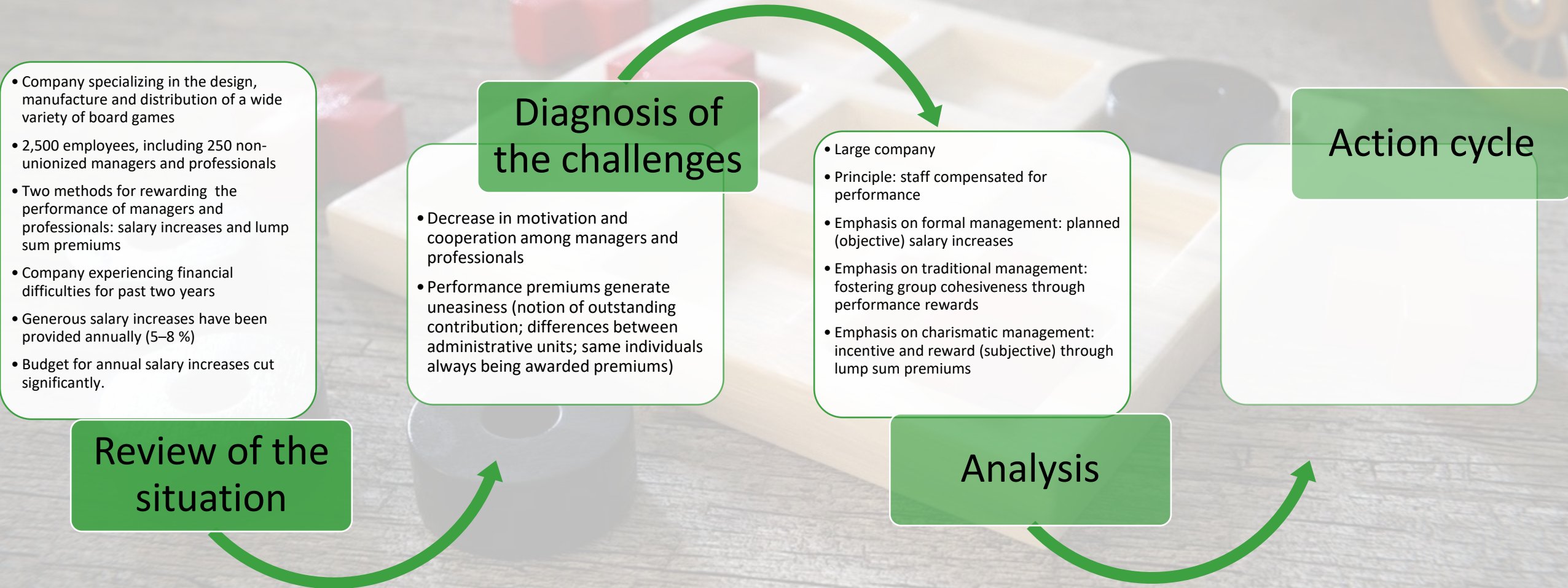


Performance Rewards at Bingo Inc.

A Step-by-Step Case Analysis



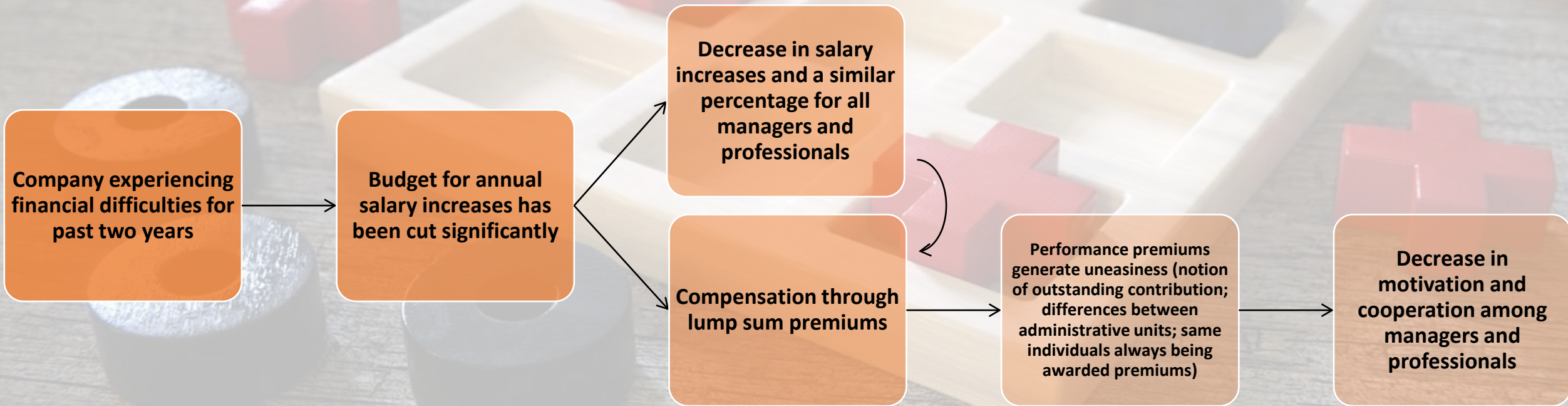
Performance Rewards at Bingo Inc.

