

## Season 2 Episode 5 Transcript

Let's talk about paying people bonus. It's the end of the year. Maybe it's on your mind? Let's chat. Hello! Welcome the podcast! Thank you, for joining me. I'm Kris Plachy. Welcome to Leadership is Feminine. I'm gonna take a little bit of a detour off of our seasonal topic, which is CEO magic. Although, I do think, honestly, that having a clear and concise and consistent payment... how-you-pay-people philosophy, is honestly magic because then you don't have to be like thinking about it all the time and wondering, "Am I doing this right?" So, this week in my How-to CEO calls, we're having lot of conversations about: Do I give bonuses? It's the end of the year. And I'm gonna share with you my insight, my experience, what I've witnessed from other clients and then (obviously you get to do whatever you want) ... but I do think it's worth considering like really thinking about what you're trying to do when you say, "Should I pay people a bonus?" So, first of all a bonus is extra, right? Just in and of itself the name indicates (haha) this is extra for you and I'm going to give it to you as extra, right?! So, as we go through our year...ideally, right? This is ideally what we're doing. We've set up roles for everybody. Everybody has goals. Everybody has particular expectations that they're supposed to deliver on as what I say is the promise of their position and then they either do or they don't. The salary that you pay them. The wage that you pay them is to meet those expectations. So, if they meet those expectations, that's not extra. I just want to point that out (haha). That's what you pay them for. Extra is extra! So, the first thing I think we need to do is make sure that we're clear that bonus should be focused on that you did extra, right? Ok. So, I think bonuses, if you're gonna pay bonuses, should be based on individual results. Not on, "We had a great year! Everybody gets a car!" Right? 'Cause there's always somebody or 4 or 12, depending on how big your business is, who is... they're not contributing at the same level as everybody else, but then they get the same bonus? That doesn't seem right to me especially if they didn't even meet their expectations of their role. So, again, and you know? We always have to remember, when you listen to my podcast, what informs my philosophy, right? And what informs my philosophy (about paying people) is that we are paying people for results. Not time. Not skills. Not effort. We're paying them for actual results. So, having said that. When could you pay a bonus? Why would you pay a bonus? I think a bonus (if it's not based on individual results) is a gift and what did we learn when we were children about gifts? We give gifts with no expectation in return. We don't give a gift because we expect a thank you. We don't give a gift because we expect them to be incredibly grateful and indebted to us. We don't give a gift because we think it'll make them work harder, right? We don't do that. And I wish I could say the same was true like we don't accept gifts with the expectation of their being more of them, right? A gift is

a gift! Like that's awesome, right?! When I have been given gifts by friends and family, I'm just happy I have a gift. It doesn't set me up, in my mind, for like, "When's my next gift?" But I think a lot of people that does happen, and I'll talk about that in a second. So, if you wanna give people, yah know, a cash bonus for the holiday. Just because you wanna give it. You wanna give 'em a gift card. You wanna give 'em, you know, a day off. If you wanna... whatever. Do it because it feels amazing to you to give it. Not because you're giving it with some sort of expectation 'cause that's when this thing gets weird, ok? Now, if you're one of those people who sort of does give gifts. And I've coached a lot of these clients. Every year, everybody gets a 500-dollar envelope, right? Or, you know, a gift card or whatever. And then what happens to the client that I'm coaching is then they get mad when people expect the gift. Like "When are we gonna get our bonus? When are we gonna get our gift card?" 'Cause you know people ask, right? Like "Are we gonna... Hey, I'm just trying to plan my Christmas shopping are we gonna get that gift card?" Right? Like it's funny what people do. But they do. And then I watch my clients spin out. They get completely unglued because people are now quote/unquote "acting entitled to a gift." But of course, they are (haha). You keep giving them one with no strings attached, right? So, just know that when you do do that it can happen in an organization where people start to expect it; and I just want to make sure that if you love giving gifts, you love giving gifts because you love giving gifts and you don't really care if they expect it. You don't care if they wait for it. You just love the feeling of getting the gift and giving it to them, ok? Now, I wanna offer you another perspective. I wanna offer you the perspective, again, that where bonus is really rooted in and based on achieving exceptional results. Above and beyond. Extra. So, let's say you have an employee in your business who makes 70 thousand dollars a year and you wanna give them a 3-thousand-dollar bonus, right? And you are basing it on their individual results. So, maybe they get a 3 thousand, someone else gets a thousand, someone else is getting 10 thousand, whatever. One of the things that happens when you pay a bonus is you're paying a bonus based on past performance, ok? So, I'm gonna give you thins 10 grand based on what you already did. So, immediately my business is out that 10 grand. Now, some CPAs, we talked about this on a call yesterday, some CPAs like you to do that 'cause they want the cash off your books, right? But you wanna remember that when you pay off that 10k it's cash out. Goes right into the employee's bank account; and also, remember, that in most locations and most states here in the US; bonus is taxed differently, and it's taxed higher. Sometimes as much as 50%. So, you pay 'em 5 they get 25 hundred, ok? So, then you're out the cash. We go into a new year and their performance tanks. So, you've paid them a bonus based on what they did the last year, but now they're not sustaining their results. Let's just pretend that happens. Or we say to them at the end of the year, "You earned an extra 2 thousand dollars in your comp and I'm going to

