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Recreation and Tourism Series

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Restaurant and Institutional Management

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EMPLOYEE MOTIVATION
AND WORK INCENTIVES
IN THE SERVICE INDUSTRIES



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Employee Motivation and Work Incentives in the Service Industries

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Nearly everyone makes an impression on someone else every day of his life. At the same time, nearly everyone is forming an impression of someone else. It happens in private life, in business, in offices, on farms, in schools, in government — wherever people are involved with people. It happens both unconsciously and consciously, and with a purpose. There is no end to the process.

You, as a manager in the service industries such as the hotel, resort, restaurant, or other travel business, are judged not only by the good meal, the restful night's sleep, or the weekend of fun that your guests enjoyed.

You are judged also by the friendliness of your staff, their alertness, their attitude, how they look, and the way they do their job. What did your staff do to send a satisfied guest or customer on his way or bring him back?

Your success in business will depend on how well you — the manager — build these impressions. How well you do this job depends on how well you can manage people — your employees.

The most important asset of any business is its human family of workers — managers and employees. Increasing the capabilities and productivity of your staff is simply smart business management. From the purely humanitarian standpoint, it is also a moral obligation.

Getting people to work for you and with you as a team — and keeping them working is never simple. However, these skills pay handsomely in many fields. They are an especially important key to your success in the service industries.

MOTIVATION

How to Motivate and Inspire

How do you increase the business value of the people who work for you? Above all, remember that they are people, each one an important part of your business family — not just a cog in a human machine that goes through certain muscular motions every day with time out for refueling and maintenance. Remember that your staff has heart and brains, feelings

and ideas — and is made of the same raw materials as you. Their energies are there to be used for their own good and for yours.

Some ways of harnessing these energies:

1. Seeking and using your employee's own ideas.
2. Keeping employees informed.
3. Expressing personal interest in employees.
4. Instilling pride in work well done.
5. Providing effective supervision.

These techniques are discussed in detail below. They concern various methods of directing your employees toward your main objective — building a profitable business by satisfying guests and customers.

As you put these techniques to use, you will find the job only half begun. The employee still needs more answers to his very important personal question: "What is there in it for me?" This is not a cynical question. It is another way of asking: "How much am I worth?" As owner or manager, you ask yourself the same question? So do your workers. And you must provide answers for them as well as for yourself.

What incentives will you give them? Your success depends on your answer.

Seeking and Using Employee's Ideas

To feel very much a part of the hospitality service business and to be given an incentive, each employee must understand that he is free to contribute ideas. Management must encourage employee ideas and provide the necessary mechanism for obtaining them. Suggestion boxes and idea-discussion employee meetings are a couple of possibilities. Encourage employees to think about problems of the business. Some excellent ideas for their solution may be forthcoming. As manager, carefully consider all ideas, and if adopted, commend or reward the giver. If not adopted, a word of explanation and appreciation should always be given.

For example: Suppose new guest room lamps or bedspreads are needed. Ask the housekeepers to make suggestions. They may come up with usable ideas, and you have alerted them to this opportunity

to contribute. You have built in their minds an appreciation of your thoughtfulness in seeking their ideas about the problem.

Keeping Employees Informed

Successful service industry managers build good attitudes in their employees by keeping them well informed of affairs of the business.

Important methods of informing employees include personal communication, use of a bulletin board, regular employee newsletter or newspaper, individual written notices and meetings.

For example: meetings are one of the best forms of management-employee communication. They should be kept short and purposeful. There are two types of meetings, the *regular staff meeting* and the *problem or opportunity meeting*.

Staff meetings are usually held for supervisors and department heads. However, all employees should be invited to a staff meeting, probably once a month or perhaps once each quarter. Topics could include coming events, business trends, notable achievements, and employee recognition.

The *problem or opportunity meeting* is called when someone has a problem or an idea worthy of consideration and assistance by others in the organization. After the first meeting, the manager usually sets a period of time for considering the problem or idea. The parties get back together for a followup meeting to resolve the matter, having had time to think it over and reach some conclusions. This form of communication and mutual effort contributes importantly to the organization's spirit of teamwork.

These procedures make each person feel important to the success of the business. The employee recognizes his value and sees how his efforts help create success.

