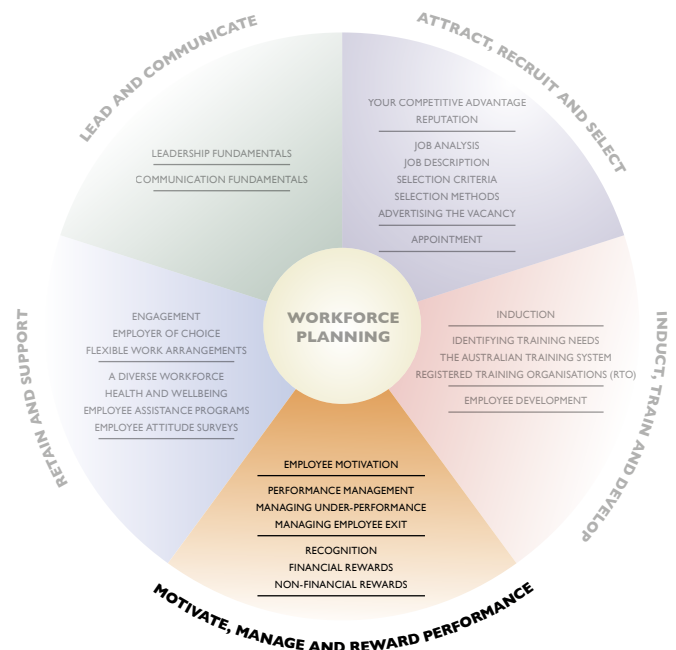


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Overview

Research has shown that a business' ongoing success depends to a large extent on having highly motivated employees who are productive and creative. So it's important to understand the link between motivation and performance, and discover what motivates your employees.

Equally important is how you manage employees' performance and reward them, not just in terms of salary but, for example, through recognition and other incentives.

Highly-motivated employees are likely to go that extra mile for you. But offering relevant incentives isn't quite enough; you also should monitor the effectiveness of the incentives.

This section of the guide will cover the following topics:

1. Motivating employees
2. Managing performance
3. Rewarding performance.



Checklist

Motivate, manage and reward checklist

– summarises key information about motivating, managing and rewarding performance.

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Flowchart

Essential human resource management process flowchart

– performance and reward components.

Page 4

4. MOTIVATE, MANAGE AND REWARD PERFORMANCE

I. Motivating employees

Work motivation: the stimulation of behaviour required to achieve and maintain business goals.

An individual's motivation will affect their attitude and commitment and will be influenced by their supervisors and other individuals.

While it's obvious that employees are motivated by tangible rewards such as remuneration and promotion, we know that they also are motivated by other, more intangible factors such as contributing to a common good, a moral obligation to their colleagues and mentoring or giving back. We also know that not all employees are motivated by the same things.

One of the most important tasks a manager or leader has is to create an environment that allows all employees to do their best, to achieve agreed outcomes and to feel valued. There are many good business reasons to do this.

What are the benefits of highly motivated staff?

Research has shown that employees who are highly motivated are likely to:

- have fewer absences from work
- deliver higher levels of performance
- work harder when workplace demands are high
- be loyal to their organisation, resulting in a reduction in staff turnover
- deliver higher levels of customer service, resulting in greater customer retention.

Given these benefits, it is clear that highly motivated employees are likely to have a positive impact on your bottom line.

Motivational drivers

We are all motivated by different things. It is important for you to understand what motivates each of your employees so that you can develop, increase or maintain their motivation.

There are a number of theories that explain how people are motivated and the relationship between motivation and performance. David McClelland (discussed in Robbins et al. 2000) has researched this relationship and isolated three social

motives. His 'Three Needs Theory' suggests that people are essentially motivated by a mix of the following factors.

- **Achievement.** Getting a sense of doing a job well and being recognised for it.
- **Power.** Having some control over one's own actions, and perhaps the actions and outputs of others. Influence such as this can be formal, as a recognised supervisor or manager, or informal, being known as the company expert on a particular software package or having the keys to the stationery cupboard.
- **Affiliation.** Feeling part of a team and having some social connection to colleagues. Social clubs, sporting teams and company dinners are common ways to generate this sense of belonging in a workplace.

Researchers have found that while some things will motivate a person to a certain point, other things are needed to create continual effort by staff. For example, when people receive their pay they don't suddenly work harder. This is because pay is an expected result of their effort. So too, things like Christmas bonuses often fail to generate better work performance because often they are expected. Creating a work environment which includes a range of motivators is more likely to result in improved and sustained performance.

