

ONE DECISION OF PROVIDING PRODUCTIVITY-GAIN SHARING

TO BOOST EMPLOYEES' MOTIVATION (PHILIPPINES : SME EXPERIENCES)

[An Interview with Mr. Philip Tan, the president and CeO of Wellmade Motors & Development Corporation on sharing his valuable experiences via APO Programme entitled "Workshop on Promoting Sustainable Economic Growth through Fair Distribution of Productivity-Gains, 10-14 November 2014, Bogor, West Java Province, Indonesia.]



Wellmade Motors & Development Corporation, had initially started its business in trading in 1988 and over 25 years experienced in metal working industry. Wellmade has made a number of diversifications including precision technologies for the engineering services in machining/fabrication/welding of engine and metal component parts. At the early stage of Wellmade business, about 95% of machinery for steel working industries were imported from abroad, but now it manages to manufacture high quality machines by its own. Setting its sights towards an even grander future, Wellmade has franchised its machine shop business in the Philippines and Malaysia. All these expansions are driven by its mission of touching lives beyond profit and guided by its vision to become dominant conglomerated company most admired globally for its quality, technology innovativeness, corporate social consciousness and human resource development. Until today, a total of 120 employees have been working with Wellmade to bring forward the business into the next phase of business sustainability and expansion.

Employee turnover is too high

It is all about how well the employer manages their employees. Almost all SME companies are having a problem of high employee turnover every month. This will ultimately increase the operating cost as employer needs to continuously searching for new talents and develop their skills and competency. **Philip Tan, the President and CeO of Wellmade Motors & Development Corporation** has also facing the same issue of retaining his best

talents in Philippines. "In the past, my workers were simply moved to the other factory who can offer better salary and in the extreme case, some of the Filipinos were willing to migrate to other countries. It is painful for me to keep re-training the new staff. There are costs associated with the process of losing the first employee and then hiring and training the new one."

Moreover, Philip pointed out that the profit margin and customer service were adversely affected by high in employee turnover. "This is due to less

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experienced workers are less likely to sell higher value solution and deliver optimise service." Starting from this moment, Philip had realised that he must take immediate action in preventing his workers from moving out of the factory.

Ingredients to success

It is not doubt that the competitive advantage of a business is determined by its employees. One of the factors in retaining highly motivated employees is by providing reward to compensate employees for their efforts and contributions. This is a reason why, according to Philip, Wellmade Motors & Development Corporation had introduced the productivity-gain sharing scheme that allows employees to receive a share in the financial gains made by the company through their contribution. "This initiative was started in 2004. During that time, I really need a dynamic strategy to recruit and retain highly motivated employees. The productivity-gain sharing is an end result of a well-planned productivity programme, where employees can best excel within a conducive working environment supported by the employer."

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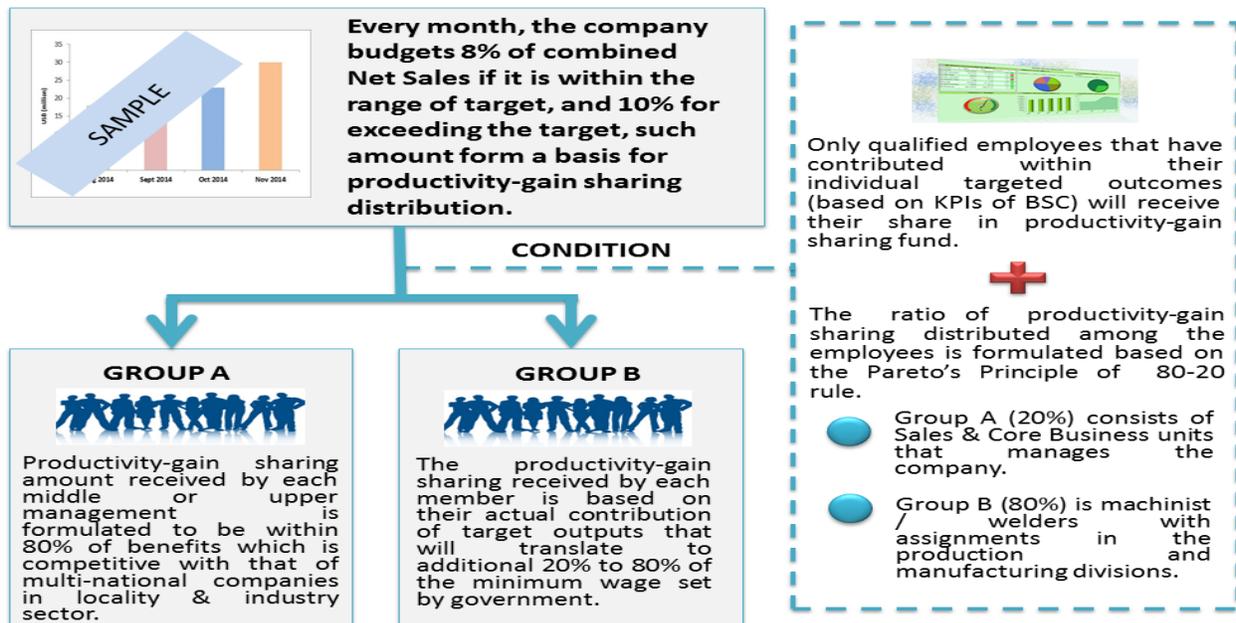
over seniority, gender, race or religion. Phillip further explained, "There are two approaches adopted in rewarding the employees. The first one is depend on their own actual performance versus the planned outcomes. Each department will have their own Key Performance Indicators (KPIs) which is based on the Balanced Scorecard (BSC) approach that covers 4 crucial perspectives of financial, customer, process and learning & growth. The second reward is paid