Review of the situation

Facts	Interpretations
Company specializing in the design, manufacture and distribution of a wide variety of board games	The company most likely applies a formal management style, with a market-type culture. Profitability and profit are therefore priorities.
2,500 employees, including 250 non-unionized managers and professionals	The large size of the company and its formal management style suggest that equity among managers and employees is an essential <i>modus operandi</i> and an important company value. It is possible for all to demonstrate strong performance.
Two methods for rewarding the performance of managers and professionals: salary increases or lump sum premiums	Rewards for the contributions of managers and professionals to the success of the company is also an important value of senior managers.
Generous salary increases have been provided annually (5–8 %)	Every year regardless of the company's financial situation, this recognition is represented by generous salary increases.
Budget for annual salary increases cut significantly	The company's poor performance has led to cuts in the salary increases generally expected. Adjustments should likely be contemplated in the way the contributions of managers and professionals are rewarded.

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Causal chain



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Challenges and consequences

Challenges	Consequences
Company experiencing financial difficulties for past two years	In times of turmoil, companies tend to adopt a more formal management style, in particular in order to rein in costs.
Budget for annual salary increases cut significantly	The cut in the budget for annual salary increases is having consequences.
Two methods for rewarding the performance of managers and professionals: salary increases and lump sums premiums	Recognition of the contributions of managers and professionals to the success of the company is also an important value of senior managers.
Generous salary increases have been provided annually (5–8 %)	Every year regardless of the company's financial situation, this recognition is represented by generous salary increases.
Budget for annual salary increases cut significantly	The company's poor performance has led to a cut in the salary increases generally expected. Adjustments should likely be contemplated in the way the contributions of managers and professionals are rewarded.

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Analysis of the overall issues

- Does the company's poor performance explain the challenges that have arisen at Bingo Inc.?
- Could the management style at Bingo Inc. explain the company's difficulties regarding the contributions of managers and professionals?
- Could the presence of three management styles (formal, traditional and charismatic) explain the company's difficulties regarding manager and professional contributions?
- Could the different performance recognition practices at Bingo Inc. be at the root of the above-mentioned challenges?

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Analysis of the overall issues

Theoretical frameworks – setting	Facts	Interpretations	Links to the overall issues
Contexts	Company experiencing financial difficulties for past two years		Root cause of the overall issues
Organizational structure	Large company	Indicative of formal management Values: equity among managers and professionals, and recognition of performance	Difficult to properly recognize the contributions of managers and professionals during corporate financial turmoil
Theoretical frameworks – rationale	Facts	Interpretations	Links to the overall issues
Formal management	Performance recognition through salary increases	Indicative of formal management Achieved through objective criteria	Due to cuts in the budget for annual salary increases, lump sum premiums are now being favoured to recognize performance
Traditional management	Desire to foster group cohesiveness among managers and professionals	Indicative of traditional management	Difficult to balance the two methods of recognition
Charismatic management	Desire to reward the performance of managers and professionals, and provide incentives	Indicative of charismatic management Achieved through subjective criteria	Reduced motivation and cooperation among managers and professionals

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Analysis of the overall issues (continued)

Theoretical frameworks – practices	Facts	Interpretations	Links to the overall issues
Planning	Continued application of two performance reward methods for managers and professionals	Indicative of two sets of values connected to formal and charismatic management	Good intentions at the outset, but can generate tensions due to the objective and subjective nature of the two methods
Organizational structure	Disparities in how the company's different administrative units reward performance	Strong desire to recognize the contribution of managers and professionals Disparities in the criteria to be applied for performance recognition	Allows for ambiguous and inequitable situations
Management	Shift on the part of the senior managers of administrative units towards using lump sum premiums to recognize performance	Goal of maintaining motivation and commitment among managers and professionals	<i>Idem</i>
Control	Reduced motivation and cooperation among managers and professionals	Subjective criteria underlie the allocation of lump sum premiums	Feelings of inequity among managers and professionals

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Action cycle

Challenge	Solution	Issues	Feasibility	Potential problems
Existence of two corporate culture paradigms for rewarding managers and professionals	<p>A solution more in line with the situation of the company:</p> <ul style="list-style-type: none"> Deficit operating years: recognition only through salary increases (objective criteria) Profitable operating years: recognition through usual two methods (objective and subjective criteria) 	Maintenance of the two methods for recognizing the performance of managers and professionals	<p>The need to control costs during difficult financial years requires the company to adopt a more rational management style. In this respect, the objective criteria attached to salary increases are universal</p> <p>During profitable years, the senior managers of administrative units may be allowed more latitude to allocate lump sum premiums</p>	<p>Perceived inequity among managers and professionals may persist</p> <p>The following solution might serve to mitigate this negative perception</p>
Perceived inequity regarding the allocation of lump sum premiums (definition of outstanding contribution; differences between administrative units; same individuals always being awarded premiums)	<ul style="list-style-type: none"> Outstanding contribution: concept to be defined Differences between administrative units: the number and value of premiums determined according to administrative-unit size Same individuals: equitable rules to be established (not two years in a row?) 	Build consensus among senior managers on how to enhance premium criteria	Organizational fairness is essential for manager and professional motivation and mobilization	<p>Involvement of managers and professionals in developing solutions?</p> <p>Acceptance by managers and professionals of proposed solutions?</p>

Possible long-term corporate considerations

Financial remuneration is one way to reward employee contributions, but not necessarily the best way. There are many non-monetary methods that can be more effective for ensuring recognition of the contributions of all employees to the company's success.