Here are some examples:

- opportunities for job enjoyment or sense of achievement – through completing a task in a particular time or to a particular standard
- autonomy (giving individuals freedom to work in their own way)
- opportunities for promotion
- status/power – this can be represented in a job title
- responsibility – allowing people to work without unnecessary supervision or checking
- affiliation – fostering the building of relationships with colleagues and customers
- recognition of employees' performance and contribution

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- money/material goods – unexpected, small rewards offered frequently are often more effective than one-off big rewards that may become expected (for example Christmas party)
- flexible work arrangements that allow employees to accommodate other personal interests and needs
- personal and professional growth – training and professional development.

It is important to recognise that employees can be very de-motivated in a workplace that attempts to treat everyone the same.

How to motivate your employees

These strategies may motivate your employees to contribute to your business' overall performance.

- Ask employees what they want. As a leader and manager you should try to understand what makes every staff member behave the way they do. Knowing what makes them tick will give you an understanding of how to keep them motivated.
- Focus on job enrichment. When you make employees' jobs more challenging and interesting they may find it more enjoyable. Provide them with challenges that match their skills, provide opportunities for them to excel, and you are likely to see long-term improvements in their attitude and performance.
- Provide opportunities for advancement. Many employees are motivated by opportunities for individual growth through additional responsibilities or new jobs.
- If you can't give your staff promotions, think about horizontal moves. Often people like to do a different job to build their skills and knowledge; this will renew interest in their work.
- Respect your employees and get to know them well. Take the time to learn what interests them and what is important in their lives.
- Recognise employees' efforts and achievements and reward performance. Take the time to personally thank employees for doing something well. Public recognition can also be a motivator. Mention effort or achievement in team meetings,



in newsletters and on the intranet. This is an effective way of guiding and reinforcing desired performance.

- Create opportunities for social interaction, for example, encourage workplace sport or trivia teams. Some employees want to socialise with their colleagues and develop a sense of belonging; this can build commitment to both their colleagues and the business. Social interaction shouldn't be a forced activity; some social activities may conflict with personal beliefs (activities on weekends/prayer days, activities where alcohol may be available).



Template

Template – Ways to motivate and reward employees – illustrates how employees' behaviour can reveal what motivates them and what you can do to keep employees satisfied with their work and motivated to keep doing it well.

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Understanding what motivates particular employees can help them to take ownership of a job and make it more challenging. Well-motivated employees are more likely to remain with your business, resulting in lower turnover and reducing the likelihood that they will leave to work for a competitor.

4. MOTIVATE, MANAGE AND REWARD PERFORMANCE

2. Performance management

Performance management includes a formal appraisal of an employee's performance and other actions such as follow-up or feedback, ongoing reviews, rewards and ongoing professional development or training. It should be linked to other human resources management processes such as work standards, benchmarks and business goals.

Why undertake performance management?

There are a number of great reasons to review employees' performance:

- Staff will more clearly understand how their work aligns with the overall business goals – what part they play in achieving these goals, what they should be doing and how they should be doing it. Employees are generally more productive, more enthusiastic and more committed when they know how they contribute to the business.
- Under-performance and its reasons (either work-related or personal) can be identified early, discussed and resolved before bigger problems arise.
- Potential skills gaps and appropriate training and skill development can be identified.
- Employees' career pathways can be defined more easily.
- Succession planning opportunities can be identified.
- Employees welcome constructive feedback – a pat on the back for a job well done can increase productivity and commitment.
- A structured, regular performance appraisal or review creates an opportunity for staff to raise issues and concerns, and express their opinions about their work.
- Managers can discuss with employees what it is that they enjoy about their work and what motivates them – for example, achievement, advancement, responsibility, new challenges, learning or financial rewards.
- Absenteeism is likely to be reduced as a performance review process establishes regular communication and feedback with staff.

Managing performance is a good way to check that employees have the right skills, attitude and knowledge that are necessary to achieve your business objectives.



Performance management is most effective when managers and employees work together to identify where training or development is required and where tasks might need to be changed.

Performance management procedure

Here are some basic steps you can follow to manage employees' performance:

- Tell each employee what you **expect** them to contribute, and document this agreement.
- **Inform** employees what the business goals are and how they will contribute to them, for example for client satisfaction measures or weekly sales targets.
- Decide **what** you want to measure – for example, the number of sales made by each individual and each team.