Holding regular meetings for the employees is one of the best means of motivating your staff and building self-esteem. The manager can write up the minutes of the meeting and distribute these to all concerned on the same day the meeting was held. This practice summarizes the most important points and makes them readily available for future referral and use.

Expressing Personal Interest

Another way to create motivation is the personal conference held in private with each employee.

For example: managers or supervisors should find time at least once each year to sit down in private with each employee. In a friendly manner, discuss both

business and personal matters. Such talks smooth out problems and difficulties which may be blocking the motivation of the employee. The talks are also helpful to you, the supervisor or manager, as you may receive information which would come to you in no other way.

Suppose Mary, a waitress, seems to have lost spirit and goes about her duties with no enthusiasm. If everything outwardly seems satisfactory, such as health and basic job conditions, the manager should carefully consider the action he will take and then invite her to his office for a private talk.

The first step is to discuss her work. Find out why her attitude towards the job is poor. She may feel a lack of acceptance by other staff workers or feel insecure or discriminated against, or there may be other sources of dissatisfaction or trouble. Personal or family problems may be vexing her. If her problems are business-related, they often stem from feeling "out of things."

In this case, the second step is to get her better acquainted with her working associates, perhaps by involving her in making plans for some special social activity of the workers, appointing her to some committee or asking her to assist the manager in some particular project. This procedure will give Mary a feeling of being someone special, of receiving special privileges which have considerable motivational value. If the problems are of a home or personal nature, perhaps some assistance from a friend of hers or relative could be suggested or arranged to help solve the problem.

Instilling Pride in Work

One definite advantage of employment in the service industries is that much of it is still of a "craft" nature. Craft work with the hands produces a complete finished product that can be admired (with accompanying satisfactions.)

Examples: When the salad girl completes a beautiful and tempting salad, she can take justifiable pride in her accomplishment. The same can be said for the waitress serving a delicious meal and the housekeeper who turns out a clean and attractive room. These are tangible products of work and thus the old-fashioned pride of skilled accomplishment can still flourish in this industry. Management should show public satisfaction with accomplishment by occasionally complimenting and expressing appreciation to the employee for work well done.

Furthermore, increased automation in manufacturing will force a growing number of persons to look for jobs, as the labor supply exceeds the demand. Many will find their way into the service industries.

A job in tourism is often seen as a privilege, since most jobs in this industry have a measure of glamour and excitement. Managers can build pride, and this should be done to keep good workers and attract new ones. Employee status can be elevated by following the suggestions in this bulletin. Respect and pride for all employees is the foundation for increasing status.

Pride in work well done also builds morale. Morale can be defined as an emotional attachment to the business itself. It is the end product of skilled management and is reflected in each individual and in the general tone of all employees toward their employer and towards each guest. When employee satisfactions and needs are being met, excellent morale is the certain result. Morale thus becomes an important indicator of the quality of employee management and should be carefully watched and measured as an integral part of the total management process. Any weaknesses which may appear should promptly receive attention and correction by the manager.

Providing Effective Supervision

The supervisor is the basic managerial element in the business organization. He forms the essential link between the general manager and the workers. The entire organization is dependent on him. He must follow the fundamentals of good management — planning, organizing, motivating, and controlling. Actually, his functions in the latter two are more important than the former, but nevertheless, he does operate within all of the management procedures.

Usually, the supervisor is responsible for the training needed within his department. He owes each person under him the opportunity for training and self-improvement and should be entitled to similar opportunities himself.

The worker must have good and effective supervision to perform to the best of his ability. Poor supervision brings about the opposite results. According to an authoritative source, one-third of all employee job changes can be attributed to poor supervision. Thus, quality of supervision will largely determine the level of employee performance. Since much personal motivation is derived from a competent supervisor, your efforts as manager to improve the quality of supervision will reflect directly in higher employee motivation, achievement, and morale.

Supervisors should be given the opportunity to occasionally "brush up" on improved techniques of leadership. Special courses in supervision and technical aspects of the public hospitality business are offered by the Educational Institute of the American Hotel and Motel Association, Stephen S. Nisbet Building, Michigan State University, East Lansing,

Michigan, 48824. Write for free catalog of courses. Review Extension Bulletin E-484, *Recruiting and Training Employees in the Service Industries*, available from your Country Extension Office (see address in Summary, back cover.)

