

# Incentives tailored to meet firm goals

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■ FOR BUSINESS FIRST

When Dave Koch started a commission-based bonus program for his engineers at Fiber Network Solutions Inc. in 1997, the program was paying less than \$100 a month. Today, it pays out \$10,000 to \$12,000 a year to each participating engineer.

"That's one program we will never change," says Koch, president and CEO of the privately held tier one network and Internet service provider. FNSI employs about 40 and placed 68th on the Inc 500 list of the most financially fit businesses in 2001.

What makes the incentive program unique, Koch says, is that it's designed to encourage cooperation and communication between salespeople and engineers by letting engineers share in the commissions they help to generate.

Every time FNSI sells a service, a percentage of the commission goes into a pool, which is then divided among a group of engineers.

New engineers may join the pool if the members of the group agree, based on whether the new member will contribute enough to sales to offset the extra share they will take from the pool.

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## GOALS: Target more sales or teamwork

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"It really removes the wall between sales and engineering because now what we have is interdepartmental communication. They help each other make money," says Koch. "The salespeople know there are a lot of deals they would not close if they didn't have access to engineers."

Likewise, the engineers are more eager to go on sales calls because they know it affects their commission.

"At one point or another, I would be willing to bet that all our sales calls involve an engineer - somewhere between the initial contact and closing the sale," Koch says. "I don't think you could get the number of customers we get without that."

### Two approaches

While the engineers' bonus program encourages teamwork, other incentive programs at FNSI have drawn on the employees' competitive spirits.

Depending on a company's goals and organizational culture, both types of programs can be successful.

"In-house competition is good, but you need to make sure people are embracing competition in a good, sportsmanlike manner," says Koch.

In January 2001, the company awarded a its top-selling account manager a one-year lease on a 2001 BMW, valued at \$12,000 to \$14,000.

To win, the sales associate had to be the top seller from August through December 2000 and meet the minimum sales goal of \$45,000 in monthly recurring revenues. The second-place seller earned a Gateway computer.

"The bar to achieve that was very high," says Koch. "It did create a profit. I don't know that that amount of revenue would have been generated without that contest."

Koch says FNSI has not repeated the bonus during the last 18 months because of efforts to reduce spending, but he expects to offer a similar program in the future.

### Rewarding the stars

Tower Mortgage Corp. also uses individual commissions and team bonuses.

"When you have a star, you have to reward a star. When you have a company that is an excellent team, you have to reward the team," says Moshe Frank, a vice president at the mortgage company, which employs 15.

Last year, the company took the employees and their spouses on a four-day trip to Las Vegas.

In past years, they have gone whitewater rafting as a company.

Frank says the employees' sales are not motivated by the trip but by good relationships within the company. The trip, he says, is simply a gesture of good will from the management.

"In this case, we had a great year. The employees worked beyond what was really required, and they should benefit from it," Frank says.

It also helps build the relationships that, Frank says, help fuel motivation.

"It does give us a chance to see people and get to know them outside the work environment," he says.

In situations where making a sale really is a team effort, team bonuses are appropriate, she says.

And in companies where employees have a tendency to undercut each others' efforts, a competitive program may not be effective. Kalamas says an alternative to competitive programs is a standards-based program, where everyone who meets the target receives a bonus.

### Solving other problems

Bonuses aren't just for increasing sales. Kalamas says one of her graduate students has used bonuses to decrease OSHA reportable incidents. Honda, she says, encourages employees to submit suggestions by rewarding the employee with the suggestion that saves the company the most money.

For small business owners, Kalamas says a bonus is a cost-effective alternative to a base pay raise when someone get a certification.

George Mitges has given bonuses just to get his employees to show up to work.

Mitges and his wife, Barbara, opened their first Tim Hortons franchise on Dublin Road in Columbus in November.

"I never thought I'd have to pay somebody a bonus to get them to come to work," he says. "The reality of the situation is it's so hard to find people because the labor situation here is so tight."

During Tim Hortons annual "Roll Up the Rim to Win" promotion, Mitges also took advantage of corporate's suggestion for a "Turn Up to Work to Win" cash bonus program. For those employees who showed up on time for every scheduled shift during the six-week promotion, the bonus was 20 cents per hour. Mitges paid out a few hundred dollars to five of his 25 employees, he says, and the incentive program met its objective.

Mitges plans to run a new, more permanent incentive program for attendance, offering either cash or noncash prizes every two weeks for those who show up every shift on time.

"We needed to ensure we had sufficient staff to meet the bump in business during the promotion," he says. "For a short period of time, it did aid in getting people to show