

# HOW CAN WE REWARD EMPLOYEE TEAMS WHO DRIVE US TO SUCCESS?

## STRATEGY FOR SARASOTA COUNTY GOVERNMENT

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A multi-disciplinary employee team was assembled to design and implement a pilot goalsharing/gainsharing program as proposed in the competitive assessments for the Sarasota county's water reclamation facilities and to adjust the program for implementation county-wide. As part of several of these assessments, incentive programs were evaluated and a gainsharing/goalsharing system proposed using the "balanced scorecard" system as expressed in the text *The Balanced Scorecard*, by Robert S. Kaplan and David P. Norton. This pilot goalsharing program is currently in progress following endorsement by the County Executive Council and Environmental Services Business Center Executive Team. The pilot program is designed to provide high quality service at competitive costs for the benefit of the customers and as a mechanism for establishing high productivity goals that will enhance operations with a sustained level of excellence. In return for improving services and performance, the pilot program provides a financial reward system to be shared among customers/ratepayers, business centers, business units and the productivity teams. This paper describes the pilot program and the decision process utilized by the Goalsharing Team.

### Introduction

Sarasota County, Florida, is a cultural center and resort area on the Gulf of Mexico having a population of over 300,000 people. The county attracts accomplished retirees from around the country who volunteer their services in a variety of capacities for county government. The citizens of Sarasota County demand high value for the price of county services. Figure 1 illustrates Sarasota County's Business Center structure under the County Administrator.

The Sarasota County Government Executive Council is developing a strategic plan to more clearly define the vision, mission, values and goals of the county organization. Each business center has aligned its vision, mission and values with the county organization and will be aligning business center goals to meet the County's goals from their own perspective. For the 2002 budget year, the county will be establishing performance measures to gauge the success of budgeted programs.

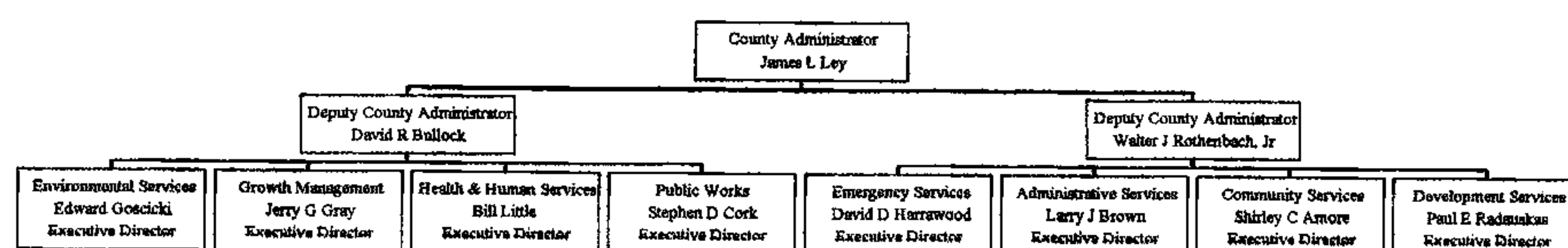
The County Utilities business unit in Environmental Services (see Figure 2) performed competitive assessments in four (4) water reclamation facilities (Meadow Wood, Venice Gardens, Central County and Bee Ridge) and in the T. Mabry Carlton Water Treatment Facility.

To create an environment for high productivity and teamwork, local governments across the nation are studying the implementation of alternative pay and incentives programs for their employees. Each of these programs has strengths and weaknesses depending on the organization's employee performance strategy. Selecting a program aligned with the organization's strategic plan is critical to success.

