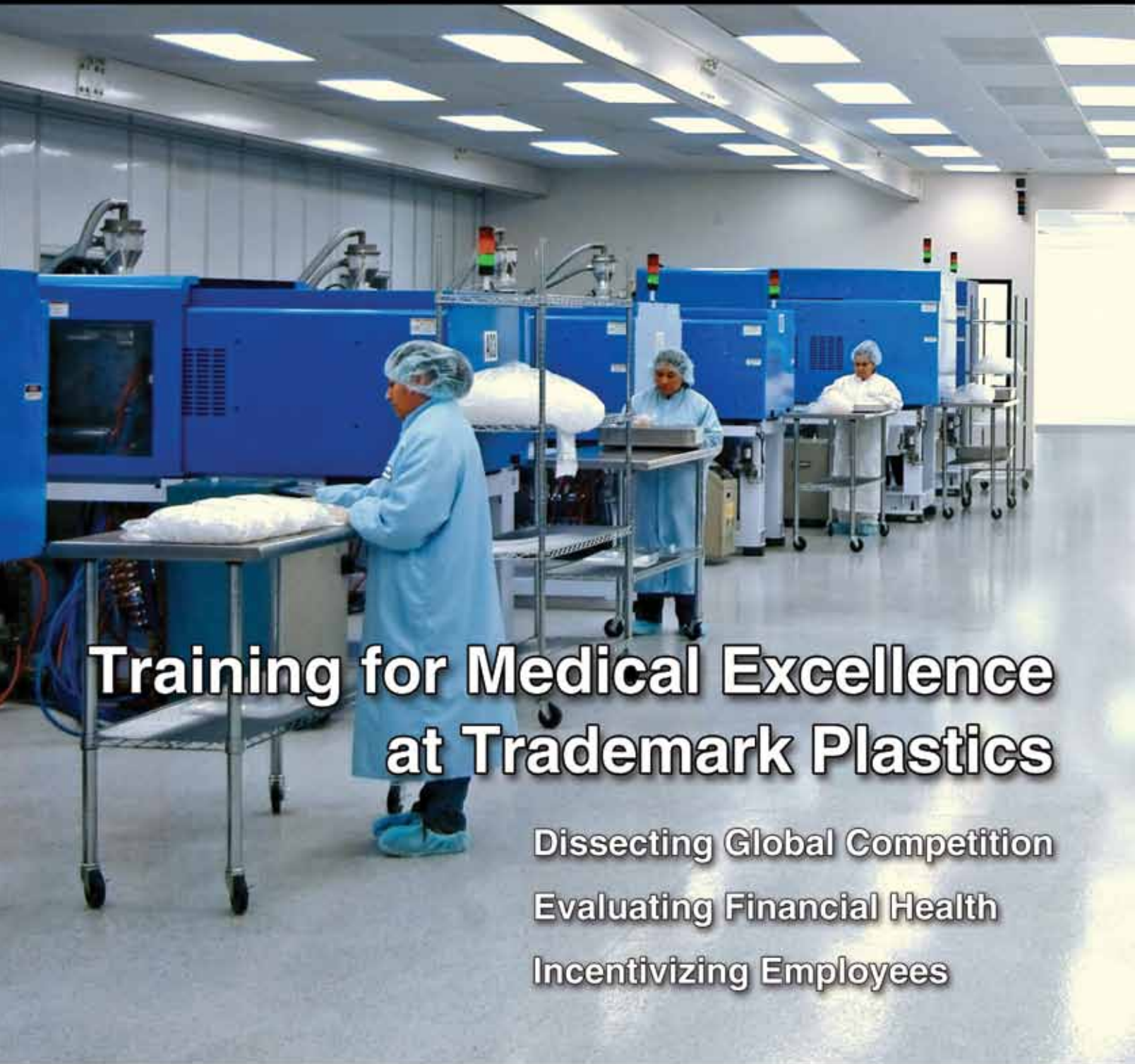




# Plastics Business

Spring 2012 Strategies for Today's Plastics Processors



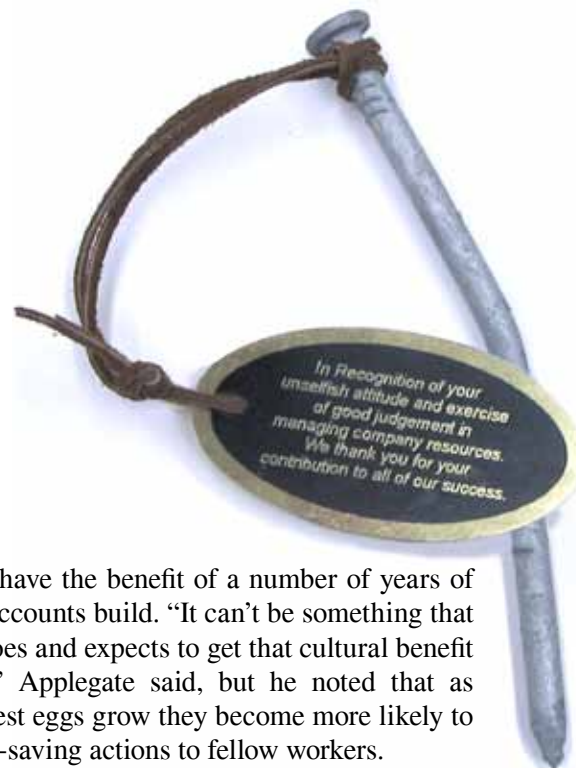
## Training for Medical Excellence at Trademark Plastics

