direct cash compensation
- Not part of base pay
- Can vary in amount
- Other terms:
  - Incentives
  - Bonuses
  - Commission
  - Cash awards
Why Variable Pay?

- More/less risk for the organization
- Increases/cuts costs for the organization
- Increases/decreases employee engagement
- Drives benefits costs up/down
Short Term Variable Pay

- Any period of time up to two years
- Usually monetary
- Management establishes a pre-determined performance formula
- If achieved, distribution is automatic
- Focus on defined objectives
- Underscore short term business needs
Long Term Variable Pay

- Rewards long term results, usually two to five years
- Can be cash or equity (stock)
- Promotes strategic focus
- Short term results may not be optimal
- Annual measures may be incomplete
- Balances employee perspective
What Every Variable Pay Plan Should Have

- Alignment with the organization’s business strategy
- Eligibility clearly stated
- A good “line of sight”
- Begin and end dates
What Every Variable Pay Plan Should Have

- Disclaimer language
- Measurable targets
- Funding
- A comprehensive communication plan
Performance

Does the merit increase really pay for performance?
Performance Management Process

- Performance Expectations
- Documentation
- Follow-Up
- Feedback
- Preparing for and Conducting the Appraisal
Setting the Stage for Success
From Day One

Expectations

What am I supposed to do?
How well am I supposed to do it?
How does this relate to the organization?
What Can Recognition Do for You?
The Business Case for Employee Recognition

- Provide strategic focus
- Show measurable results between non-cash awards and improved performance
- Use as recruiting and engagement tools
- Achieve a pre-determined level of job performance
- Help managers play a pivotal role
Building Recognition

- Develop clear nomination and selection criteria
- Include a description of what the employee did to deserve the nomination
- Create a recognition team
- Allow for multiple recipients
- Change it up quarterly, semi-annually
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