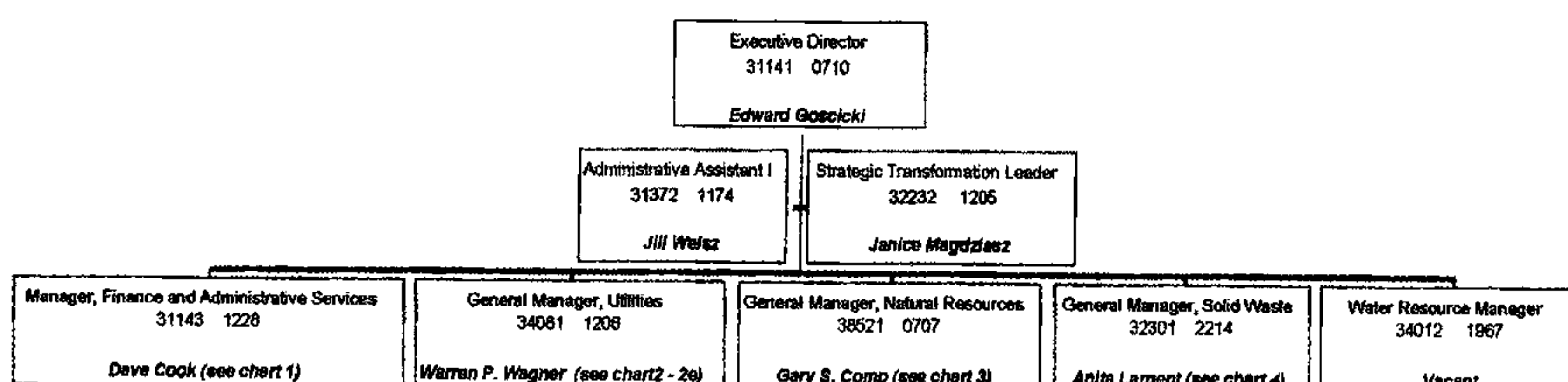
A Gainsharing/Goalsharing Team was assembled to design and implement a pilot program as proposed in the competitive assessments for one or more of these four facilities and to adjust the program for implementation Countywide. The team researched gainsharing programs in place in other municipalities and learned that traditional gainsharing programs focused on cost savings with a portion of the savings being shared by the employees. The downfall of a traditional gainsharing program is that the better the employees become in saving money, the less money there is for the employees to gain. Contact with other governmental agencies indicated that their plans were either modified or they failed because the gains or incentives declined to zero over time or non-utility employees could not reap substantial savings to provide shared employee savings, and they protested the program. The team discovered that a goalsharing program provides the opportunity to provide quality service at competitive costs by creating a system for setting productivity goals, strategies and measures. Goalsharing can have an infinite life expectancy. The team decided to merge the two programs in their pilot program design and changed the team name to the Goalsharing Team.

After the Goalsharing Team received endorsement from the County Executive Council for the Goalsharing Program design, the team learned that negotiations between the county and the union representing the water reclamation facility employees targeted for the pilot program had taken a turn for the worse. The area union representative had attended team meetings, supported the program and was kept informed by the three union members on the Goalsharing Team. This involvement was not enough to overcome the impact of the labor negotiations.

**Figure 1**  
**County Organizational Structure**



**Figure 2**  
**Sarasota County Environmental Services Business Center**



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The Goalsharing Team discussed the options for the pilot program and unanimously agreed to shift the pilot program to the Permit Assistance and Monitoring section of the Natural Resources business unit in Environmental Services. The reasons for the selection of a group from Permit Assistance and Monitoring included: they had representation on the Goalsharing Team, were primarily field employees, and were not in the bargaining unit. This solution allowed the Goalsharing Team members who were in the union to continue to serve on the Goalsharing Team and for the pilot program to advance. The Permit Assistance and Monitoring group targeted for the pilot program performs utilities and solid waste permit assistance activities.

The balanced scorecard approach was selected by the Goalsharing Team for the pilot program design to provide measures that balance the need to anticipate and meet customer expectations, provide training and career growth opportunities for employees, improve business processes to meet product demands better-faster-cheaper than the competition, and to view past financial performance. The advantages of the balanced scorecard are that:

- \* It is a forward looking method as opposed to traditional financial history methods which suffer significant lag time to address declining measures.

- \* It balances many of the conflicting priorities that serve as a basis for decisions.

- \* It aligns departmental and personal goals with organization strategy.

