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## Create a Bonus Program That Generates Business!

By Toddi Gutner

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With ongoing, rampant unemployment, owners and managers of companies large and small might be thinking they don't need to do much to keep employees happy. With so few options out there, employees should be happy to have any job, right? Wrong!

Why? Because experts say that unless companies do what they can now to keep employees content, there will be a huge exodus of talent once the economy turns.

One strategy to keep employees satisfied and motivated is to create a bonus program targeted at generating new business. "It is a prime time to utilize bonuses to improve productivity ... and be a boon to employee morale," says Christina Stovall, director at Odyssey OneSource, a human resources outsourcing firm.

Paul Gavejian, managing director of Total Compensation Solutions, which works with many small- and medium-size firms to design incentive plans, says he's seen an increase in the use of these plans as companies try to minimize fixed costs. "By motivating professional staff and managers to modify their behavior in some way do more sales calls, increase hours worked, generate more news and strategies, achieve higher profit, or reduce operating costs than a company can increase revenues and profits," says Gavejian. "The increased profits become the funding mechanism for the bonus program."

Creating a bonus program isn't rocket science. Just following a few simple guidelines is likely to result in a successful plan. Before beginning, "companies need to first figure out what exactly they are trying to achieve or what they want to accomplish in the future and then structure the bonus program around those tasks or behaviors," says Stovall.

Here's a look at some strategies for bonus programs:

**Profitability-based**

"The most sensible for a small business is a plan that ties into the [increased] profitability [of the company]," says Donald Mazzella, an expert in small-business operations and co-author of "The Janus Principle: Focusing Your Company on Selling to Small Business." This rewards the employee for helping to improve the bottom line. Mazzella worked with a California cleaning company that reduced its workforce by 15 percent and told staff members they would receive one week's extra pay if profits for 2009 equaled or exceeded 2008 levels.

In many cases, companies can specifically state that if the company is not profitable, bonuses will not be paid out. "Many bonus plans have a profit 'gate' they must go through," says Stovall. "A person may have accomplished all of his/her goals, but if the business becomes unprofitable, the gate is not met and no bonus is paid."

**Offer a share of increased sales**

In this case, your company awards a percent or dollar amount when sales figures exceed those of previous years. Another company that Mazzella worked with, a Midwestern clothing manufacturer, told employees it would add 20 percent to the bonus pool if the firm maintained sales for 2009. "Bonuses need to provide a bit of reach for employees but not be impossible to achieve," says Stovall.

**New ideas**

A company can offer a fixed percentage or dollar amount for developing a process or strategic improvement that is expected to improve profits in the future. "In this case, the company assumes the risk, but it also limits its potential cost for developing the new product or service," says Gavejian.

Once you decide on what type of program to implement, there are a couple musts to keep in mind:

Outline plan characteristics. Be clear about who's eligible just managers, or will support staff and subcontractors be included? "Some organizations push bonuses down to the administrative staff to give the feeling that a true team effort will help everyone earn more," says Gavejian. Other things to consider include the reward amount (up to 5 percent of base salary for administrative/junior staff, 10 percent for professionals, 15 percent for managers and 20 percent for key employees), when it should be paid (typically at year's end) and how it will be paid (typically cash, with the usual federal, state, municipal, Social Security and FICA deductions).

Clearly communicate program guidelines. Perhaps the most common pitfall when creating a bonus program is not clearly communicating it to employees. It's essential that there be a written, clearly documented program "that addresses the structure of the plan, fairness, measurability

and attainable targets," says Stovall. In sum, the plan should "be transparent [and describe] what you're doing and why," says Mazzella.

*Toddi is an award-winning journalist, writer and editor and currently is a contributing writer covering career management issues for The Wall Street Journal.*

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