Here are some check points for testing supervisor effectiveness:

- *What is to be done?*
Do you state clearly what is to be done?
Are materials, tools, and supplies ready or ordered?
Do you indicate what equipment and tools are to be used?
Does employee understand what to do?
- *How is it to be done?*
Do you explain clearly how job is to be done?
Does employee understand the method to be used?
Do you consider if there is a better way to do it?
Do you provide for the employee to use his own judgment?
- *Why is it to be done?*
Do you explain why the job is important?
Does employee understand why you chose this method?
- *Who is going to do it?*
Do you state clearly who is to do it?
Is employee capable of doing it?
How is he likely to react to your instructions?
Does he have enough authority to do it?
Has he time to do it along with other work assignments?
Is there a loophole to permit "buck passing?"
- *Where is it to be done?*
Do you indicate where job is to be done?
If materials or equipment are needed, do you indicate where and how to get them?
- *When is it to be done?*
Do you state clearly when the job is to start?
Is it clear when the work is to be completed?
If urgent, do you indicate urgency or priority over other work?
- *What are your own feelings and attitude toward the receiver?*
Are you friendly but firm?
Do you confidently expect the instructions to be carried out?
- *Did you followup to see if instructions were carried out?*

Faithfully following these guidelines will be of great value to your organization — and to yourself.

WORK INCENTIVES

To effectively motivate, a definite system of incentives or rewards is necessary. Such a system requires a combination of several groups of incentives, the most important of which are:

1. Recognition — both monetary and nonmonetary.
2. Social prestige.
3. Achievement.
4. Self-esteem

Recognition — Monetary

The first thought concerning recognition is usually money. Good pay is vital. However, there are others of major importance — steady work, comfortable working conditions, good working companions, good supervision, the actual nature of the job itself, and opportunities for advancement. Good pay is essential to employee satisfaction and must be carefully considered in all personnel matters. The employee should not feel that he is underpaid. Pay is the best and most tangible form of recognition of the employee's worth to the company.

Besides actual pay increases, other forms of monetary recognition commonly used are a bonus plan, profit-sharing and extra pay for reducing costs (cost-reduction programs).

Bonus Plan

When considering a bonus plan, first think about its objectives:

- To produce extra efforts from participants.
- To favorably direct their efforts.
- To provide extra compensation according to the financial success of the company and department.
- To raise morale and enthusiasm of all the staff.
- To increase the profitability of the company.

Any extra reward system should have the following characteristics:

- Clearly understood and meaningful to all.
- Judged to be equitable.
- Be results-oriented and reflect employee performance. High producers should get the big bonus and low producers a low bonus or none.

- Be closely linked in time to the performance upon which the bonus is based. A quarterly or semi-annual period is suggested, but annual is often used.

- Evaluation should be as objective as possible.

Good communication is an essential element in the bonus plan. When formulating the plan, seek free exchange of ideas. The manager must be willing to listen to employees and make constructive changes in the plan when needed.

Suggestions concerning a bonus system:

- All employees should be eligible.

- If employed in a profit-making department, the bonus should be directly related to the profit of that department. If not in such a department, the bonus formula is determined by the supervisor.

- Overhead expenses, over which the employee has no control, should be considered separately when determining departmental profit. Appropriate statements of revenues and expenses chargeable to the department must be prepared according to an accounting method clearly understood and recognized as fair by all.

- All persons involved in the bonus should be able to periodically measure themselves during the year. (A financial report of some type should be made available.)

Some suggested rules:

- Must be an employee for 1 year before being eligible for a bonus.

- Performance should be objectively rated by supervisor as being unsatisfactory, satisfactory, or superior, etc. If unsatisfactory, he would not be eligible for a bonus and the supervisor would explain why to the employee. If satisfactory, the employee would receive the regular bonus, as determined by formula. If superior, he might receive more, perhaps twice as much.

