

Spiff Up Employee Incentives

by Patrick J. Keogh, President, AMV LLC

The original version of this article appeared in the February 1998 issue of *Government Executive*. Readers are encouraged to read it in the context of the "A Public-Private Partnering Approach to GSA's Existing Leases" appearing on page 13 of the summer edition of *Government Leasing News*. If federal officials can participate in the savings they generate by restructuring existing leases to capitalize on current market conditions don't we all benefit?



Some years ago, while I was visiting an auto salesman friend at his dealership, his manager announced a \$100 "spiff" on a particular make of car for the rest of the day. My buddy explained they had a problem moving that model, and his boss was offering a bonus, or spiff, to motivate the sales force.

Shortly afterward, investment banker David Klinges from Lehman Brothers (now at Mesriow Financial) approached me at the General Services Administration with the idea of refinancing a number of the agency's mortgage-type obligations. With interest rates down, there was an opportunity to refinance \$475 million in old obligations for about \$450 million. The obligations were private financing agreements secured by public buildings around the country.

Mr. Klinges had been unable to get anyone at GSA to act on what he believed was a profitable opportunity. Although the idea was feasible, pulling it off would be complex and time-consuming. The obligations had been entered into 20 years earlier under a special authority that had since lapsed. So, I would need the help of the General Accounting (now Government Accountability) Office. Also, given new rules at the Office of Management and Budget, accounting issues would be raised in getting adequate budget authority for the replacement obligations.

The concept involved selling new obligations to the Treasury Department's Federal Financing Bank. I would need the help of four federal agencies, including GSA, to get the deal done. I knew I would need lots of support in my agency from lawyers, budget and finance people, and the procurement staff.

I remember thinking how much easier things would be if the government had spiffs. I could approach all the people I needed help from and offer them a piece of the bonus we would earn for saving \$25 million. That is what Bank of America or J.P. Morgan Chase would do. But the government is different. Or is it?

Regulations Are Your Friend

The idea was just too good to pass up. Maybe there was something in the rules or regulations that might help. After a long federal career I knew there was more than one way to read a regulation. First, I looked at the Code of Federal Regulations (CFR). The CFR specifically said that the Office of Personnel Management should encourage agencies to make maximum use of their incentive programs to grant "recognition commensurate with the value of the contribution to the government." That could get you into the spiff neighborhood. With that, I investigated GSA's internal orders on implementing the OPM policy. GSA had clearly taken the personnel policy at its word. In fact, the chart below summarizes the awards to be

paid where tangible benefits accrue from an employee suggestion or initiative.

Create savings and you can get a piece of the action. Sounds like the same way my auto salesman buddy works. Applied to the project I wanted to undertake, a \$25 million savings initiative could result in a spiff of more than \$41,000. With that, I approached six or seven key people I would need to help me on the project and offered to name them as participants in the "spiff pool."

A year later, the deal was done and we requested our spiff. It was split between five GSA employees and two at the Treasury Department. GSA officials could not quite bring themselves to give us the full \$41,000, but they gave us most of that amount. The ultimately agreed upon awards were personally acknowledged and approved by no less than the Commissioner of Public Building himself, at that time, Mr. Ken Kimbrough.

The public was \$25 million to the better, and some federal employees had the satisfaction, recognition and compensation for a job well done. Incidentally, a regulation also worked the way it was intended.

I remember people's surprise both in and outside government when I told them about the GSA spiff order. They had accepted the idea that federal employees lack the incentives private sec-

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Award Table	
Savings	Award Amount
\$250 to \$5,0001	10% of savings
\$5,001 to \$100,000	\$500 plus 2.5% of savings over \$5,000
\$100,001 to \$1,000,000	\$2,875 plus .25% of savings over \$100,000
\$1,000,001 or more	\$5,125 plus .15% of savings over \$1,000,000

Source: GSA Order EPA P 9451.2, Sept. 25, 1984

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tor employees have. In fact, the incentives could be surprisingly similar if federal managers wanted them to be. I found directives similar to GSA's at other agencies.