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- Decide **how** to measure it – for example, by tracking the number of sales every day/week/month.
- Give **feedback** to individuals and teams so they know how they're going – for example, put up a graph to show how many sales each team has made in a certain period, say "well done" when you're talking to them and recognise good performers.
- Set up regular **performance appraisal** appointments to discuss each employee's progress. Compare this against their job description and goals. For more guidance on how to carry out a performance appraisal refer to the job performance appraisal template.

Performance appraisal: the process assesses an individual employee's progress towards the achievement of the desired goals or other performance standards.



Template

Job performance appraisal template

– assists in carrying out a performance appraisal.

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- Set **employees' goals** for the coming year and work out if they'll need extra training or support. Using the SMART principle (Specific, Measurable, Attainable, Realistic and Time-based) keeps goals realistic and valid. Ask if their work is satisfying and rewarding, what aspects they like/dislike and seek their suggestions for improvements or requests for professional development. Record this information so progress can be measured at the next appraisal.
- Regularly **measure** the business' progress against the business goals and let everyone know how things are going.
- **Repeat** this process regularly, modifying the goals as your business changes.

Some tips on managing performance

Performance management will be most successful when you:

- have realistic goals and expectations – allow time in everyone's work schedule for regular performance management tasks including performance appraisals
- commit to the process so that managers and staff see it as important, rather than allowing everyday pressures to get in the way
- follow up issues that arise during performance management discussions – otherwise employees will be disappointed and in the future won't genuinely participate
- ensure that you offer praise as well as identify areas that need improvement, otherwise staff may fear the review and think of it as a time when they'll be criticised, rather than supported.

Discussions on performance issues should not come as a surprise during a formal performance appraisal. Performance issues should be dealt with at the time of occurrence and not left until appraisal time.



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Identify what you want employees to achieve in the future

You can use information from past performance to identify what you want for the future.

Know what it is you want. Is it better productivity or efficiency? What are the specifics? Better customer service/higher return custom? Have you considered smarter and more efficient ways of doing business? Whatever it is, make sure employees know what they need to do specifically to achieve your business goals and plans. If your employees don't have a clear picture of what they're working towards and how they need to work differently they'll continue to do what they've always done.

What do you want to measure and how?

It is commonly stated that what gets measured gets managed, so it's important to consider ways to quantify and measure performance. Make sure your measurement tools do, in fact, measure what you aim to measure. For instance, measuring revenue per employee is not a sufficient measure when you also want to know whether your customers are satisfied with the service they receive.

Job descriptions are a good start for deciding what to measure. If constructed well they will give you and each staff member a clear guide of what they are required to do.

Think about the following quantitative measures:

- Productivity may be measured by output over a certain period.
- Customer response times may be measured using a time log.
- Sales volume and profit may be measured monetarily.

Qualitative standards may include factors such as customer satisfaction levels, which may be measured by customer surveys or repeat visitation rates.

Individual or team?

Some performance is based on teamwork. If this is the case then measures should be team based. The performance of the team should be rewarded or corrected. Congratulating or correcting an individual for team responsibilities is neither fair nor productive.

When and how often will you talk with staff about performance?

Performance management is an ongoing process. In principle it should never have a definitive beginning or end point. Managers engage in performance management every day in some form, from encouraging staff who work well and have put in extra effort during the shift/day/project to assisting an employee who is under-performing. The formal appraisal or review should be supported by ongoing informal feedback processes. If you are new to performance appraisals you may choose a structured approach of every six or 12 months. The performance appraisal process should be undertaken for every employee not just those who are not performing.

How will you follow up on the outcome of discussions?

Decide on how you'll follow up on the performance appraisal. Clearly identify and seek the employee's agreement/confirmation of the matters to be followed up and make sure this is done. An excellent way to do this is to prepare an action plan that lists what is to be done, by whom, and when. An action plan is included in the job performance appraisal template.

The action plan can be a useful reference for the next performance discussion. It provides a record for managers (including new managers) and employees to help them quickly identify what has been done and what an individual is striving to achieve.

How will you know that this process is working?

Ask employees if this process helps them to clearly understand what you want them to achieve and how. If your performance targets are not being met or you are not seeing the results you expected, you may need to review what is being done and question whether you are measuring the right things or rewarding the right behaviour. Make the necessary changes but don't abandon the process; it will take some time to achieve the benefits you expect.

How will you sell the benefits of performance management to your employees?

Depending on your employees' past experience, performance management may be seen as a covert or under-handed way of finding reasons to sack someone. Be open and clear about why you want to introduce performance reviews and seek employee

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input. Let them know that the performance management process establishes the links between the business goals and employee's contribution. Another approach could be to explain that performance management is about looking and moving forward and learning from the past.