Dissecting Global Competition  
Evaluating Financial Health  
Incentivizing Employees

Official Publication of Manufacturers Association for Plastics Processors

# Incentivizing Employees for Productivity and Quality

by Amy Bauer



Those managing plastics operations – watching the metrics month in and month out – know that increasing productivity and focusing on quality measures, such as reducing waste, speeding delivery times and ensuring safety, has a direct effect on a company's bottom line. The challenge, however, is in transferring this understanding to frontline employees, who may not always connect small daily actions and habits with overall profits.

We spoke with three companies that are employing creative incentive programs to help workers understand the link between their actions and the company's financial results. In turn, employees – and the companies – are reaping the rewards.

## Blackwell Plastics: Profit-sharing plan

"If you take care of people, they'll take care of you," said Jeff Applegate, president of Blackwell Plastics, Houston, TX. The custom injection molder and plastics extruder has had a profit-sharing program as one of the cornerstones of its employee benefits for more than 30 years.

At its discretion, the company shares a portion of its profits annually with employees, and a third-party administrator allocates the funds based on tenure and total annual wages, Applegate described. The Hartford Group manages the funds for employees, who direct where they would like the money invested, much like a 401(k). Unlike a 401(k), employees can't add their own contributions. Applegate said there have been only one or two years that the company hasn't made a distribution.

Employees are eligible for the plan after their first year of employment, with a vesting period of six years. Employees who leave the company before then forfeit the funds. "We chose the maximum vesting period so there's a carrot, there's an incentive for them to stay," Applegate said of Blackwell's 80 employees.

## Tying performance to profits

Implementing a profit-sharing plan is a long-term strategy, Applegate said, and works best when supervisors and

management have the benefit of a number of years of seeing their accounts build. "It can't be something that a company does and expects to get that cultural benefit immediately," Applegate said, but he noted that as employees' nest eggs grow they become more likely to point out cost-saving actions to fellow workers.

Challenges include keeping the plan top of mind and tying daily activity to profits. "Scrap, cycle time, productivity of their work matters and directly impacts the profits of the company, which they share in. If they can see every pellet as a penny and know that they share in that penny, it should help self-police," said Applegate, who highlights various metrics in a quarterly letter to employees.

## Awards honor frugality

Shorter-term positive reinforcement also is part of Blackwell Plastics' toolbox for inspiring employees. The "Bent-Nail Award," based on the adage that one is so frugal as to straighten a bent nail, is something that Applegate created to recognize individual actions. The award is comprised of a bent spike tied to a small metal tag that reads, "In recognition of your unselfish attitude and exercise of good judgment in managing company resources. We thank you for your contribution to all of our success."

Supervisors, and Applegate himself, bestow the "Bent-Nail Award" as they see employees being good stewards of company resources. The awards cost the company only a couple of dollars each, and their effect has been priceless, Applegate said. Some of the brainstorms that employees have been rewarded for include routing internal items in plastic egg crates rather than paper boxes, which cost money to replace as they wear out; reusing boxes for deliveries to regular customers; and seeking out lower cost, nontraditional sources, such as eBay, for replacing expensive fuses used in injection molding equipment.

## i2tech: Importance of at-risk pay

A twist on the profit-sharing model is the Variable Incentive Program (VIP) at injection molder Innovative Injection

Technologies (i2tech) of West Des Moines, IA, which gives employees a wealth of monthly feedback. VIP pays each of its 186 employees a share up to 9 percent of their gross wages when the company reaches financial, quality, safety and other benchmarks. Metrics are measured monthly, and bonuses are paid quarterly. “You can’t get complete engagement throughout your organization without some version of at-risk pay,” said Josh Janeczko, owner and president. “You’re not going to engage employees financially if you’re not going to share with them.”

In 2011, the program paid out in 10 of 12 months, representing \$265,000 in bonuses. And over the nearly nine years the plan has been in place, employees have received the profit sharing in 75 of 105 months, with the company paying out just under \$1.7 million in total bonuses. The company has been profitable for the past 33 quarters, and Janeczko attributes this in part to VIP’s effectiveness.

He and his father, CEO Bob Janeczko, implemented VIP when they purchased the company in 2003 based on their experience



## WE PROVIDE PRACTICAL ADVICE TO THE PLASTICS INDUSTRY.

Your goals are our top priority, which is why we match attorneys with plastics industry experience to meet your greatest legal challenges. For more information, contact H. Alan Rothenbuecher at (216) 394-5075 or [har@icemiller.com](mailto:har@icemiller.com).