through individual fixed bonuses based on their personal compliances on quality, 5S programme, on-time delivery and cost ratio factor."

In strengthening this scheme to retain his highly skilled workers from working abroad or move to multinational companies that offer more competitive benefits, he had applied the Pareto's Principle of 80-20 rule. "I will make sure that 20% of the 'core' highly trained employees to gain competitive productivity-gain sharing benefits against if they work abroad or in the multinational companies. This group is categorised under the high compensation package receiver."

The remaining employees will also receive the productivity-gain sharing benefit which is based on their contribution of target outcomes that will be translated to additional 20% to 80% of the minimum wage set by government. However, he added that the outstanding employees from this group can be further

Productivity-gain Sharing Implementation by Wellmade Motors & Development Corporation



honed to become part of the high compensation package receiver. This will motivate and encourage employees to work productively. "I believe in providing continuous yearly training programmes and on-job-training partnering with vocational training academy in Philippines. This is the way of developing and upgrading our staffs' competencies. Moreover, the adoption of systematic productivity-gain sharing scheme will make them loyal to us."

Implementation takes time

The culture shift to embrace this initiative does not occur overnight. It involves a lot of efforts, energies and sacrifices to inculcate these excellent behaviours into the existing culture. Philip shared, "For more than 10 years of productivity-gain sharing implementation, it has evolved from a simple productivity tool to a holistic evaluation system, by incorporating ISO 9001:2008 framework as a policy and BSC as the indicators to measure the actual results against the target outcomes."

The impact from this initiative can be seen in various angles. Employees are motivated to achieve even exceeding the targeted results and by strengthening teamwork among themselves. Commenting on this, Philip said, "Yes, my net sales increased tremendously as the employees have realised that they will gain more if the company's sales grow higher. The productivity-gain sharing scheme is also based on the net sales achievement. This will encourage them to work effectively and efficiently towards

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Mr. Philip Tan

getting more profit to the company."

In fact, all these benefits are fairly distributed among all employees including the 5% of disable workers in the factory, IT and warehouse divisions as well.



Humanised approaches to motivate employees

Other major internal challenge faced when implementing the productivity-gain sharing scheme, he said, "That would be the acceptance of the employees at the first phase of introducing the scheme. They were reluctant to adopt the concept and keep giving excuses when they did not achieve the targeted outcomes."

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In understanding further, where sometimes there will be a situation that his employees are unable to achieve the targeted outcomes, he always uses psychology approach, "I will issue a memo to the underperforming employees for them to explain why they have not received more productivity-gain sharing as compared to the previous month. Furthermore, I will assist them in achieving the expected productivity level."

Philip has also encouraged his employees to have a family and also provides enough wages that will prevent them to work abroad. "The HR department also has invited the spouse to have a discussion on their roles of supporting their partner (which is our employees) and the compensation that they will receive as the reward." Besides that, on first Saturday of every month, he will treat his outstanding employees with breakfast date, and he added "It does not cost me very much and it is good motivation for them. They will go all out to do their best for the company. This is the way of how I have been managing my employees towards attaining their full supports in return and sustaining company's achievement."