



# Maximizing Productivity & Results

## *Through Performance-Based Bonuses*

*by Scott Samuels*

If your Club does not have a performance-based bonus plan in place for all of your salaried managers, then you are missing out on a major opportunity to maximize your team's performance.

As General Manager/COO, the success that you will achieve at your club will depend largely upon the performance of your management team. Establishing aggressive, yet measurable, performance hurdles will provide your staff with a vital roadmap to reach their maximum potential.

The majority of Clubs that we've consulted with in the past do not have a bonus program in place for department heads. Creating an effective bonus plan is not an easy task. It requires a great deal of time and effort to produce and monitor, however, the end results can be astounding. Providing realistic incentives and bonuses will enhance performance, productivity, employment longevity and increased job satisfaction!

## Tips for Developing a Bonus Plan

- Pay them out frequently! Monthly is recommended, however, you should incorporate quarterly and annual incentives as well.
- Establish hurdles that are measurable and specific.
- Make the bonuses realistic and achievable.
- Make the bonus/incentives simple and easy to understand.
- Make sure managers have an understanding of the targets and hurdles required to achieve any and all parts of their bonus.
- Develop Bonus Plans that will be a "true driver" of performance and where managers can earn a significant amount of money (15-20% of the total compensation package).

## Components to include in a Bonus Plan

**I. Financial Objectives** - *Determine what financial results a manager can impact, either positively or negatively.*

Monthly Bonuses should be attached to performance related items. Make sure your financial bonuses are set up to have your employee focus on both controlling costs and enhancing revenues. Too many times bonuses focus on the bottom line and the manager ends up cutting corners that will hurt your club and be evident to your members. Some financial objectives for a Food and Beverage Director could include - Food Cost, Beverage Cost, Labor Cost, F&B Sales, Catering Sales, and F&B Net Income. Financial objectives for a Director of Golf could include - Guest Fees, Cart Revenue, Pro Shop Revenue, and Pro Shop Net Income. Financial criteria should vary with each position and scope of responsibility.

**II. Performance Evaluations** – *Chart a course for future performance by establishing specific goals and objectives.*

Providing immediate, on-going feedback to your managers regarding their performance is critical. Performance evaluations represent an extremely effective way to establish goals and objectives for future performance. Although somewhat subjective in nature, you can utilize these reviews to establish goals and performance hurdles and create a more concrete method to score the results.

**III. Member Surveys** – *Conducting surveys annually will provide you with a consistent barometer of your management team's performance and your club's success.*

If you are not conducting a Member Survey on an annual basis, you cannot accurately benchmark how your club has performed each year. Contrary to popular belief, there are cost-effective ways to conduct these surveys annually. If used properly, the feedback you will receive from these surveys can prove to be invaluable. Using these surveys in conjunction with an employee bonus program is an effective way to assure your team is working together for a common goal.

**IV. Employee Surveys** – *Conducting confidential surveys with hourly employees will provide insight into a manager's leadership ability.*

Employees truly appreciate the ability to provide confidential feedback and input regarding the performance of their direct supervisors. Too often, this feedback is not proactively sought out and may result in increased staff turnover and decreased employee moral. When conducted effectively, an employee survey can provide you with critical insight into problems and opportunities of a specific department.



## When to Pay Out Bonuses

Immediate rewards are generally the most effective rewards. Paying out portions of the bonuses on a monthly basis provide a motivation to your staff to see the short term “fruits of their labor.” However, monthly bonuses are not possible to do for all performance hurdles.

The results of your Profit and Loss Statements will provide you with the ability to pay out bonuses based on the financial hurdles that you set on a monthly or quarterly basis. The longest period of time that a financial bonus should be paid out, based on the financials, is on a quarterly basis.

Staggering Employee Surveys and Member Surveys six months apart will enable you to pay out these survey bonuses bi-annually. As long as the measurement of prior year versus current year is applied, surveys provide another excellent barometer of a management team’s performance.

## Criteria of an Effective Bonus Plan

For the purposes of this example, we will assume that your club’s fiscal year runs from January through December and that the annual base salary you are paying this specific Department Head is \$50,000 with a 20% bonus potential or \$10,000.

**Criteria:** Monthly Financial Results  
**Amount:** 10% (\$416/month)  
**Paid Out:** Monthly on the 30<sup>th</sup> of the month

**Criteria:** July Member Survey Results  
**Amount:** 3% (\$1,500/year)  
**Paid Out:** August 15

**Criteria:** October Employee Survey Results  
**Amount:** 3% (\$1,500/year)  
**Paid Out:** November 15

**Criteria:** January Performance Evaluation  
**Amount:** 2% (\$1,000/year)  
**Paid Out:** January 30

**Criteria:** Annual Financial Results  
**Amount:** 2% (\$1,000/year)  
**Paid Out:** January 30

The cost of paying out bonuses can be easily justified. You should be able to make these bonuses “pay for themselves” by increasing the projected revenues and net income accordingly. If your club does not currently have a structured bonus plan in place, you may want to begin by offering department heads 10% in year one, 15% in year two and 20% in year three. You could also consider offering this bonus in lieu of your annual base salary increases.

Although it may seem like a lot of work to establish and monitor these hurdles and incentives, you will find that the end result will be a much more focused and productive employee.

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