

SCOTSMAN PUBLISHING

Case Study

Founded in 1994, Scotsman Publishing provides mortgage loan originators with educational materials and content that enhance their productivity and success. Their publications include uniquely organized mortgage–product underwriting matrices and corresponding databases that help mortgage originators fund every plausible deal. Each month it produces two editions of its *Scotsman's Guide*, a free publication distributed to commercial and residential mortgage brokerage offices throughout the United States. In the past five years, the company has grown rapidly – from five employees to its current staff of 25, with year-over-year revenue growth between 50 and 100 percent.

The Challenge

In order to maintain the company's positive growth trajectory, Scotsman General Manager Bob Colliton asked HRnovations to develop a program that would reward employees for enhancing their individual performance and productivity in ways that would directly contribute to the overall success of the company. The program would have to work equally well for employees across the company, whether they were in sales, circulation, or production, and at all levels from front-line to management. It would also have to be easy to understand and administer. Scotsman was looking for something considerably more sophisticated than, for example, a bonus for exceeding sales targets, and the management team needed the advice of an experienced human resources professional.

The Solution

With 25 employees, Scotsman Publishing is too small to support an in-house human resources department. Since 1998, Scotsman has relied on HRnovations to provide all of its human resources functions. A professional employer organization (PEO), HRnovations delivers a wide range of services, including:

- Recruiting, hiring, and new employee orientation
- Career counseling
- Benefits
- Payroll
- Succession planning.

HRnovations had also recently conducted a salary survey and developed a new market-based compensation plan for Scotsman. The incentive program would complement the compensation plan by creating the potential for above-market compensation for any employee who was a superior performer.

The program HRnovations designed aligns employees' individual efforts with the company's overall goals. Bonuses reward employees for work that actually contributes to the bottom line. More importantly, the process of creating company, departmental, and individual goals results in an ongoing conversation at all levels of the company about what things are considered critical to success. Employees have a better understanding of how even the most routine tasks can affect the entire company.

The incentive program starts with a clear identification of company goals. Twice a year, Scotsman's management team meets to brainstorm specific objectives for the next six months. In selecting the 20 to 30 objectives that will be pursued, it is critically important that each employee be able to support at least two to three. Managers determine specific goals for their

departments that will support achievement of the company-wide goals, and then repeat the process with each employee to determine individual goals. At each level, the goals and objectives are measurable, so that it is easy to determine success (and an employee's eligibility for a bonus) at the end of the six-month period.

The Results

Scotsman's incentive compensation program gives every employee in the company an opportunity to participate. An added benefit is that it rewards those employees who are motivated by individual accomplishment, which helps the company to recruit and retain the most productive workers.

In the first year the program was in place, Scotsman achieved 100 percent of its company-wide objectives and employees met 98 percent of their individual goals. Some of the company objectives that were achieved during this period include: completely redesigning the company's Web site to add searchable databases, updating the formats of both publications to better meet customer needs, implementing a new accounting system, and completely updating the subscriber database.

In designing the program, HRnovations was mindful of Scotsman's desire to provide a nurturing and respectful workplace and to provide opportunities for professional growth. The program helps employees at all levels understand how their work contributes to the company's bottom line. By encouraging employees to work together toward a common goal, the company has benefited as much as the individuals have.

"Our success this year demonstrates the value that HRnovations brings to our management team," says Colliton. "They understood what we wanted to accomplish and designed an incentive compensation program that reflects our company values and rewards our employees for exceptional efforts that specifically contribute to the success of the company."