

# 10 WAYS TO MAKE INCENTIVES WORK

"I don't believe in giving a bonus or incentive pay to my employees." "I tried it once and it didn't work." "They're getting paid to milk cows, why should I pay more for them to try harder?"



I frequently hear these comments from dairy producers when I suggest implementing employee incentive programs.

The reality is, when designed and executed properly, bonus programs *do* work. Incentives can increase performance, drive productivity, and improve efficiency and profitability.

Here is my "Top 10" list of tips to help you get the most out of any incentive plan:

**1. Don't implement any bonus program until performance is at your standard expectations.** Don't use incentives to correct problems or poor

performance, use them to achieve goals.

**2. Keep it simple.** Bonus structures must be simple and easy to understand.

**3. Use few performance parameters.** Develop bonus programs based on one or two parameters; three at the most. For example, when working with milkers, focus only on SCC, parlor throughput and milk flow in the first minute.

**4. Keep track of performance daily.** Post performance numbers for employees to see. Payout can be weekly or monthly, but feedback should be daily.

**5. Give employees the tools and support they need.** Don't set up unrealistic goals and expectations. Do employees have all the tools to achieve them? Employees can get frustrated if the bonus is impossible to achieve because the milking units are not working properly, or the mixer isn't maintained.

**6. The bonus plan should be flexible.** As goals are accomplished, increase your expectations. Some parameters may also change based on the time of the year.

**7. Set bonus eligibility conditions.**

Set up conditions to prevent workers from breaking rules. For example, when implementing a bonus program for calf care workers based on number of calves weaned, establish a baseline or budget for feed and medicine use. Develop SOPs to ensure things are done properly and at the right time.

**8. Workers should be properly trained.** Before implementing a bonus structure, employees must understand the importance of their job, their role in achieving goals, and why, how, when and what they are supposed to do to achieve them.

**9. Communicate and explain the bonus structure.** Review the plan with your key employees or supervisors first. Include consultants. Get feedback, then explain the bonus structure to employees.

**10. Separate incentive pay from regular pay.** Issue separate bonus checks or pay in cash, giving it out on a different day than their paycheck. Pay incentives on time. □

## FYI

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