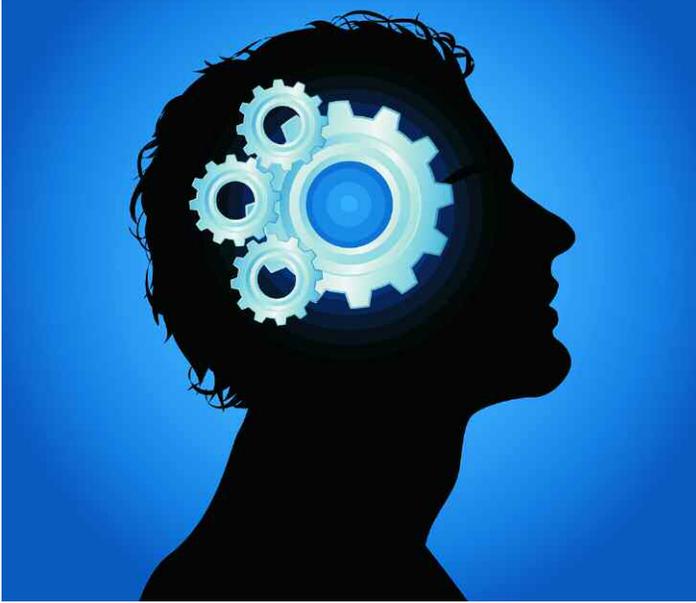


# In My Opinion



## Idea Management: A Critical Part of Total Rewards

By Theresa M. Welbourne, Ph.D., eePulse, Inc.

**R**ewards, properly configured, can be an incredibly powerful motivator or de-motivator. Bonuses, benefits, gifts, and other types of rewards cost a lot of money too; they dig into your revenue and, therefore, using the right set of rewards is important not just for retention and motivation but for sound financial management. Given the talk of recession, combined with the fact that it was the end of 2007 and many organizations were in the process of planning compensation strategies for 2008 during December 2007, the Leadership Pulse™ study focused on pay systems.

The Leadership Pulse initiative now has over 8,000 senior executives around the world who are part of the overall project. They are sent short pulse surveys every two months, and in exchange for participating, managers in the sample receive free, customized benchmarking reports for their industry along with several other reports. We have been asking questions, getting answers, and sharing the learning in this project since 2003.

In the rewards survey, the participants were asked two questions about 12 different rewards factors. First, participants were asked to rate the degree to which each item was important to them personally. They used a 100-point scale (zero to 100 points) to rate the importance level. The low end of the scale (zero) meant that the factor had no value

or importance to the individual while 100 translated to being extremely important. In addition to asking about the importance of each factor to the individual participant, we also asked how important they thought the factor was to the people who report to them.

The five forms of cash compensation rated were:

- Cash compensation (base pay, increases in base pay, bonus),
- Team-based compensation (bonus or reward for achieving team goals),
- Business-unit or plant-based compensation (gain sharing, site-level bonus or profit sharing system at the business unit level),
- Organization-wide based compensation (profit sharing, stock plans, etc.), and
- Benefits programs that accrue as part of employment (health care, retirement, etc.).

The seven forms of non-cash compensation studied were:

- Being given responsibility for high profile projects,
- Being promoted in job level,
- Having your ideas implemented by the organization,
- Training or education programs that are provided by your organization,
- Non-cash recognition in the form of praise from managers,
- Non-cash items in the form of formal recognition (awards, plaques, winning formal awards such as employee of the month, etc.), and
- Non-cash compensation in the form of gifts that hold cash value and that you can personally use (trips, clothing, certificates, etc.).

The following two graphs show the importance rankings of all cash and non-cash reward factors from the two perspectives of self (leaders) and leader's direct reports.

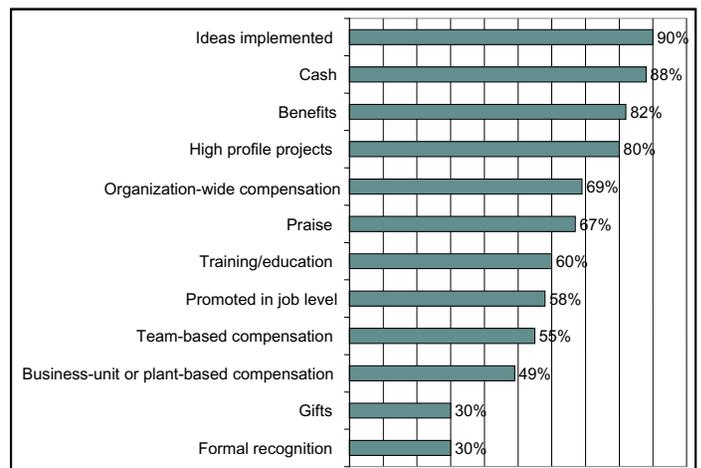


Figure 1. Rewards average scores (importance to "me").

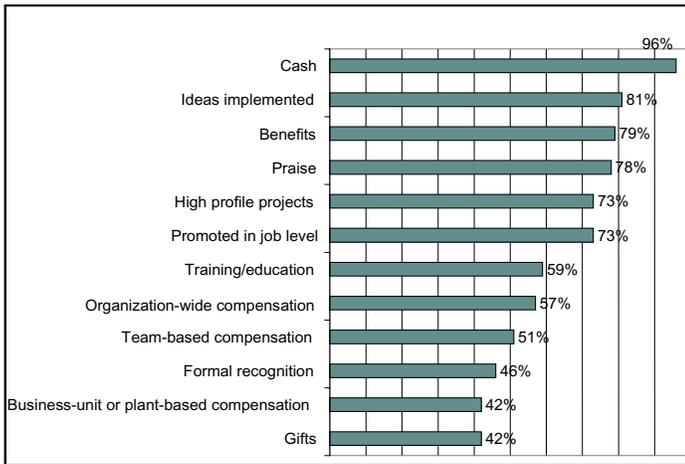


Figure 2. Reward average scores (Importance to direct reports).

