



EXPERTS TONY GATTARI

PAY AND PRODUCTIVITY

“A client was so upset about a 200 per cent productivity gain that he shouted obscenities around the office.”

This month, I have an extraordinary story to share with you. It starts with a client who told me that he was “so upset about a 200 per cent productivity gain that he turned red in the face and shouted obscenities around the office”.

The client was upset because he felt that if it was possible to improve productivity by so much, his employees must have been taking advantage of him for many years.

In reality, it was not the employees who were the problem; it was the business model that they had to work to that was to blame. Our client had simply done what every other business in their industry had done — paid award wages or just above, with similar working conditions and similar reporting standards.

I believe that was part of his problem, because if you treat employees like every other business they have ever been employed in, they will treat you the same way they treated their last boss — or even worse!

To overcome this employee attitude, the challenge most business face is to find a more productive way of rewarding their employees other than paying industry standard wages, which is the approach of most businesses. They also treat their employees in the same manner as all the other employers. Your ability to act the same way as all the others gives you dramatically the same result as all the other businesses — and let’s face it, that’s not being competitive.

So where did the 200 per cent productivity boost come from? Originally, the employees were paid a standard wage for the week and the result was standard: employees took sick leave as it became available, would not work back when needed, loyalty was non-existent and the work being done was barely satisfactory.

The changes that improved productivity included:

- The owner calculated how many items a person produced each week over a period of one month, then;
- Every person in the factory was put onto a base wage (they already had this) plus they were paid a piece rate over a certain level of production. Each person was told that this was a test and some adjustments to the rate were possible. Bonus points were taken away for items below quality;
- The items produced and wages paid were then calculated each week and the owner discovered that some people (different items being produced) in the factory received substantially more, so the rate was adjusted to be more even across the board;
- Monitoring went on for another two months and small adjustments were made to the rates for the different sub items being made;
- The business then adopted the new system — it would

have hardly have made sense not to, given the following positive results.

The results

The results of putting this plan in place truly spoke for themselves:

- A 200 per cent increase in productivity;
- A comparative decrease in wages against items being produced;
- A decrease in absenteeism across the board;
- A willingness to work after hours and on Saturdays;
- A higher quality of goods produced;
- An increase in loyalty;
- The highest-paid production workers in the industry;
- The most profitable business in the industry; and
- An increase in clients due to improved delivery times and quality of goods.

Incentives

Why did this plan work? I believe it is because employees need to be able to increase their income if they put in more effort. If you do not allow this to happen in your business, then you have a communist regime where every person is paid the same no matter how hard they work.

Reward for effort is a powerful tool not to be ignored. How can you get this incentive working in your business? The process below is not an exhaustive list of steps to follow, just a simple process to give you points of reference:

- Define each department’s desired productive output;
- Pick the department that is going to give you the highest result for your effort — for example, if you manufacture, then pick production; if you are a reseller, then sales is your area; and if cashflow is a challenge, then it could be a combination of the sales department and the finance department for collecting the money on time;
- Develop a bonus system, but make sure you cost it well. Most bonus systems fall down because the employees over perform and the business can’t afford to pay the bonus. Don’t withdraw a bonus scheme; it will become a disincentive; and
- Build in quality if you are working on an increase of units.

Once you are happy with the bonus structure and have tested it on paper and on your computer, then you will need to meet with your employees. In this meeting with staff, you should discuss the bonus system, outline how you propose it will work and make it clear from the outset that it will be tested and that some adjustments may be necessary as a result. Then test it and cost it, so you know you are making a profit. **mb**

ABOUT ACHIEVERS GROUP

The author is founder and Chief Energy Officer of Achievers group. He is a much in demand passionate professional speaker, business educator, author and corporate, business advisor. He has worked with over 140 businesses around the world.

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