add that 2 thousand dollars into your bi-monthly paycheck next year." So, now what I'm gonna do is I'm gonna actually increase your quality of compensation monthly instead of just giving you a chunk of change because what do people do with a bonus? Most people... They spend it. They don't think of it as, "Ooo, this is cool! I have 5 thousand dollars I can now allocate for my compensation!" (haha) They don't do that. They spend it. You know they do. So, when you integrate it into their compensation. You've now increased their monthly wage and you've bumped them from making 70k to 72k or 75k or 80k; and that changes the way people about their job when they're making more money. It's a whole other game. And I think it's much better because then, as the boss, as the person who is managing your resources... assuming you've been through the How-to CEO program. You've developed your leadership skill. You've developed management practices. You have clear accountability structures, Then, now they're making more money... Sure, you've given them a 5 thousand dollar raise, but you're still holding them accountable to their performance. So, if for some reason they just completely go off the rails 3 months/ 6 months in, they may not continue with your business. And you're not out the full 5 grand, ok? But ultimately people want to be paid fairly for their exchange of effort and time, etc. We know that we hire people for results. Employees think they are getting paid for their time and their experience. So, I think it's better, especially as female entrepreneur in the world that we do today... are in today, to be well known for... Recognized for paying well. Offering higher than average compensation packages. Better salaries. It makes you more competitive. It makes you more attractive. I actually think, as long as you pay more, you don't even have to worry so much about all the other bells and whistles unless you want them. So, these are the ways to think about bonus. Like a lot of people are just like, "Should I pay a bonus?!" Like I don't know. Why don't we talk about what your philosophy is about how you wanna pay people. That's much more important. That's gonna inform whether or not you wanna give somebody a gift card. You follow me? So, give gifts if you love to, not because you're expecting something. Bonuses, I think should be based on individual results and my recommendation would be not a big ole cash lump, but add it to their overall comp. And the last thing that I think is also important to talk about is there's a lot of people who ask about different kinds of... SEP and profit sharing and all the different things that people do. And again, I think you can do all f those things. I think there's tax benefits. You need to work with your CPA. I think if you're [a] newer business I would be careful before you start making all these commitments of what you're gonna pay people. You know, a lot of my clients get way over their skis in revenue their first few years because they have a really important/ really powerful products or service, and everybody wants to buy it and they start giving away these great... or providing these great profit sharing plans or SEP IRAs or all the things that we do and then the revenue levels out and that gravy

train sort of slows down and you realize, “ Holy hell! I’ve been doling out cash and I can’t do it this year.” I would much rather see businesses accumulate some maturity and some consistency in their revenue before they start making these big promises to team members about what it would look like. And again, you can take 1 of 2 philosophies. My philosophy is, look, I’m gonna pay you well and I wanna pay you enough so that I think you could invest your own money and you can get your own benefits. I worked in a company for years. I was trapped because I thought I had to have benefits through the company. I was trapped by that belief. It kept me stuck in a corporate job much longer than I should have been. And now...And I’ll never forget. It was my girlfriend Brook, who said to me... this was years ago, you guys. This was 15 years ago. And she said to me... and I said, “What about health benefits? I provide all the benefits for my family.” And she just looked at me across the table. We were sitting at a restaurant here in my town. And she looked at me and she said, “Just make enough frickin’ money that it doesn’t matter.” And it never occurred to me (haha) and I’ll be honest with you. I wanna hire people who want that kind of independence in their life, right? I do think you providing all these things... while I get it. There’s this belief that employers are supposed to like provide everything. I think employers are supposed to provide a competitive living or more so wage for the effort not all the other stuff. That, again, is my philosophy. You don’t have to believe it, but I would invite you to consider what someone could do with the extra 2 grand that you are spending on all these other things. Maybe they could do better with it? Maybe they could do something they would like to do with it? It isn’t your responsibility to make sure they’re investing money for their retirement. It’s theirs. Anyway, that’s my philosophy. So, anyway, lots of things about paying people and I know it can get confusing. And then you go to these events with other entrepreneurs, and you hear all the things people are doing and they all sound very sexy and appealing and, “Ooo, maybe I should try that? That sounds very good. I didn’t know that existed. I’ll look into that.” Right? All of it’s great. Consider all of it, but what matters most is it’s all rooted in your own philosophy and then you put that in place. That’s your business model because it’s the one you believe in. And my clock is chiming. Can you hear that? That’s kinda cool. Anyway, I hope you have had a lovely time during this holiday season, and I think this podcast will drop right as we go into the new year. I will be recording a special podcast for the new year and I’m super excited and honored that all of you have been tuning in. And we will be opening a new How-to CEO. Group starts on January 25<sup>th</sup>. If you are not on the waitlist, go to [howtoceoregister.com](http://howtoceoregister.com) and put your name on there so you get all the information. Another announcement is we will be slowly, but surely pulling our profile information and we won’t be as active on Instagram and Facebook. If you’re not connected with me on LinkedIn, I would encourage you to. And if you’re not on the waitlist or excuse me on our mailing list, I

would encourage you to get on there so that you get our updates and you get our information and I'm gonna be reactivating a blog for female entrepreneurs; something that I've done and sort of put... made dormant. I love writing and I love sharing things with my potential clients and other weomen out there. SO, I'd love for you to be on our list, so you get the updates to the blog as well. So, I've shared just a lot of information in sequence with you, but next year's gonna be really really fun. Really exciting. I've also just opened up registration for the Sage CEO program, which currently you only know about if you're a current client. If you're interested in the Sage CEO, you can actually go to our Instagram profile (@Krisplachycoach). I actually put a video there that explains it and you're more than welcome to go there and then let me know if you're interested in learning more. We'll be getting started in February. Alright, everyone! Thank you so much. Take care and I will talk to you soon.