It should not concentrate on the past. It is therefore important that employees contribute to their performance management through training and professional development. A program that has employee buy-in is more likely to be supported.

Formal methods of performance management

If you want to take your performance management to the next level there are many methods you can use. Some can be purchased as off-the-shelf software programs. Larger businesses might find some of these methods useful; however, they can involve lots of administration and might be too complicated for small business.



Fact sheet

Formal methods of performance management fact sheet – provides a summary of formal methods of performance management; one or more might work well to monitor performance in your business.

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Managing under-performance

There will be times when an employee's work is not satisfactory. While discussing this may be unpleasant, if the poor or unsatisfactory performance is to be remedied good discussion is crucial.

There are a number of steps that may help you manage under-performance.

- Act promptly. Don't let poor or unsatisfactory performance continue without comment as it will be more difficult to resolve if left unchecked – unless told otherwise, employees will assume their performance/work is at the level expected. Also, if the incident is not dealt with, it may set a precedent for other employees.
- Arrange a private meeting to discuss under-performance with an employee.

- Give the employee an opportunity to explain the reasons for his or her behaviour. Under-performance may be due to lack of information and skill, job related issues or personal circumstances. Problematic personal circumstances may be more appropriately dealt with by someone with appropriate skills or through an Employee Assistance Program ([refer to Section 5 – Retain and Support](#))
- Tell the employee what is unsatisfactory and ensure that he or she understands the difference between what they are doing and what you want done. Check that they understand relevant instructions, processes or policy, and performance targets, job descriptions and budgets, for example. Ensure that the employee is given ample time to respond and ensure it is a two-way conversation.
- Agree on how the unsatisfactory performance will be resolved, including deciding on how the employee will develop the skills to do the job to the standard you expect.
- Make a time for review to ensure that both parties are happy with the outcome.
- Ensure at the review that the employee knows whether he or she is now performing to the required standard or still has some work to do.
- Always follow up and give positive feedback when the employee is working as you wish. Managing under-performance should be seen as an opportunity for continuous improvement by the employee. It should be undertaken in a positive manner, which will have greater impact on the employee.

If performance does not improve, you may need to follow this process several times, ensuring you continue to allow the employee to identify the reasons for under-performance and to suggest ways of improving performance. You need to consider what action will be taken if the employee's performance remains unsatisfactory and to inform the employee of these possible consequences – for example demotion, transfer, more training or dismissal.

Procedural fairness in performance management: all possible and appropriate opportunities have been given to allow the individual to access a fair and reasonable process to become aware of and adhere to the standards of performance required by the business.

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This process is appropriate for simple unsatisfactory performance issues. A number of other performance issues are dealt with in the following section.

Managing conflict and disputes

We want to create workplaces where different ideas and different (and presumably better) ways of doing things are expressed. While this might result in healthy debate, effectively managing this process will prevent damaging conflict.

Conflict can occur between individuals, departments or even in one's own mind when, for example, family and work demands may clash. Much conflict occurs because we fail to deal with a problem when it arises. But not all conflict is negative. There are two types of conflict: functional and dysfunctional.



Characteristics of functional conflict

Drives innovation and improvement by challenging the status quo
Is accepted and dealt with by people involved
Creates learning, leading to better workplace behaviour
Creates an environment where disagreements are seen as normal
Keeps businesses fresh because people care enough to fight for what they see as the right thing
People feel free to make their ideas known and bring their opinions to the table without fear of ridicule
People own up to their mistakes

Characteristics of dysfunctional conflict

Is ignored or not dealt with quickly and becomes damaging
Is used to keep employees in a particular frame of mind – for example, being suspicious of others or keeping resources to themselves
No one takes responsibility for resolving issues
Often leads to higher staff turnover and poor workplace relations
Means of managing complaints and grievances are poorly defined and implemented
Fosters a culture of blame and punishment
The organisation or its departments are divided and do not communicate properly

A certain level of functional conflict is good for an organisation as it maintains innovation and encourages continuous improvement in workplace practices. However, where dysfunctional conflict exists, managers should exercise their conflict resolution practices as soon as possible.

Dysfunctional conflict may adversely affect productivity and the general feeling of wellbeing in a work environment.

Conflict and disputes may arise from:

- change in the workplace
- personal or cultural differences
(refer to Section 5 – Retain and Support)
- insufficient resources or competition for available resources
- stress
- ineffective communication
- workplace structure
- inconsistent goals/instructions.

