

# Healthy competition

## How to set team metrics

By Carolyn LaWell

Smart Business Tampa Bay | April 2010

Money isn't the answer to every problem, but for Tim Higham it's paid off in employee motivation at Interstate Transport Inc.

Higham instated team bonuses to balance the challenge that CEOs face as their employee count climbs.

"As more employees come on board, you don't have the same kind of close relationship," Higham says. "So [it's asking] how to motivate employees to understand the culture and the goals of the organization when you're more removed from them than you would like."

By using team bonuses, you keep everyone working toward the same goal. An effective process starts by determining what each group of employees can affect and setting metrics and benchmarks, says Higham, the majority owner, founder, president and CEO. For example, if his teams reach the set minimum 10 percent growth for the quarter, they receive 50 percent of that growth as a bonus.

The third-party logistics provider earned 2009 revenue of \$28 million and has 37 employees and 800 additional drivers. *Smart Business* spoke with Higham about how to set team bonuses.

**Set team metrics.** You basically will take the managers within your organization or the supervisors, whatever you call them. You sit down and say, 'OK, this is what we're trying to effect. In this particular department, for example, we're trying to save money. So what kind of program can we put in place where every person has an incentive to save money? ... For every \$1 that we save, let's give 20 cents of it to the team that impacts that. Let's do that in such a way that they're incentivized not to just save \$10,000 but to save \$100,000.'

Because they will beat up the coffee supplier, they will beat up the paper supplier, they'll beat up the phone company on rates in order to put more money in their own pocket.

It depends on what (employees) have the ability to have an effect on. Some people have a direct effect on expenses, saving money, so they are compensated on a bonus perspective by affecting the expenses and lowering those expenses for the items across the board.

Some teams, they have a direct effect on what's the actual cost to the customer so they are provided a bonus based upon gross profit. It's kind of like department by department.



**Tim Higham, founder, majority owner, president and CEO, Interstate Transport Inc.**



If I was to make it in real simple terms, we have essentially two different programs. One is for all the administrative staff that have an impact mainly on expenses, and one is all revenue-generating staff, anyone who affects any way the bottom line, either sales or marketing people. They (receive a bonus) based upon gross profit because that's what they have an impact on.

**Set benchmarks.** That depends on the economy. If the economy is doing very poorly like it was last year, maybe the goal would be, 'Hey, if we can just get the same revenue in 2009 that we did in 2008, for example, or 2010 and 2009. If we can just stay level, then that's almost like a win.'

In business today, again, there's an adage that 'The new level is the old up.' What used to be 5 (percent) or 10 percent, people are jumping up and down and happy if they're just level. It's different depending on the economic environment in your particular industry. And it changes every quarter. We might have a quarter where we have 20 percent growth as the watermark that we're going for.

If you were trying to set some sort of bonus program for the first quarter of last year, you might not have wanted to go for 10 (percent) or 15 percent because the bottom fell out of the world. You might have just gone for, 'Listen, if we can just remain level, then you all get a bonus.'

**Sometimes seek outside opinion.** I have competitors around the country who I'm friendly with. We don't truly compete because they're so far away, but you meet at trade shows.

I will occasionally pick up the phone and ask the CEO of a competitor or a company very similar to ours how they do it. Or I'll run something by them and say, 'This is what we're thinking of doing. Do you think it's a good idea or a bad idea?' They'll often be much better than a consultant because they live and breathe the same problems I've got every day and they provide good input and advice and they do it for free.

**Motivate through message and metrics.** I think this word is used all the time a little too flippantly but the word is communication. You have to communicate your message because if you build a relationship with another individual, if that individual likes you, they'll perform for you.

If you don't have a relationship, then they won't want to perform because they don't know you, they have no reason to try and please the CEO. If they like the CEO and they're motivated by the CEO, they want to have a good relationship with the CEO.

If you can communicate with them, communication as simple as at least monthly meetings with all the employees, e-mails once a week about how well we're doing in certain areas and other areas where we need to improve, then they feel like they're part of the entire team. It's all to do with communication. We have what we call an all-hands-on-deck meeting. We get everybody together at least once a month, and we tell them where we've been, where we are and where we're going hopefully. We try to keep people apprised all the time.

I send weekly e-mails out. ... Not any particular day but they're kind of pep e-mails saying, 'Hey, if I'm looking at last year's numbers for the first week in January, second week in January, we only did this much business. Now we're doing this much business. Keep up the work.'

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