During the pilot program, the Permit Assistance and Monitoring group will establish goals, strategies and performance measures for their section in alignment with Natural Resources, Utilities, Environmental Services and Sarasota County goals and strategies. The Pilot Program Team from Permit Assistance and Monitoring will include employees, their supervisor, and their manager who will develop specific aligned goals, strategies, performance measures and targets from the perspectives of customer, operational excellence, learning and growth, and financial. These targets will be designed to stretch the performance of the employee team. Employees will be rewarded for their performance according to their ability to meet all baseline targets and a majority of the stretch targets as a team. The program design places emphasis on performance excellence rather than cost savings by the teams to ensure the importance of customer satisfaction in providing services, the long-term program viability, and the applicability to all county employees. The pilot program design will be modified through lessons learned in the pilot test. The intent is to produce a flexible team performance driven template that can be customized for implementation throughout the County organization. This system design will provide monetary and non-monetary rewards for team accomplishments, reinforce the organization's direction, stimulate employees to be continuously improving, allow the

organization to respond quickly to changes in customer expectations, and give Sarasota County government the competitive edge.

### **The County's Team**

The Goalsharing Team is comprised of a cross section of representatives from the Environmental Services Business Center and the Administrative Services Business Center. The Goalsharing Team will oversee the technical aspects of the Goalsharing program, monitor the program's progress, approve program submittals and recommend adjustments to the baselines, goals and other program components, approve goal weighting, and approve goalsharing awards for the pilot program. HDR Management Consulting and the Innovations Group, Inc., facilitated the development of feasible models for the Goalsharing Program and served as consultants to the Goalsharing Team. Assistance as needed for the Goalsharing Team, facilitation of the Pilot Program team, and assistance in developing an audit process for countywide program implementation are being provided by HDR Management Consulting and the Innovations Group, Inc.

### **What is Gainsharing/Goalsharing?**

A key to the success of any human resource reward and incentive program is an understanding of these critical issues involving Gainsharing/Goalsharing:

- \* A Gainsharing/Goalsharing Program is not a substitute for a competitive pay structure. Organizations have to pay wages for the knowledge, skills and abilities that employees bring to the job. Goalsharing rewards are for gains in production and efficiency beyond what is considered acceptable. Goalsharing, therefore, is not entitlement. Because the gains are based on performance — sometimes it happens and sometimes it doesn't.

- \* Gainsharing/Goalsharing is not piecework. It relies on total team performance as opposed to the performance of one individual.

- \* Gainsharing/Goalsharing is not discretionary. The goalsharing bonuses are paid when they are earned. They cannot be based on a whim.

- \* Gainsharing/Goalsharing is not the program of the year. The program has to be in place for a number of years to become part of the organization's culture and to create synergy. The program should not be undertaken unless there is commitment from the top.

- \* Gainsharing/Goalsharing is not a panacea. It is a tool for success and it is only as good as the people who use it. It can instill trust and be a positive influence on organizational culture if properly administered.

In order for a program to be successful, the following aspects must be considered:

- \* Trust is an absolute prerequisite. Employees have to trust that they will be rewarded as specified in the program formula. All parties have to be willing to deliver on their promises.

- \* Clear communication is mandatory. There

has to be a clear understanding of the program, how it works, how gains are established and evaluated and how rewards will be distributed.

- \* Expectations have to be clearly delineated. Ideally, staff and management will have collaborated on identifying goals or targets to be met and how success will be evaluated.

- \* Rewards should be based on meeting high priority, strategic goals. Everyone must believe that the gains were important to the operation and to the community.

- \* Gains should be awarded as frequently as possible. Experience has shown that the more direct the correlation between effort and reward, the higher the level of trust and satisfaction.

- \* The public and the media have to understand how the program works and how it benefits the citizen and taxpayer or ratepayer.

### **Gainsharing/Goalsharing Pilot Program Design**

The Goalsharing Team used a template that required answering a series of questions that, when completed, formed the framework for the program. Some decisions made in one element impacted the options of another element.

Through extensive discussions each Goalsharing Team member aired his/her views, the team reached consensus to answer these questions, and thereby addressed and resolved many significant policy issues. The discussion and justification for each choice was documented and included in the Goalsharing Policy to support each component. The final product became the Goalsharing Pilot Program.