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Some useful techniques on how to approach conflict resolution are provided below.

- Listen to both sides of the argument and ensure you thoroughly understand the issues. Seek agreement of the parties to disregard the incidental and focus on the cause of the problem.
- Avoid hiding behind policies (ensure policies reflect reasonable expectations), pulling rank and personal attacks.
- Try to have the conflicting parties agree on some point and find some common ground.
- Stick to the facts. Do not become party to the argument or accusations.
- Bring an element of calm by assuming the role of mediator.
- Sort out the easy issues first. Gaining agreement on something is encouraging.
- Keep early discussions informal and get both parties to recognise the value of the workplace relationship.
- Be creative in how you approach the resolution. The first solution may not always be the best or most appropriate.
- Aim for a genuine, mutually agreed outcome: try to create a win/win situation.
- Use arbitration as a last resort.

Developing good conflict management and resolution skills can save your business a lot of angst, lost productivity, poor performance and interpersonal grief. It makes good business sense to foster functional conflict (competition) and resolve conflict that takes the focus of employees away from working effectively and efficiently in your business.

Managing employees out of the business

Dismissing employees because of under-performance, lack of work or change in business circumstances (redundancy, downsizing) is a difficult and complex process. Getting it wrong can be costly and damaging to your business.

Employers have particular legal obligations to satisfy in these circumstances. These obligations may vary according to each individual case so it is wise to get advice from your business or legal adviser, or your industry association prior to making any decisions or taking any action regarding redundancy or terminating your employee's employment.

Employee exit – when people move on



Template

Employee exit checklist template – provides an example of areas to consider when an employee leaves your business.

Page 86

There comes a time when the relationship between an employer and an employee ends. Sometimes it's an involuntary separation (termination of employment or redundancy) but at other times an employee just moves on (resignation or retirement).

While an employee's unplanned departure may be disruptive, particularly for a smaller business, it is also an opportunity to obtain information which may be beneficial to the business.

Exit interviews with departing employees are one way of capturing information that ordinarily may not be available to you. Knowing the reason(s) for someone leaving may allow you to make changes in the workplace so that others don't leave for the same reasons.

Exit interviews may reveal things such as:

- working conditions need to be improved
- the actual job or work involved needs to be redesigned
- interpersonal relationships need to be managed better – for example, between individual employees or management
- recruitment, selection and induction processes are flawed or give applicants a distorted view of the job or organisation, for example you did not live up to your promise made at interview
- training and professional development opportunities are inadequate and need to be reviewed
- the management practice is not achieving the required level of productivity and consequently needs to be reviewed
- the job aspects the employee enjoyed the most and the least
- the level of team or organisational morale.

The exit interview should be undertaken like any other

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interview. Find a quiet, comfortable place where you will not be disturbed. Exit interviews are often conducted by a third party, which can allow for a free discussion.

Questions should not be presented like an interrogation, but rather as a means of eliciting information that may be useful to the organisation. Ask questions that allow employees to give as much information as they wish. For example, ask why they are leaving and what would persuade them to stay. If they're going to another employer, ask what attracted them to the new position. This may give you an idea of what benefits/rewards other businesses are offering and may help you to retain other employees.

Sometimes, of course, people won't want to provide this

information, or may tell you what they think you want to hear. This can be frustrating, but giving departing employees the opportunity to have a say is very important. After all, they may be persuaded to come back at a later time, perhaps bringing with them new skills and ideas that may add value to your business.

Consider business security

The exit process should also be managed from a security point of view. Consider what needs to be returned or terminated – for example:

- name badges and identification devices
- keys or pass cards
- portable file storage devices (USB drivers) and other electronic access devices
- work tools and privilege cards such as petrol card or company credit card
- uniforms
- passwords, email accounts.

When an employee is leaving, request the return of such things sensitively, so you don't convey disrespect or distrust.

Also, remind departing employees of any confidentiality clauses that may have been an original part of the contract of employment.

Working out a period of notice is often required. However, where employees have access to commercial-in-confidence information or material, you may need to consider forgoing the notice period. This is especially relevant if the individual is moving on to another business that may be a competitor.

Note: there are rules covering the circumstances in which employees leave without serving their period of notice. Check the relevant industrial agreement/award and seek advice from your legal or business adviser.

Finally, it is important to ensure the exit process is as positive as possible, remembering that former staff will talk about your organisation to family and friends.