The compensation factor rankings reveal that the non-cash compensation factor, “*implementing my ideas*,” is considered number one by leaders for them personally and number two when rating how important they think it is for their employees. Thus, idea implementation presents a potentially high-impact way to motivate employees.

The following table shows the average scores for five different job levels. In each, the green colored box represents the highest scoring reward; the light blue represent second and third place (note there may be more than three altogether if there were ties for first, second or third place), and then yellow denotes the lowest score. Although the scores vary somewhat by job level, cash, benefits and having your ideas implemented seem to be of the highest value across the job categories. Non-cash rewards are the least valued.

TYPE OF REWARD	CEO or President (n=85)	VP (n=49)	Director (n=49)	Manager or supervisor (n=32)	Professional, non-management (n=19)
Non-cash in form of formal recognition (awards, plaques, etc.)	28	38	40	55	37
Being promoted in job level	34	58	69	84	65
Non-cash in form of gifts that hold cash value you can use (trips, clothing, certificates)	40	36	45	58	39
Business-unit or plant-based compensation (gainsharing, site-level bonus, profit sharing)	43	45	52	72	37
Team-based compensation (bonus for achieving team goals)	48	55	61	75	43
Non-cash in form of praise from manager, team, customers	53	73	68	80	69
Training or education programs provided by organization.	58	59	63	71	61
Organization-wide based compensation (profit sharing, stock)	64	67	65	77	58
Being given responsibility for high profile projects	68	80	77	84	66
Benefits programs that accrue as part of employment (health care, retirement)	73	82	80	81	78
Cash (base pay, increase in base, bonus)	75	80	83	85	84
Having your ideas implemented by the organization.	86	79	81	82	77
1st place score per job level					
2nd and 3rd place scores per job level					
last place (lowest) score per job level					

Table 1. Average score for importance to “self” for five job levels (scoring is on a zero to 100 point scale), sorted low to high using the CEO or President column (note that n=sample size for that job function; job title data available for a limited subsample of the population).

The fact that having ideas implemented ranked so high in the overall scoring was a very important insight for us.

We added that question to the study because years ago (in the early 1990s), when doing compensation research with a number of larger, unionized organizations and smaller, fast-growth, high-technology firms, we found that this item was important to both. It was this earlier insight (motivated by the fact that we were studying gainsharing systems, which have idea implementation as core to their process) that led us to include the “idea” question in this particular leadership pulse study.

### Every idea should not be implemented

The history of compensation shows that idea systems, when blended with rewards, can be powerful tools. Consider the high impact of many gain sharing programs. Nucor Steel is a well known example of a company that completely turned around its business by tying idea implementation, at the group level, with a plant-wide bonus system. Although gain sharing is an idea that seems to be unpopular today, maybe there is much to be learned by going back to these systems and studying how ideas were implemented at a group level.

What seemed to work about gain sharing was the fact that ideas had a filtering process, and not every idea survived. However, everyone in the business unit or plant who was part of the overall idea implementation process was eventually paid for it; this made the process of filtering ideas and working on the “best” ideas more than an individual job; it made it a group-based process. Gain sharing systems recognized that ideas were not equal.

### ROI Share Plan™

In our practice, we have been working on a new way to blend the best of gain sharing with technology through something we call the ROI Share Plan. Traditional employee surveys have been made much easier through technology, and over the years, we have done surveys with employees as frequently as weekly. When you collect data on any sort of ongoing basis, you end up customizing your metrics strategy to be much more business focused than the typical annual employee survey.

One thing we learned is that employees will share incredibly powerful ideas through short pulse surveys. If you combine the ideas with teamwork and management oversight, you can see the best ideas rise to the top and capture the power of the “reward” that we have been calling “having my ideas implemented.” The ROI Share Plan concept takes this concept one step further and provides a gain sharing “inspired” bonus system when idea implementation results in team-based payouts to inspire further idea implementation.

### Total rewards just got bigger

There has been a “movement” to talk about total rewards versus the narrower labels of pay and compensation. We think that the findings of this study suggest that total

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rewards just got a little bit bigger. We only added one new, non-traditional form of reward, based on a history of research that we did on pay over the last 20 years. What other types of rewards are “out there” that we have not considered? What else do employees want, and how can we take what we do know about pay systems, and combine it with this new information, to create solutions for employees? As we all continue our research, we need to come up with our own ideas, study them and then share our learning with each other.

Toward that goal, we once again invite all of you to join the Leadership Pulse project. You can become involved at no cost other than your time, and through the ongoing dialogues the leaders engage in (data-driven dialogues), you can learn more about new ideas and share your own, all toward the purpose of improving organizational effectiveness and performance.

If you would like to download the complete technical report on the rewards study, go to [http://www.eepulse.com/leadership\\_reports.html](http://www.eepulse.com/leadership_reports.html) and download the “Cash may not be king” report dated February, 2008.

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### About the Author



Theresa M. Welbourne ([theresa@eepulse.com](mailto:theresa@eepulse.com)) is the founder, president, and CEO of eePulse, Inc., an HR measurement consultancy and technology company that delivers data and dialogue leadership™ tools. She also is an adjunct professor of Executive Education at the Ross School of Business at the University of Michigan and affiliated research scientist with the Center for Effective Organizations at USC. With over 30 years in HRM, Dr. Welbourne's expertise is in the area of HR leadership in high growth and high change organizations. She also is the editor-in-chief of *Human Resource Management, the Journal*, and an author and speaker in the area of leadership, employee energy and engagement, HR metrics and HR strategy.