To determine a bonus for managers and supervisors, use a variation of the bonus plan. A group of major factors needed for success in a given department is outlined — cleanliness, training ability, service, volume, profit, quality, or cost factors. Assign a point value to these, such as "0" for unsatisfactory, "1" for satisfactory and "2" for superior. At the end of each 6 months, the general manager objectively rates the supervisor on each of the agreed upon factors. For example, if five factors were being evaluated, a score of "10" would be the best possible. This total is equated to a percentage for the bonus, such as 20 percent of the base salary. If total point score were "9" the bonus would be 15 percent, etc. Annual salary increases could also be equated to average bonus percentage for the year.

The supervisor or department head might also be awarded a bonus based upon increases in total sales volume. His extra reward could be a percentage of any sales gain plus a percentage of the profit, providing that gross profit amounted to a certain percentage of gross sales. These percentages would be agreed upon by the manager and his supervisors or department heads through mutual discussion and consideration. Thus, subordinates and the manager work out the details of the bonus plan together.

Another possible arrangement is a sliding scale of bonus payments in which increments in sales and profits yield step increases in the percentages of bonus paid.

More information about setting-up bonus plans can be obtained by writing:

Personnel Management Program Service
School of Labor and Industrial Relations
408 South Kedzie Hall
Michigan State University
East Lansing, Michigan 48824

Profit Sharing

Details of any proposed plan should be approved in advance by the Internal Revenue Service.

There are two types of profit-sharing plans — the cash plan and the deferred plan. Some companies have both. This is called "combination" profit sharing.

There are several important considerations in formulating a profit sharing plan.

- The employee must be with the company for 1 year before being eligible to participate.
- The amount received by each participant should be related as closely as possible to performance. Some may receive more and others less. (See applicable concepts and principles under Bonus Plan.)

Under the cash plan, profits to be distributed are paid in cash currently — usually quarterly, semi-annually, or annually. Total profit to be distributed to the employees is usually an amount fixed by a formula. For example, one company's employees receive 33½ percent of net profits before taxes, but not over 15 percent of the payroll.

Under the deferred plan, a trust fund is set up to provide employees with future benefits. The fund is created by contributions from participating employees and from the company, according to a formula. The deferred plan provides retirement, death, supplemental unemployment, health insurance, and disability payments. Also, some plans provide for loan and withdrawal privileges which make possible

immediate financial assistance in time of unusual need.

These plans have a certain advantages: (1) profit sharing tends to become a unifying force drawing management and employees together, (2) such plans are definitely work incentives, since every employee can see that the profitability of the business and his own personal welfare are necessarily related, and (3) each worker has an incentive to be more creative and think of ways to increase sales and reduce or eliminate expenses.

For examples and advice on profit sharing write:

Council of Profit-Sharing Industries
20 North Wacker Drive
Chicago, Illinois 60606

Cost Reduction Program

An alternative to profit sharing which might be more understandable and appealing to certain groups of employees is cost reduction. Every employee knows that when he breaks a dish, for example, there is a cost to the company. If he knew that he would share in the amount saved by the company by being more careful and efficient, he would have much more interest in helping reduce costs.

Here's how the program works. A certain base period for comparing subsequent periods, is established. All expenses in future periods are compared with the base period. Any savings in costs are shared with the employees, usually a certain percentage. The formula used by a steel corporation is a payment of 37½ percent of the savings to the employees. In the service industries, expenses have to be adjusted to the volume of business and inflationary cost increases which occurred during the periods being compared. The relationships can be readily figured and savings determined.

Recognition — Nonmonetary

Nonmonetary recognition can be tangible or intangible. Examples of tangible recognition: pins or plaques for length of service or special accomplishments; announcing a promotion with a story and employee's picture in the local newspaper, or advertisement in the local newspaper featuring pictures of key personnel, highlighting their training, experience, and outstanding services.

Intangible means of recognition are less formal. A kind word of praise: "Joe, the gardens and lawn look just great. We've really got a good grounds' man" builds good will and is recognized by both parties as respect and recognition. Or, take employees out to

lunch at regular intervals, arrange a party for them, such as at Christmas, or send each one a card on his birthday, or when sick.