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3. Rewarding performance

It's as important to reward good performance as it is to motivate and monitor performance. Reward strategies determine the level and mix of financial and non-financial rewards required to attract, retain and encourage individuals with the skills, abilities and competence necessary to make your business successful. Reward and recognition strategies affect employee attitudes and behaviour.

As outlined in the section on attracting employees in **Section 2 – Attract, Recruit and Select**, it helps to consider the collection of benefits that employees may be looking for. While many of these benefits may be financial (including competitive pay and options for salary sacrificing) there are many non-financial benefits you can provide. The **Motivational drivers** section on page 68 shows that there are a number of factors that may motivate your employees. As a manager you need to understand that what motivates you may not be the same thing that motivates your employees.

Financial rewards

Remuneration

Remuneration: money paid for services or work done.

Having appropriate remuneration or pay structures is important to better attract and retain employees and to ensure equity in your workplace.

There are a number of factors to consider in developing pay levels.

- **Employer-driven (or product-market) competition.**
This places an upper boundary on what employers are willing to pay.
- **Employee-driven (or labour-market) competition.**
This places a lower boundary for which employees will be willing to work.

- **Deciding what to pay.** As an employer, you still have discretion regarding the actual amount paid, over and above legislated minimums (awards and agreements in the workplace). Pay grades or scales provide salary ranges for particular job classifications. Employers can choose to offer a salary within the range at a higher or lower level based on skills and experience.
- **Market pay surveys.** These represent a form of benchmarking, a process whereby a business compares its own practices against those of the competition.
- **Developing a job structure.** Based on the principles of job analysis and evaluation, it is useful to develop a job structure so that the relative worth of various jobs in the business can be compared.

Levels of pay are likely to differ in relation to geographic regions. It is important when establishing or revising pay structures to encourage employees to participate and communicate their requirements and knowledge of the wages within the industry.

Legal requirements relating to wages and employment conditions

Federal and State laws specify minimum wages and conditions of employment. Minimum wages are set by the Australian Government **Fair Pay Commission** and the **Tasmanian Industrial Commission**.

Options for pay structure

There are a number of options for structuring your employees' pay.

- **Job-based pay structure.** This method sets a rate of pay which relates to the job. That is, the particular role and responsibilities of a job attract a particular rate of pay and all employees undertaking that job will receive the same rate of pay.
- **Person-based pay structure.** Where an employee has particular skills or knowledge the pay structure may be based on the value of her/his knowledge and skills and not necessarily on the tasks that he or she will be undertaking. Pay rates may be subject to negotiation between the employer and the employee.

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- **Performance-based pay structure.** These include merit-based profit sharing and group-based profit sharing. Employees may be remunerated depending upon their own or their team's performance against set criteria or goals. For example, where sales exceed a predetermined threshold, the employer may pay bonuses or above agreed rates.

Alternatively, individuals may be paid on a commission, piece rate or production basis. Some employers might share the overall profit with their workforce. Profit sharing allows money to be paid through bonuses, or for public companies via shares.

Remuneration and fringe benefits (including salary sacrificing)

Packaging a total remuneration arrangement can be beneficial to both employees and employers. Packaging can include options such as fringe benefits and salary sacrificing.

A fringe benefit is a payment to an employee, but in a different form from salary or wages. According to the fringe benefits tax (FBT) legislation, a fringe benefit is a benefit provided in respect of employment. This effectively means a benefit provided to somebody because they are an employee.

The term fringe benefit has broad meanings for FBT purposes. For example, a fringe benefit may be provided when an employer:

- allows an employee to use a work car for private purposes
- gives an employee a cheap loan
- pays an employee's gym membership
- provides entertainment by way of free tickets to concerts
- reimburses an expense incurred by an employee, such as school fees
- gives benefits under a salary sacrifice arrangement with an employee.



Salary sacrificing is where part of an individual's salary or wage is forgone in return for other compensation. Instead of paying cash the employer might provide benefits such as:

- extra superannuation payments
- car fringe benefits
- expense payment fringe benefits, such as school fees, childcare costs or loan repayments.

Whatever benefits are provided, they represent the same cost to the employer as wages or salary. While this means of remunerating is becoming increasingly popular and can have a range of advantages (especially in terms of motivation and retention of employees) it may not be simple.

It's important to check what your business might be able to provide in terms of salary sacrificing options. You should always get advice from your financial adviser or accountant before entering into any arrangement as there may be tax implications for the employer and the employee.

For more information on salary sacrificing and fringe benefits contact the **Australian Taxation Office**.

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Non-financial rewards and recognition

Non financial rewards may include recognition, higher status, positive feedback, more responsibility and greater participation.

