

T.J. McCoy & Associates
was commissioned to design and implement this incentive pay plan
by the Mid-America Manufacturing Technology Center

Advice for managers

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New bonus program improves productivity

■ **The company:** Industrial Spring Corp. custom manufactures wire springs and wire form parts, which it supplies to the furniture and appliance industries as well as electrical, agricultural and lawn and garden customers. Industrial Spring, at 4205 W. Riverside St. in Riverside, was founded in 1968 by a group of private investors. The company has about 20 employees and is 99 percent employee-owned.

■ **Telephone:** (816) 741-6073.

■ **Top management:** Bob Thill is president of the company.

■ **Challenge:** Change the bonus and incentive pay system so it was based on set criteria and showed employees' effect on profitability.

■ **Background, research:** In the early years, management wanted to share profits with employees and did so through a bonus arrangement. According to Thill, the program wasn't based on fixed criteria. Bonuses became expected, he said, rather than based on the performance of the company.

"The employees had no input into how it was derived," Thill said. As the company moved toward em-

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ployee ownership, management decided it was important to fine-tune the bonus program.

"With us being a company owned by employees, we wanted to be more open-book, sharing information with our employees and letting them see how they impact profits," Thill said.

Working with the Mid-America Manufacturing Technology Center, Industrial Spring developed a two-part pay incentive program.

■ **Action:** After about nine months, the company implemented a new monthly incentive plan based on several criteria, including employee productivity, on-time shipment of products and the quality of products produced. Work teams are monitored using a variety of tools, including clocking in and counting the number of pieces produced and the speed at which work was completed.

"It's a team approach," Thill said. "We don't want to ever get back to just the individual. The team gets



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Work teams at Industrial Spring Corp. meet weekly to assess progress.

the same percentage, so it's in their best interest to work together."

Weekly team meetings assess progress and fix problems.

"This way, there are no surprises at the end of the month," Thill said.

The company also set up an annual bonus based on profits.

"A certain percentage of profits is set and once that has been achieved, every percentage dollar over that is split 50-50 with employ-

ees and the company," Thill said.

With the two programs in place, employees can earn up to 13 percent above their base wage through the monthly plan and 12 percent through the annual plan. Thill said it's possible employees could get up to 25 percent above their base pay.

■ **Results:** Thill has been pleased with the results of both programs.

"On the productivity side, it's worked pretty well," he said. "Our

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on-time shipments have increased from 70 percent to 97 percent. Before the program, we had people tied up on when parts would ship. Since we implemented the program, we don't get those calls to customer service because we're more on time."

Employees seem to benefit, too. "While the percentage may vary there hasn't been a month that's gone by that we haven't paid the incentive," Thill said.

Profitability is up as well.

"It's helped us in quoting prices on parts and it's given us a handle on how fast things ran," he said. "It improved our bottom line."

— Ruth Baum Biggs
Special to The Star