Social Prestige

Present-day management theory says it is no longer sufficient to satisfy only subsistence needs. Such a policy is too limited to motivate employees enough for today's competitive business conditions. **Superior employee performance will be obtained only when his social and self-esteem needs are supplied on the job.** "More money" often becomes an insistent demand when management is concerned only with satisfying minimum cost-of-living needs. When the "whole person" is involved within an enterprise, the employee is often content with less money than he might make elsewhere, simply because he enjoys his work and experiences self-esteem and accomplishment through his work.

Prestige is built in the relationships between people. Employees, like everyone else, feel a strong need to belong and feel accepted. These are important factors in good employee management. The intelligent and efficient manager carefully considers them when he formulates policy governing work incentives for his business family.

Let's consider the social and relaxation needs of your staff. Suppose you encourage a 10-minute rest break for the housekeepers. If you provide an attractive room where they can sit down and enjoy a few minutes of each other's company and a little refreshment, important social needs have been fulfilled. Employees become better acquainted and develop friendships. Such a management policy encourages employee cooperation and provides incentive to work toward the best interests of all of the employees and the business.

Or, encourage social events or special dinners for: achieving some goal, an employee's retirement, a special event in the life of the business such as the anniversary of the founding date, or similar occasion. You might plan recreation programs, — bowling and softball leagues, swimming, golf, or other group-oriented sport.

Achievement

Ambition falls off when employees do not have enough to do. The only way to solve this problem is to establish reasonable work production standards for each job. Study and evaluation of standards and worker production should result in a reasonable level

of output for each position. Living up to these standards brings a sense of achievement.

Better Placement

Workers will be more productive and interested if they feel they are in the right job, best suited for the occupation in which they are employed, and being used to the fullest capacity. Periodic checks of employee's production and talks with his supervisor will establish his level of performance. Appropriate adjustments in his job assignment help to keep his work up to his capabilities and are of long-term benefit to both worker and employer.

Better Environment

Some places of business look fine from the outside, and to the customer, but much less attractive behind doors in the work areas. This is detrimental to morale. Also, there are indirect, bad effects on habits and sanitation standards. Working areas should be made light, airy, comfortable, orderly, quiet, and clean. Actual tests have proven that morale and productivity are much higher when employees work in pleasant and clean areas than when the work environment is unattractive and depressing.

Self-Achievement, Advancement, Growth

Self-achievement (also called self-fulfillment or self-actualization) tops all other considerations as an additional incentive especially for the more ambitious and resourceful employee.

Simply stated, a person knows he can climb the business ladder as far as his ability can take him.

This incentive is especially powerful for younger members of an organization. To motivate and keep the services of the most intelligent and capable of your younger employees, you must offer opportunity for advancement. Openings for positions of greater authority and responsibility occur from time to time, and each business can offer its own particular inducements.

Self-Esteem

This group of needs differs from others in that it is concerned with the employee's view of himself. Examples are the opportunity for recognition, status in the community, respect, distinction, attention, importance, and appreciation. These are the most difficult needs to provide.

Recognition of achievement as previously described, is a good example of improving an employee's view of himself. Pins, plaques or recognition in the newspaper are excellent ways to denote worth to the company. Self-improvement, hence self-esteem, can be improved by sending your people to special schools or short courses, or paying for home study courses or similar improvement programs.

Enhancing self-esteem improves feelings of self-confidence, strength, worth, and usefulness to the business organization. Denying this need leads to a feeling of inferiority which brings about discouragement.

SUMMARY

These are practical employee management suggestions which will bring about more productive and better satisfied employees. The team approach and provisions for high quality supervision are essential

elements in motivation. Use of specific incentives (rewards) in monetary and nonmonetary forms constitute tangible results for the employee. Employee who are recognized for their worth to the company and rewarded accordingly will multiply this value in guest satisfaction and profits.

Implementing these suggestions in no way implies lack of leadership. In fact, such procedures actually increase leadership ability. Each employee is invited to assist management and is expected to participate in plans and discussions. Thus, management and employees have similar responsibility in maintaining good leadership. By following these recommendations, the manager can build a better management team and strengthen his position as leader.

For further information and assistance, visit your County Extension Office of the Cooperative Extension Service, usually located at the county seat, or write to the School of Hotel, Restaurant, and Institutional Management, Eppley Center, Michigan State University, East Lansing, Michigan 48824.