Recognition is an important non-financial reward which is particularly valued by some employees. Having efforts noticed and valued can be a great motivator and encourage employees to stay with an employer.

Other rewards

Other rewards shouldn't be seen as a substitute for a good pay scheme. They can, however, motivate employees and encourage them to stay with your organisation.

Other types of rewards include:

- extra leave
- Christmas and birthday gifts
- work-life balance benefits such as flexible working hours
- subsidised staff canteens and free tea/coffee
- cinema tickets, subsidised gym or sporting facilities membership
- training addressing personal development rather than simply the skills needed for the job
- gifts for work well done
- subsidised goods or services in relation to suppliers or business networks.

These benefits are valued by employees because they:

- enhance the quality of working life
- reward their efforts and make them feel valued
- add value to the employment contract.

Just remember that there may be tax implications associated with some of these benefits for you and your employee, so check with your accountant.

See [Section 5 – Retain and Support](#) for ideas on benefits and non-financial incentives that will improve your employees' work-life balance.





Checklist – Motivate, Manage and Reward

Tick when complete	Tasks	Templates provided	Page number
<input type="checkbox"/>	Set up a performance management system, including appraisals, and ensure both the employer and the employees have training or attend information sessions.		
<input type="checkbox"/>	Consider what motivates and what would be seen as a reward by your employees and decide how to incorporate these into your business.	Ways to motivate and reward your employees template	82
<input type="checkbox"/>	Consult with employees and/or teams to establish performance management goals.		
<input type="checkbox"/>	Conduct a performance management appraisal for each employee.	Job performance appraisal template	83
<input type="checkbox"/>	Evaluate employees' remuneration to see if it is in line with that of your competitors and government regulations.		
<input type="checkbox"/>	If an employee leaves, carry out an employee exit process using the employee exit checklist.	Employee exit checklist	86

Template – Ways to motivate and reward your employees

Work out the things that motivate your employees and decide how to incorporate these into your business.

For your star performers you might consider making a note of possible motivators in their personal file to help when you do their performance appraisal.

Here is a template to help you to identify some things that might motivate your employees, and to work out ways to include these things in your business to keep these people happy.

Motives: what makes them tick	What this might look like in the workplace	Who is like this within your business?	What you can do to motivate employees
Achievement, meaningful work and the work itself Promotion/self development	Turns up for work early and stays late. Really gets into projects and/or apparently enjoys their work Goes above and beyond what is required to do the job. Seeks recognition of performance and contribution and asks for feedback. Likes learning new things. Enjoys training. Looks for promotional opportunities.		Allow them to continue to do the work they enjoy. Often when people are promoted they find that it's not as enjoyable as their old job, so they leave. Do not assume that all staff are looking for promotional opportunities. Find out what it is they like about their job and give them more of it. Set up regular feedback sessions or a more formal employee recognition scheme. Offer training opportunities either on or off the job. Allow them to learn other roles within the organisation. Groom them for promotion where possible.
Power/ responsibility	Likes being in charge and is good at it. Takes on extra jobs. Likes working on projects. Likes to have their input heard and acted upon. Has an opinion and likes to share it.		Give them projects to manage in addition to their own work. Reward them for achieving productivity gains. Allow them to manage a small team of co-workers. Ask for their input on projects where they can make a visible contribution.
Affiliation/peer approval	Wants to work in a team. Likes social interaction during work. Likes getting a pat on the back from co-workers and managers. Enjoys being popular at work. Avoids conflict and may be too accommodating at times.		Create opportunities for teamwork. Encourage a social element in the workplace. Introduce and support team awards for achievement. Give open feedback that is supported by their peers (such as employee of the month awards). Protect from negative conflict where possible and ensure they are not taken advantage of.

Template – Job performance appraisal

When you conduct performance appraisals with individual employees, it is imperative to have a form to record their progress along with their goals for the future. That way you can track their progress from one appraisal meeting to the next. We've provided a sample appraisal form here. You could modify it to match the headings in your employee's job description.

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EMPLOYEE'S DETAILS

Name

Position

Years/months employed in this position

Date of this review

Date of next review

Reviewer (name and position title)

PROGRESS TOWARDS GOALS IDENTIFIED IN LAST PERFORMANCE REVIEW (IF APPLICABLE)

Goal	Action taken	Completed?	Comments
Obtain forklift licence	Enrolled in course	No	Became sick during course. Theory completed, practical exam will be taken in November.
Build new shelves in storeroom	Designed shelves, bought materials and assisted with construction	Yes	New shelves are great, finished well under budget.

