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Bonus System and Incentives

From: [Remodeling magazine](#) | Posted on: November 18, 2008

Bonus System

Creating a bonus system that rewards all employees for their involvement in a project.

By: Les Cunningham

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Q: Would you consider providing bonuses for everyone from carpenter to project manager to sales consultant if they bring jobs in under budget?

A: Providing all employees involved with a project a bonus for bringing the project in under budget is one option. However, in your example, administration receives no part of a bonus and, as you know, they can play a very influential role in a job being profitable. Here is another option that you should consider:

1. Make sure that before you pay any bonus, that the client is happy and there is no degradation of the quality of the work.
2. I do not believe that a salesperson should participate in the bonus because they are already being paid for their sales efforts.
3. I would suggest that you include any office staff in the bonus, as their efforts contribute directly to any savings.
4. Split the savings that come from bringing in the project under budget: give 50% to the group of employees and give 50% to the company.

With this type of bonus system, the estimator will have incentive to provide more accurate estimates and the production team will see an increase in their bonuses as a result of the estimators efforts. This will help you achieve your goals because the estimator will produce an exact bid that will be produced by field staff at the numbers estimated. This is and should be the goal of every job you produce. This type of bonus also provides accountability and transparency.

Once you have your jobs coming in on time and on budget, you should offer a portion of the company's net profit that comes in *above* the budgeted company net profit. Again, the employee group would split half of the increased profit over budget and the company would get the other half of the savings.

--Les Cunningham, CGC, CR, CCR, CGRa, is an international business consultant who works with hundreds of companies on an ongoing basis. He has worked as a teacher, commercial airline pilot and owner/manager of his own remodeling business. His firm, Business Networks, specializes in helping businesses become more profitable through interaction with their industry peers.

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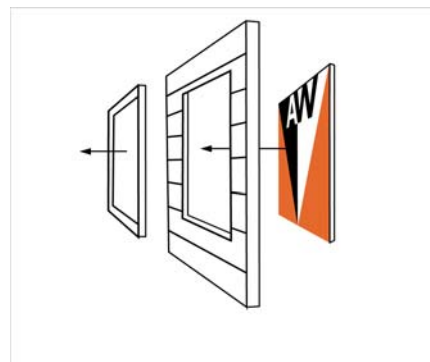
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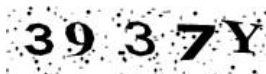
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