### **Goalsharing Funding and Distribution**

It was important to identify who will participate in rewards. The Goalsharing Team concluded that the ratepayer/taxpayer, business unit, employee teams, Employee and business should receive a benefit from any savings goals generated in the Goalsharing Pilot Program. The ratepayer should be the primary beneficiary. The Team believed that a quality program should foster teamwork and that the awards should be given on a team basis. The logic was that the County compensation plan should reward the individual and the Goalsharing Program should reward the team. For that reason the Goalsharing Team believed that the Pilot Program Team should have the ability to influence the reward if it deems that an individual did not participate at an acceptable level, or provided extraordinary support and leadership. A 360° peer review was selected as the best method for making the determination about employee participation with the productivity team.

The Goalsharing Team believed that it is also important to recognize the importance of the support from the Business Center and the Business Units in realizing productivity gains. The Goalsharing team also recognized that the

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# Reward Employee...

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support functions do not generally have the same opportunity as the operating functions for savings. The support functions should have an equal opportunity to develop Goalsharing funds and can do this by sharing in the savings from the operating functions and in developing their productivity gains from within their function.

## Percentage of Distribution

The Goalsharing Team selected percentages that accurately reflect the effort and support required from the various categories in order to have a quality Goalsharing Program.

The funding distribution would be as follows:

Ratepayer	55%
Business Unit	5%
Productivity Team	25%
Business Center	15%

If there are more participants the ratio will be impacted. One consideration is the amount of the award. The amount must be large enough to change behavior but small enough to avoid public outcry. Obviously, in a public environment, public and media opinion is important. For that reason some communities will cap the award.

## Reward for Savings and/or Productivity

The Goalsharing Team supported giving awards based on cost savings and in meeting productivity/performance goals. Savings can be significant during the first few years but will shortly decline thereby reducing the opportunity for gains. The Goalsharing Team believed that sustained quality performance is critical because it can offset future costs. The Goalsharing Team further recognized that some departments and functions have the opportunity for greater savings than others do. This recognition is also critical when attempting to use a Goalsharing program to help create a culture for teamwork and high performance.

The cost to fund productivity/performance improvements should come from allocating some of the funds from the cost savings programs into a Goalsharing Fund, revenue enhancements, and budgeted funding.

## Participants

It was important to designate eligible and ineligible participants to avoid confusion and disappointment in the future. Although all of the circumstances cannot be anticipated many can and it is best to resolve those issues early.

## Eligible employees would be:

- \* Career service full-time employees as defined in the county's personnel manual
- \* Career service part-time employees as defined in the county's personnel manual

\* Probationary employees upon successful completion of their probationary period

\* Employees in a cross training program

\* Transferred employees in good standing and based on the supervisor's recommendation

\* Resigned employees in good standing and based on the supervisor's recommendation

\* Other - disabled, workers compensation, leave of absence in good standing and based on supervisors recommendation

For the Pilot Program, the eligible categories would include the Environmental Specialists, Environmental Supervisor and Resource Management Manager.

## From the many categories considered, the Goalsharing Team selected the following as ineligible employees:

\* Employees who have not resigned in good standing

\* Employees on disciplinary leave without pay

\* Employees who do not receive a meets expectations or better rating on their performance review

## Goalsharing Savings Duration

The Goalsharing Team believed that a quality Goalsharing program should have sufficient flexibility to provide awards in annual gains, long term multi-year gains, gains of less than a year, and others, depending on the circumstances. Goalsharing programs normally provide annual awards for savings gains. Some programs, however, pay awards for gains that span multiple years. The argument is that the rate/payer benefits over multiple years and the participants should benefit as well. Some programs have opted to recognize multiple year savings by providing awards over multiple years by have implemented a gradually reducing scale that terminates the award after a number of years.

## Determining the Gain

The Goalsharing Team supported a pilot

program that rewards the team for meeting all of their baseline targets and at least the majority of their stretch targets. Figure 3 provides an illustrated summary balanced scorecard for two goals developed for one of the water reclamation pilot program facilities.

## Balanced Scorecard Example

All of the goals are important, though it is possible to do well in some and not be successful in others. There are a number of variations in Goalsharing programs for determining how to calculate the gain. The simplest approach is to provide awards based on savings from the budget. Other programs establish a baseline for operations and calculate savings as a variance from the baseline. Another approach is to establish targets wherein the savings are already calculated. If the performance target is reached or exceeded, the award is given. A variation to this approach is to give awards based partially on reaching a target or in meeting some targets and not others.

