

BONUS PLAN AND PROCESS CAPABILITY FAQ

WHY SHOULD I CONSIDER A BONUS PLAN?

As your company grows to the next level, a bonus plan (variable pay) is a strategic part of a complete compensation system that rewards and reinforces behaviors, improves talent acquisition and retention, and acknowledges organizational achievement. Components of effective compensation systems:

- ∞ Recognize that monetary reward can change employee behaviors.
- ∞ Identify performance that is measurable. What gets measured gets done.
- ∞ Communicate, communicate, and communicate. Discuss actual vs. targeted performance and include a means to reward positive reactions to difficult circumstances.
What happens when the going gets tough?

“The reward system must communicate to people that a win-win relationship exists between the organization’s desired performance and how its employees are rewarded.” --Edward Lawler, Treat People Right

HOW CAN I USE A BONUS PLAN IN MY BREWING PROCESS?

Bonus payouts should be tied to continuous improvement in the brewing process. Improvement can be quantified by measuring the change in Process Capability. Process Capability (C_p) and the Process Capability Index (C_{pk}) attempt to answer the questions: how well does this process make a product that meets customer expectations, and how likely will it do so in the future? The goal of a bonus plan is to focus on **CRITICAL DECISION MAKING POINTS** and encourage smart, proactive behavior.

HOW IS A BONUS PAYOUT DETERMINED?

Bonus payouts are determined by a brewer achieving/maintaining targeted Process Capability. Process Capability takes all available process data: vendor lot analyses, time and temperature profiles, wort measurements and finished beer numbers to determine how well the process was controlled. Baseline C_{pk} 's are established and then targeted improvements are made upon review.

HOW ARE BONUS AMOUNTS DETERMINED?

Bonus payouts are intended to be meaningful, so a bonus plan can be

- a percentage of base (5% - 25%),
- a single lump sum payment (\$250 - \$5,000),
- an award in the form of a trip or gift.

BONUS PLAN KEY POINTS

- ◆ Improve specific individual performance by conferring ownership of the process.
- ◆ Communicate to and reward individuals for organizational achievement.
- ◆ Create a more competitive total compensation package.



Analysis Laboratory can help you maximize the return from your process data.
You won't improve what you don't measure. Let's look at the numbers, together.