

## Motivating Without Bonuses

### Keeping your team happy without a check

The recession has brought many new or previously little-used terms into our common language – from "subprime mortgages," "toxic assets," and "quantitative easing" to "cash for clunkers" and, of course, "zero bonuses."

It's a clever phrase, because technically, a zero bonus isn't a bonus at all. But the words give the impression that companies aren't breaking past promises to pay bonuses (albeit bonuses dependent on company performance), while at the same time give hope to workers that their bonuses will actually have some value again in the future.

The practice of paying bonuses is not dead. In the financial sector, many banks have continued to pay bonuses – they use the somewhat circular argument that they need bonuses to retain good people because their competitors are paying bonuses. But in some industries, bonuses have disappeared for now.

So, if you're a manager in one of these areas, what are your options for motivating people without cash bonuses?

In this article, we'll look at some creative strategies for motivating and rewarding members of your team in a down economy.

#### Tip:

Some jobs attract large bonuses. Others don't. Significant bonuses are usually awarded when an individual's actions have a direct impact on the organization's revenue, which is why top salespeople will typically receive large bonuses.

By contrast, even senior managers in [machine organizations](#) may receive little in the way of bonuses - the success of the organization comes from the smooth functioning of its bureaucracy, which is not necessarily attributable to individuals' actions, or lack of them.

## Non-Cash Financial Incentives

One of the most common non-bonus ways to reward and retain star employees is with stock or stock options. What's the difference between them?

- **Shares/Stocks** - Many companies offer workers a set number of shares as a reward for good performance, or as a sign-on bonus. Workers can do whatever

they want with these stocks: sell them, or hold onto them and hope that the value will increase.

- **Stock Options** - Stock or share options give workers the right to buy stock in the future at a predetermined price. For instance, a company may promise its team members a share price of \$45 one year from now. If they work hard and the share price is \$75 after a year, then those workers can buy the stocks at the lower price - and then immediately sell them for a big profit.

Now, there are advantages and disadvantages to offering shares and/or options.

One of the biggest advantages has to do with worker motivation. The Employee Ownership Foundation recently conducted its 18th annual Economic Performance Survey. They found that 88.2% of the companies surveyed stated that their employee ownership programs helped the company. And, in a study they conducted with Rutgers University, they found that employee ownership programs increased sales, on average, by 2.3%. These programs also helped to increase staff retention compared with companies that did not have such programs. When workers feel they have a stake in the company's future, they're usually willing to work harder and stay in their jobs. This can be a big benefit for organizations.

Also, stocks and stock options are a great way to save money, especially during an economic downturn. Offering shares to workers allows companies to reward their teams without the financial cost of bonuses.

This type of reward also helps align personal goals with company goals. After all, the staff gets a bigger reward if the company does better, so it only makes sense that they work harder.

One big disadvantage is that stocks and stock options aren't as attractive in a down economy, simply because people are so unsure of what the market is going to do. After all, what do the workers do if the company offering a \$45 stock option does poorly later in the year, so when the team is able buy the shares, they're worth only \$25? In that case, no one wins.

Another disadvantage is that existing shareholders – the owners of the company – often profoundly dislike stock grants and stock options. After all, if managers create new shareholders, they're diluting existing shareholdings – i.e. reducing the share of profit that the existing shareholders will get.

Existing shareholders will only be happy for managers to award stock options if they, the existing shareholders, are likely to receive more as a result than they'd lose were it not done. There are only certain types of business and certain business situations in which this will be likely to occur.

**Tip:**

If you'd like a more in-depth look at performance management, and how to align team goals with corporate goals, see our articles [Performance Management and KPIs](#) and [Understanding Strategic Compensation](#).

**Non-Financial Bonuses**

If you're in a company that used to pay bonuses but doesn't do so now, there are many other motivational rewards you can offer.

Start by finding out what your team members really value as individuals, because this might not be what you think. By taking the time to determine what's really important to your people, you can offer rewards that really mean something.

Here are a few non-financial bonuses that companies can offer their people in this down economy:

- **Flexible scheduling** - Many people, especially those with families, would really appreciate a shorter or more flexible workweek. So, consider offering people within your team the option of working four 10-hour days, or of cutting back on their hours entirely. This might be a welcome reward. Letting them leave early on certain days is another possibility.
- **Additional vacation time** - Many companies offer their people increased vacation time, as well as extended time off (sabbaticals), instead of bonus checks. People can use this time to spend with family, take a long trip, or even go back to school.
- **Telecommuting options** - If your company doesn't need everyone in the office every day, why not allow some trusted team members to work at home? Working from home is often more comfortable, and it can save workers money on gas and lunches out.
- **Additional training** - Some people might really value improving their education or work skills. Offering them classes or extra training might be appreciated.
- **A relaxed environment** - Some companies are starting to let their team members go without shoes. (No, we're not kidding!) Letting workers walk around in their stocking feet (keeping their shoes at their desks in case clients come in) is not only relaxing, but it also helps them feel more "at home" with one another. You might think about relaxing the dress code as well.

- **Volunteer time** - Many companies offer their team members one paid day off per month to volunteer at an organization that really means something to them. This is a great way to raise morale, and help your local community at the same time.

For more ideas on how to creatively motivate your team, read our articles [Rewarding Your Team](#) and [Managing During a Downturn](#).

It's important to make your team aware of the financial value of these benefits. For instance, if you offer your team an additional week of vacation, how much is this worth to each of them? Let them know the numbers so they can appreciate how much these benefits are "worth."

### **When Your Team Wants Cash, But Can't Have It**

Inevitably, some team members will be really upset that they can't have a "traditional" financial bonus, particularly if they're depending on them financially. And while you must acknowledge their feelings, it's important to be honest with them.

Make sure workers understand the company's financial situation. The more your team knows about what's going on, the more likely they'll be to make allowances. So, communicate openly.

Work with your staff. If you really want to retain someone, then examine how you can give that person more money without a bonus. For example, could you provide a company phone or car, saving the person money?

If you have to, be totally – and brutally – honest. If people know that their bonuses will cost themselves (or one of their colleagues) their jobs, they might realize that the bonus is not that important after all.

#### **Tip:**

Be aware you risk losing genuine star performers to your competitors if you stop paying bonuses. You either need to accept this, or you may need to fund an exceptional bonus, recognizing all of the anger and dissatisfaction that this may cause. This can be a painful dilemma for managers!

### **Key Points**

When the economy is struggling, it's even more important to retain your best workers. Make sure they're happy – and there are plenty of ways to keep them motivated without a bonus check.

Stocks or stock options are always a great idea if your company can offer them, but this alternative might be less appealing when the market is down. Other rewards – like flexible scheduling or additional vacation time – might motivate your team more, and they won't cost your company much.

Source: MindTools

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