



ENTREPRENEUR'S CORNER

Volume Four, Issue Four
May 1998

Paying Bounties to Recruit Workers Sends the Wrong Message

by Jack Roseman, Contributing Columnist

You hear a lot these days about finding good employees and keeping them. It may be harder today, but neither has it ever been easy. And I can assure you that success at both finding and keeping them is important for any entrepreneur.

I don't have any magic bullet to offer, but I think one common practice today — offering bounties to employees who convince their friends to come work for your firm—is a mistake. Here's why.

I consulted with one company that paid \$2,000 to any employee who brought in a person who was eventually hired. I argued for zero. The reason I argued for zero is that paying a bonus like that gives your employee the wrong motive for recruiting people to your firm. If this is a friend and he or she wants to do that friend a favor, then the employee should recruit the friend because they think that person will benefit from

coming to work for your company.

If you create an atmosphere where employees are truly happy, then instead of persuading the friend to join the company so the employee can make money, that employee will still do it, but they'll do it out of a genuine desire to help a friend—and their employer too.

Money is obviously important in an employee/employer relationship. But it has a way of seeming more important than it actually is in people's decisions. At Online Systems, I came to honestly believe that it's very rare that money is the reason people leave. They might say they are leaving for money, but that's because people are smart enough to know that they might need a reference. So they don't usually tell you how badly you screwed up managing them.

I've advised in previous columns to push for the real reasons when people decide to

leave. It can help you manage better. Of course the object is to keep them, not go to school on them. And the best way I have found to do that is to create a work environment that people look forward to coming to everyday. So how do you do that?

In the Entrepreneurial Management Program at CMU, I always ask participants if they ever had a job where they really enjoyed at least some aspects of it. At nearly every class I get the same list. People want to learn. They want recognition. They want empowerment. They want to be trusted. They want to do things they find interesting. They want to be part of a team. They want to respect their boss.

We're all human beings, and by and large we all have the same wants and desires. Just keep in mind the things that motivated you when you were an employee. Those are the issues that you ought to

make sure are present in your company.

How do you know when you have succeeded? One way is when your employees are working around the clock. You say, "Jack, you're crazy. How can that be?" Well, if you ask any programmer if they ever woke up in the middle of the night and said, "I know what was wrong with that program," then you've succeeded.

Because that's the attitude employees of an entrepreneurial company need to have. They have to be so excited about what they're doing that even when they're sleeping, they're thinking about work.

I don't know how many programmers we had at Online who were waking up in the middle of the night, but I suspect a fair number. I do know that we were open 24 hours a day, and that in addition to the people required to be there to maintain the computers, you would always find other people there working. And in most cases they weren't getting paid for it. Some were a little behind on their project, but others were what I would call inspired.

We structured work schedules to encourage that. You didn't have to come at a certain hour and leave at a certain hour. As long as you got your work done within budget by the due date, then we didn't worry if you took a Monday or a Tuesday off, because we knew on a Saturday or Sunday you'd be working.

Jack Roseman is the Director of The Roseman Institute. He was the founder of two successful computer firms and was president of a third, On-Line Systems. Jack formerly was the associate director of the Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University's Graduate School of Industrial Administration (GSIA). This column was written with Steven N. Czetli, former Executive Editor of T.E.Q.