## Award Frequency

The Goalsharing Team recognized that it is important to have a direct correlation between performance (meeting the goal) and the gain. The Goalsharing Team believed that the awards should be given as frequently as possible in order to build and maintain enthusiasm for the program. The Goalsharing Team supported having the ability to issue awards in all of the following categories: monthly, quarterly, semi-annually, annually and other.

Experience has shown that there are advantages to providing awards frequently. Participants are more conscious of the correlation between productivity and the awards and they are more highly motivated. The correlation between effort and gain tends to be lost when the duration between the two is too long.

Some authorities recommend a combination of awards based on the gains. This approach requires careful consideration about the means for determining gains and how they are calculated in the program design.

Some goals can be readily adaptable to

Figure 3  
Balanced Scorecard Example

Goals	Weight	Target	Actual	Score	Award
Goal 1S Reduce the \$1,000,000 operations and maintenance budget by 5% or \$50,000 in FY 2002 while maintaining compliance with all federal, state and local permits.	20%	5%	5.20%	1	
Goal 2P Reduce the number of reportable events by 20% or 15 events per year without significant budget impacts.	20%	20%	23%	1	
Goal 3P	20%	5	5	1	
Goal 4P	20%	35%	37%	1	
Goal 5P	20%	10	10	1	
TOTAL	100%			5	
Performance Reward Requirements Met?					Yes

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## Reward Employee...

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continuous evaluation and can be eligible for quarterly payments. An example of this kind of program would be a quality safety program that significantly reduces losses due to injuries. Other goals can only be evaluated after substantial progress or at their conclusion. An example of this goal would be a program that required a significant capital project or training program in order to be implemented.

### Type of Goalsharing Award

The primary type of Goalsharing award is cash. Some programs are experimenting with awarding additional or enhanced benefits in lieu of cash such as additional days off or payments into a 401K plan or special training opportunities. In some cases rewards are in the form of additional resources for the operation or department. The bonus could be calculated in the following manner: a precise monetary amount, an amount not to exceed, or an amount based on an allocation formula.

The Goalsharing Team supported having a menu of choices for rewards in a quality comprehensive Goalsharing Program such as cash awards, additional benefits, enhanced benefits, additional resources, leave with pay, adjustments to base pay, special training opportunities and other. For the Pilot Program, however, the team wanted to keep the program simple and recommended only cash awards. An initial allocation has been made to fund the Pilot Program for the six-month test period. Future funding would come from cost savings, revenue enhancements, and budgeted funds.

The Goalsharing Team preferred to utilize a formula that will be developed at the time the goals are established by the Pilot Program Team. The formula would be carefully structured, be approved by all of the requisite parties, and communicated, with the employees before it is implemented. The formula would consider the amount of potential savings and/or the funding source, the program impact, and the distribution formula between the ratepayer and the county.

### Program Administration

In the early years, the administration of a program focuses on the design of the program, establishing procedures, fine-tuning as experienced is acquired, and making policy interpretations. Other responsibilities may include approving the Goalsharing submittals and auditing or certifying the results and awards. Administrative responsibility depends to some degree on the sophistication and span of the program.

The Goalsharing Team supported continuing as the entity to oversee the Pilot Program. Their responsibilities would include auditing the goals on a quarterly basis and making a final determination regarding the amount and degree of goal attainment. The members have invested a substantial amount of time in understanding and designing the Goalsharing Program. They believe that this knowledge will be beneficial with addition of fiscal counsel expert in working with the treatment plant employees and the support services. As the program expands to other functions, the level and representation on the team may change as needed.

## Summary and Conclusions

To create an environment for high productivity and teamwork, public utilities require alternative pay and incentives programs such as gainsharing/goalsharing. Future success of the public sector to achieve customer satisfaction, motivated employees, and operational excellence depend on our ability to identify, design and implement innovative methods. We are forecasting success for Sarasota County government because a team of over 2,000 engaged members would generate an infinite number of ways to improve service and remain competitive.

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