Other agencies have a variety of methods for computing awards and limitations. Many have given strong substance to the OPM policy calling for "recognition commensurate with the value of the contribution to the government."

Why Is This a Secret?

In a time when we are reinventing government, looking to adopt commercial practices and trying to save money, why are federal managers not using the incentive tools they have? Why don't agencies have their spiff programs posted on every bulletin board? One reason is the comfort of the status quo, made easier by declaring that government is different from private business. How often have we heard public officials confronted with a new idea from the private sector say, "that's a very good idea, but we're different and it would not work here. We have our own systems, processes and regulations."

The fact is, many federal agencies have the kinds of bonus programs found throughout the private sector. Managers simply have to start using them.

Those of us with government experience know that award programs tend to be reactive rather than proactive. So-and-so has done an especially good job this year, so he should get an award. Award programs are used to reward hard work and success rather than incentivize change and innovation. Given the kinds of incentive programs already in place, federal managers should instead be saying, "If you save or make money, then here is how we will measure your participation."

If spiff awards were proactive, federal employees would have more incentive to reach out to the private sector for ideas. Employee incentives would be

more in line with the public's desires—make or save money for the public and you make money for yourself. That is the way the private sector works, and that is the way federal regulations allow agencies to work.

Proactive spiff programs would entice employees to challenge the way things have always worked and to reach outside their own area of responsibility to create opportunities.

Nothing would empower the federal workforce more than a broad mandate to promote spiffs for results. Employees know the agencies' operations best. They know where the opportunities are and with whom they need to team. The current passive, reactive way incentive programs are managed empowers managers who dispense awards. A proactive spiff program would encourage employees to empower themselves to earn awards.

There is no shortage of good ideas for improving the government's performance. However, employees lack incentives to implement those good ideas. The failure to embrace a proactive incentive approach feeds civil servants' complacency. In this case, as in so many others, the rules and regulations don't stifle employees. Clearly, the rules and regulations allowing performance incentives are there for federal employees. It is more a fear of initiating the kind of practices that work so well in the private sector that makes the public sector "different."

What to Do

What needs to be done? First, the existing spiff programs should be publicized. Every bulletin board should outline spiffs that can be earned. The incentives should be clarified to quantify the awards, like the programs outlined above. But spiffs should not be given for ideas. There is no shortage of good ideas. The awards should only be earned when the public has received the stated results. And, because employees can get little done alone, spiff sharing

should be encouraged, so employees can come together to get an initiative implemented.

Federal spiff programs should be publicized in the private sector as well. A ton of great ideas are never brought to government or are too readily abandoned. That is because people believe things cannot change where incentives are structured against innovation. Remember, it was an investment banking colleague who brought me the refinancing idea and a car salesman who got me thinking about spiffs. The flow of ideas with the private sector would increase if public employees' incentives were parallel with those of the private workers'.

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Not much has changed since the original publication of this article. The CFR at 5CFR451.103 still requires agencies to develop award programs. Any award over \$10,000 for an individual now needs OPM approval, and awards over \$25,000 now require approval of the President. GSA still has the same spiff table at CPO P 9451.1, GSA Associate Performance Recognition System (APRS), dated 01/31/2005. In addition, individual awards are now limited to 4% of the individual's base pay, although it's not clear whether that is per year or per initiative. There is also now a time-off award that is limited to 80 hours per year. In any event, Federal managers have a powerful tool at their disposal to incentivize employees to capture the enormous opportunities in today's real estate market.

Patrick J. Keogh is the President of AMV, LLC which holds a GSA schedule contract for a wide variety of advisory services, including real estate, financial, development, asset management and legal matters. Pat is the former financial manager of GSA's 1972 purchase contracting program and the program manager of the "Cold War" lease construction program. He can be contacted at pkeogh@amv-llc.com or 703.790.8471.