



**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

---

Construction News InContext | July 2008

## **DEFINE AND REWARD DESIRED BEHAVIORS**

### ***Part 4 of 5 in the “Being a Better Contractor Tomorrow than You are Today” Series***

To recap this series to date we have examined:

- 1) “Looking in the Mirror,” where we asked contractors to examine their own operations and assess their strengths and weaknesses.
- 2) “Goal Setting for Contractors,” where after the prior assessment of where a contractor is, we asked contractors to set measurable goals, and develop strategies to achieve them.
- 3) “Keeping Score for Contractors,” where we encouraged contractors to identify financial and operational metrics to identify and measure “what good looks like” and to use their IT systems to make this measurement systematic.

So now that we have looked at ourselves, set our new goals, and determined what and how to measure success toward those goals, let’s discuss what is possibly the most important, yet unpredictable part of any construction operation—its PEOPLE.

The bottom line for construction employers is you get what you reward. More than any mission statement, what management rewards tells employees what’s really important to the company. If employers value quality, don’t reward employees who cut corners. If employers expect customer service to be courteous and caring, reward a manager who gets repeat business and glowing praise from customers.

Of the rewards offered to construction employees, three of the most powerful are praise, freedom and exposure to top management. Praise is often more important to an employee than any tangible reward. Employees also appreciate being given the freedom to do their jobs as they think best, and the opportunity to be recognized by the top brass.

In fact, the personal thanks from a manager for a job well done is often the most valued incentive a manager can offer employees. Recognizing and rewarding behavior is likely to encourage repetition. In order to have the greatest impact on repeat behavior, recognition should be both public and private.

Another motivational key is to help employees get what they want so that they become self-motivated. Employees will work harder to achieve goals that are personally meaningful versus goals that are imposed upon them. Find out what motivates your employees and align company goals around their personal goals.

What makes praise (recognition), freedom and exposure to top management ideal strategies for employers? All three rewards are free! Although money is a powerful motivator, it’s not usually a lasting motivator and proves to be erratic at best. Money is viewed by most employees as a scorecard to measure achievement and their importance to the organization.

All companies talk about rewarding employees for results, but few really implement compensation plans that provide incentives for measured outcomes. The reason is that Incentive Compensation Plans (ICPs) take organized effort and a written plan to be effective and few business owners feel they have the time or the knowledge to put an acceptable plan in place. Below is an outline that may guide your thoughts on ICPs.

#### Determine the Plan Objectives

- Business Plan
- Compensation Strategy
- Type of Plan
- Eligibility
- Measurement
- Size of Awards
- Plan Administration

#### Mesh the Incentive Strategy with Company Goals

- Mission Statement
- Vision Statement
- Business Plan
- Define Critical Business Issues
  - Establish a Basis for Short-term Objectives
  - Identify Performance Measures

#### Assemble and Interpret Market Data

- Competitive in the Market
- Determine Benchmark Positions
- Look for Trends
- Consistency Across the Firm

#### Balance Incentive Compensation with Base Pay

- Base Salary Eligibility
- Benefits
- Perks
- Bonus Pay

Next month's article will discuss exit strategies for contractors in "Game Over" for Contractors.

For more information about the services offered by Dixon Hughes' Construction Practice, contact us at [construction@dixon-hughes.com](mailto:construction@dixon-hughes.com). Or to contact Mike Trammell, the author of this article, please contact [mtrammell@dixon-hughes.com](mailto:mtrammell@dixon-hughes.com).

*To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.*

© 2008 Dixon Hughes PLLC | [www.dixon-hughes.com](http://www.dixon-hughes.com)

---

*Mike Trammell, CPA is the Member-in-Charge of Dixon Hughes' Western Carolinas Region Construction Practice. This articles contains excerpts from Mike Trammell's presentation at the Dixon Hughes Construction Executive Conference held in Greenville, SC on September 20, 2006.*