Objectives

- Identify key behaviors of all levels of employees and the link between those behaviors and the company’s bottom line results.
- Learn how to create a line of sight in employees that will motivate them to achieve results.
- Determine the types of incentive programs that can be used to motivate behaviors that will impact the company’s bottom line results.
Why is LOS Important Anyway?

- A recent study by Wharton researchers found that one of the key obstacles to executing a strategy effectively was the lack of ownership among employees.
- Other Wharton studies also suggest that a key driver of employee engagement lies in creating a line of sight between employees and the business strategy.
- LOS is also shown to be closely linked to job satisfaction, commitment, loyalty, and negatively linked to turnover intentions.
A Watson-Wyatt study found that organizations with effective LOS communication programs provided a 26% total return to shareholders, compared to 15% experienced by firms that communicate least effectively.
Line of Sight (LOS)

The employee’s perception of the degree to which his or her contributions influence the performance measures being evaluated

2 Types

- Short: small number of participants, well-understood measures, great ability to affect the measure, short reporting period
- Long: greater number of participants, measures may be difficult to understand, long reporting periods
The challenge is to reconcile management’s acceptance of the measures used with the employees’ confidence in their ability to influence those measures.
Initial Considerations

- The shorter the line of sight and the lower the organization level, the more faith the EMPLOYEE has in the validity of the measurements.
- The longer the line of sight and the higher the organization level, the more faith MANAGEMENT has in the accuracy and legitimacy of the measurement.
Initial Considerations

- LOS is higher among employees at high levels and with longer tenure.
- Lower-level and newer employees often have the greatest customer contact, or take action with the greatest influence on the bottom line.
- Interestingly, some studies have shown that employees with fewer different positions within the company had greater LOS.
- PT and Temp. employees tend to have low LOS.
WorldatWork Model:

WorldatWork Total Rewards Model
Strategies to Attract, Motivate and Retain Employees

- Organizational Culture
- Business Strategy
- Human Resource Strategy

TOTAL REWARDS STRATEGY
- Compensation
- Benefits
- Work-Life
- Performance & Recognition
- Development & Career Opportunities

Attract
Motivate
Retain

Employee
- Satisfaction & Engagement

Business
- Performance & Results

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LOS: A 4-Step Process
1. Developing the Core Message

- Employees must first have an understanding of the business strategy and the reasons behind it.
- Give employees a voice in developing the message and ask for their input regarding barriers to achieving the strategy.
- Be careful of Company-wide rollouts – they do not seem to make a difference in employees’ understanding of aligned actions.
2. Defining Leadership’s Role

- Effective leadership and management communication is a key driver in employee engagement

- Leaders must be held responsible for setting the vision and bringing it to life for the employees. Their actions must also demonstrate the behaviors required to achieving the strategy
3. Interactive Approach

- For employees to truly commit, they must be able to raise suggestions, as well as concerns, and know they will be heard.
- Employees will look for processes that support and a reward system that reinforces the importance of the business strategy.
4. Measuring Success

- It is critical to establish clear outcomes and measures for success.
- Managers must be held accountable for their role in creating line of sight.
- Also important is finding a few critical metrics and measuring them over time – NO “flavor of the month!”
So, LOS is Created…

What motivates your employees?

Shouldn’t you find out before they run away?
The Exchange Relationship

- Employer Provides
  - Total rewards valued by employees

- Employee Provides
  - Time, talent, efforts, and results
Who’s Responsible?
Retention & Motivation Drivers

Benefits
Culture & Work Environment
Financial Compensation
Growth & Earning Potential
Management Climate
Relationship w/ Supervisor
Time & Flexibility
Training & Development
Retention & Motivation Drivers*

- **Management says:**
  - Mgt. Climate – 80%
  - Supervisor – 80%
  - Culture – 65%
  - Benefits – 61%
  - Earning Potential – 58%
  - Training – 54%
  - Compensation – 49%
  - Time & Flexibility – 35%

- **Employees say:**
  - Benefits – 78%
  - Compensation – 75%
  - Earning Potential – 68%
  - Mgt. Climate – 67%
  - Time & Flexibility – 65%
  - Culture – 63%
  - Supervisor – 61%
  - Training – 52%
Smallest Pay Raise!

- According to an analysis of 11 research studies, a pay raise of less than 7% is unlikely to cause positive reactions with employees or change their attitudes and behavior.

- Bonuses seem to have a greater effect on performance than do merit increases.
Incenting through Variable Pay

- The ultimate goal is to improve organizational performance
- Variable Pay can accomplish this by:
  - Creating focus and identifying what is important
  - Driving alignment and emphasizing the balance between organizational and individual success
  - Facilitating change through pay/reward
  - Providing positive reinforcement
General Considerations

- C-level: 100% based on company success
- Management: 50% company, 50% team success
- Line Staff: 20% company, 80% individual effort

Ultimately, any incentive plan must be reflective of the individual’s contribution.
The Dark Side

- Without the proper discipline, support, and insights, LOS can create results that do not contribute to sustained value creation.
- Further, strict LOS ignores one simple fact: individual efforts often do not deliver value-creating, sustainable, results.
The Ultimate Goal

- We must drive home to employees that every result achieved is a mix of their direct contribution and a range of internal and external factors, NOT a function of their solitary efforts.
The Bottom Line

Whatever strategy or combination of strategies you choose, overlay this question prior to implementation:

“How will this decision impact my ability to attract, motivate, or retain key talent?”
Final Thought

- LOS principles can provide an effective framework to guide the design of our incentive plans. However, we must use them in a way that is in the best interests of the organization. This requires a workforce that understand its role in contributing to overall performance results.
Thank You!

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