Chicago | Cleveland | Columbus  
DuPage County, Ill. | Indianapolis | Washington, D.C.  
[www.icemiller.com](http://www.icemiller.com)

with incentive programs in their earlier careers. Bob Janeczko has a doctorate in education in industrial technology, his son explained. “Teachers are metric-based, and he is big into making sure we have a method and a way to incent employees,” Josh Janeczko said. Each November or December, i2tech’s senior management team sets the budget for the following year. They take care to set up goals that are challenging, but not impossible. “A profit-sharing program is only as good as one that pays,” Janeczko said.

### VIP details

Employees earn a one percent bonus for every percentage point the monthly operating income goal is exceeded, up to a cap of five percent. If an operating income bonus is earned, employees then can earn an additional four percent based on performance in:

**Quality to customers** (up to two percent) – based on monthly reports from clients

**Delivery** (one percent) – based on monthly reporting from customers

**Safety** (1/2 percent) – based on OSHA (Occupational Safety and Health Administration) frequency of incident guidelines

**Housekeeping** (1/2 percent) – based on an audit by a retired quality inspector

If the operating income goal isn’t met, no bonus is paid regardless of performance in the other categories. But Janeczko noted that in months when the income goal isn’t achieved, rarely are the other categories on target, proving the link between profits and quality measures. In the history of the program, 8.5 percent has been the highest payout, with the average bonus just over 3 percent. Annually, employees receive wallet-sized VIP cards printed with the company’s quality policy as well as its monthly goals, to keep the program and its metrics in mind.

The financial incentives are matched with a commitment by i2tech to training and sharing information with employees. Workers participate in half-hour training sessions each Wednesday, and monthly all-employee VIP meetings led by Josh Janeczko review the previous month’s results and highlight ways to improve going forward. His message to employees: “Get involved and understand our business, our costs, our quality. What drives our focus is profitability.”

### Employee buy-in

“You’d be surprised how effective it is when employees know the successes and failures of our company,” Janeczko said. Even sharing small details, such as the \$2,600 it cost to re-key the building when a key set was lost, opens employees’ eyes to the realization that they work in a place that has the same burdens and responsibilities as they have at home.

Janeczko acknowledges that such a program isn’t right for every company. “We’re very open about our financials. It doesn’t work for everybody, especially if you’re not doing well,” he said. “If we were losing money, it would make it harder to share the light. Not that I wouldn’t do that. I think it’s how you turn it around.”

### Deluxe Plastics: Recognizing good work

Within the past year, Deluxe Plastics of Clintonville, WI has taken a close look at its options for motivating and rewarding employees. Peter Blaas, plant manager, says a profit-sharing program is among the company’s long-term goals, but for now smaller, more immediate rewards are engaging the custom injection molder’s 130 workers.

Carl Bartle, operations superintendent, joined the company in fall 2011 and has since created a framework for rewarding employees on a regular and visible basis, such as through its own versions of employee of the week and month: Hero of the Week and Hero of the Month. Employees make nominations, and the management team chooses honorees. The Hero of the Week receives a certificate and a \$30 gift card to a local business. The Hero of the Month is given a \$60 gift card.

Intermittent rewards also are part of Deluxe Plastics’ strategy. For example, Bartle purchased \$200 worth of chamber bucks, redeemable at local businesses, in increments of \$5. He split these among the company’s top four managers and asked them to share the bucks with workers whose actions stand out. Bartle also buys \$10 of vending machine tokens weekly and gives those to supervisors to reward workers on the floor. Small actions that contribute to a more productive environment – keeping a positive attitude, catching an error, relieving someone on a break quickly – are the target.



*At Deluxe Plastics, challenge coins reward excellence and are redeemable for paid time off.*

The newest program Bartle is implementing is modeled after a reward system he experienced in the US Army – challenge coins. Bartle has created customized poker chips featuring the company name and logo on one side and the words “In recognition of excellence” on the other. These coins will be worth an hour of paid time and will be available to supervisors and top managers to hand out. At the time of this writing, Bartle was reviewing the budget and determining the parameters to which that hour of paid time would be subject. He anticipates allowing employees to collect the tokens and redeem up to a half or full day off.

### Improving morale and cooperation

“At this point, the goal is creating that positive interaction between supervisors and employees,” Bartle said. “When a supervisor comes to you, it’s not always something good. Not everybody’s going to be the Hero of the Week, but everybody needs some recognition once in a while.” And while quantifiable results are difficult to ascertain, Blaas and Bartle said the results have been noticeable. “We’re definitely seeing a marked increase in morale on the floor,” Bartle described.

That’s translating into increased cooperation among workers. “We’re more in tune with employee needs now because we’ve broken down barriers to communication between the leaders and the workers,” he said. “People are not afraid to say, ‘I was falling behind and this person stepped up and helped me out.’ There wasn’t a whole lot of helping going on before. People were sticking to, ‘This is my job, so this is what I’m going to do.’”

“It’s easy to go around the factory and look for what’s bad,” Bartle said. “You really have to look for the person that’s going the extra mile – they’re making sure the sticker on the bag is straight or they’re helping a fellow employee.” His advice to companies considering the implementation of a rewards program: “Start small. Recognize individuals. It has made quite a bit of difference, and I don’t think it has to be very elaborate.” ■