



How to Increase Staff Productivity

In reality, many staff are not as productive as they can be. However, it is not the employees that are the problem it is the business model that they work to that is the problem. Most businesses simply do what every other business in their industry does; pay award wage or just above, similar working conditions and similar reporting standards.

Treat Employees Like Every Other Business They Have Been Employed in And They Will Treat You the Same Way as They Have Treated Their Last Boss or Worse!

The challenge is that most business owners do not find a more productive way of rewarding their employees other than paying industry standard. 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 lets face it, that's not being competitive.

What can you do differently?

Let's take an imaginary business!

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 just satisfactory. The business was a manufacturing business BUT the lessons can be used in any business if you put some thought into it (a little more on that subject later). The stages of change were:

- 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, then
- The items produced and wages paid were 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, then
- The business adopted the new system.

The Imaginary Results:

- Increase in productivity
- Comparative decrease in wages against items being produced
- Decrease in absenteeism across the board
- Willingness to work after hours and on Saturdays
- Higher quality of goods produced
- Increase in loyalty
- The highest paid production workers in the industry
- The most profitable business in the industry
- A gain of clients due to improved delivery times and quality of goods.

Ability to Increase Income

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 gets paid the same no matter how hard they work - so let's all work the same - as little as possible to get paid. If you are fortunate you have employed people that are self inspired and feel rewarded by the effort they put in. Reward for effort is a powerful tool not to be ignored.

The Process

The process below is not an exhaustive list of steps to follow just a simple process to give you points of reference:

1. Define each departments desired productive output. For example marketing has number of qualified leads, sales is fairly easy with number, value and profitability of sale, production is what the client/customer receives and / or the subcomponents that need to come together to make the end product, finance and administration could be against % of invoices sent out within a set period, bonus for collections under 14 days etc.
2. 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 re-seller then sales is your area and if cash flow is a challenge then it could be a combination of sales department and the finance department for collecting the money on time.
3. Develop a bonus system on paper first ensuring you have factored in your costs. Most bonus systems fall down because the employees over perform and the business can't afford to pay the bonus.
4. Model the bonus system on a spread sheet using the wages, bonus and costs as the key figures to check. If you are working on units and the current situation is 100 units produced each week then you need to test the bonus on what happens if they produce 300 units or 500 units. How does this affect your costs - do you have to employ more people to keep up with the work, do you have to move premises etc.
5. Build in quality if you are working on an increase of units.
6. 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, discuss the bonus system, discuss how it will work and that it will be tested and some adjustments may be necessary.

7. Test it, cost it so you know you are making a profit.

Danger Point

Do not put in a bonus system and then take it out as employees will become unmotivated and your business will suffer. A bonus system needs to be well structured prior to it being implemented.

Make sure you cost the bonus system in terms of extra wages compared to profit and productivity and you have the cash flow to pay it. If you are paid on 30 - 45 day accounts by your clients / customers and you pay wages every week then a good bonus system could send you profit rich and cash poor. Pay a bonus only after you receive the cash e.g. if you are paid by your clients every 45 days then the bonus would be paid quarterly.

Industries This Works In

A bonus system can work for manufacturing, professional businesses, retail, service industries and rural if structured correctly.

Courtesy of Icon Business Solutions