EMPLOYEE COMMENTS AND OPPORTUNITY TO EVALUATE OWN PERFORMANCE

The cash drawer tends to slam shut unexpectedly, therefore I become nervous while using it. I'd be more comfortable if this problem was fixed ...

REVIEW THE MAJOR SKILLS REQUIRED TO FULFIL THIS POSITION'S DUTIES

Check the relevant boxes to indicate the employee's performance in each area. If additional tasks have been performed, ensure these are added here and also to the employee's job description if required.

Task description (taken from job description)	N/A	Poor	Satisfactory	Good	Excellent	Comments
Customer service – help customers				X		
Maintain stock levels					X	
Accept payment		X				Cash drawer often does not reconcile

Template – Job performance appraisal continued

GENERAL COMMENTS ABOUT THE EMPLOYEE'S PERFORMANCE

Jane is well-presented, popular with other staff members and liked by customers. She tends to become flustered when using the cash register and, as a result, her cash drawer is often difficult to reconcile.

ACTION PLAN - GOALS FOR NEXT REVIEW PERIOD

Goal	Action required	Date for completion
Complete forklift operator's course	Complete practical exam	November 2008
Improve cash handling skills so that cash drawer can be reconciled at least 80 per cent of the time	Work with the payroll department for one week.	Improvement expected within one month of this review

ADDITIONAL INFORMATION ABOUT THE ACTION PLAN OR GOALS FOR NEXT REVIEW PERIOD

ACKNOWLEDGEMENT OF PERFORMING APPRAISAL

Reviewer's signature

Employee's signature

Signatures indicate that everyone who participated in this review agreed that information and comments written here were true and correct.

Fact sheet – Formal methods of performance management

There are a number of methods you can use to manage performance. Smaller businesses might find it useful to consider the SMART principle (Specific, Measurable, Attainable, Realistic and Time-based) in developing performance management systems. Here is some information on a number of formal methods of performance management that may be used by small business.

Process	What is it?	Best used ...
Management by objectives (MBO)	A collaborative method, the MBO defines goals and future targets by consultation. Future tasks, behaviour and productivity, for example, are discussed and a SMART plan is created so that both the manager and staff member are aware of what needs to be achieved, to what standard and by when.	Where people are results driven. Where the business uses formal processes to manage performance and where outcomes can be measured accurately.
360-degree appraisal (recognised best practice)	Often used for managers and supervisors, this method gathers feedback from different parties to give an all-round picture of performance. It can give a valuable insight into how the person's work and behaviour is seen by a range of other business stakeholders, not just by the manager. While the principles of this method are very useful, it can be administratively overwhelming for small businesses. If this method would be useful for your business, consider taking the principles and implementing a less formal 360-degree process where informal feedback can be used.	Where time, effort and funding is available. Where it is important to get several perspectives on a person's performance, for example in customer service roles or where the person works across teams.
Self assessment	Just as the name suggests, the individual assesses their own performance to set criteria. This is a good method for identifying where the business' opinion of performance and the individual's opinion are different.	Where there is an interview-style performance management process.
Competency based assessments	Components of competency (skills and abilities) are assessed in this method. Competency can be harder to define in jobs with a high level of ambiguity or where outcomes are not clearly identifiable, such as managing relationships with staff or customers.	Where skills and abilities can be readily identified and quantified. Where there are task-orientated jobs with little or no ambiguity or decision-making responsibility.

Template – Employee exit checklist

When an employee leaves your business it is useful to have a process to follow. You might write a list of tasks like the ones below and include these in your business processes.

Tick when complete	Tasks
<input type="checkbox"/>	Arrange for the person to do a formal handover to someone within the business or to write procedures explaining any complicated parts of their job.
<input type="checkbox"/>	Conduct an exit interview – store this information in the employee's personal file.
<input type="checkbox"/>	File their personal file in a secure location, separately from files of current employees.
<input type="checkbox"/>	Collect their keys, security passes, name badges and business identification.
<input type="checkbox"/>	Collect their uniform if the business owns it.
<input type="checkbox"/>	Collect any tools, electronic devices or other business property they have.
<input type="checkbox"/>	Ask them to clean out their desk.
<input type="checkbox"/>	Delete their computer access and remove all personal files and settings from their workstation.
<input type="checkbox"/>	Remind the person of any confidentiality clauses they might have signed.
<input type="checkbox"/>	If they have been a good employee, encourage them to keep in touch and issue a statement of service (you may consider giving them a verbal reference).