

Assignment: industrial electronics, inc. essay



My division had another great year last year. We all worked hard, and the results were there. But again we got no reward for our hard work. It's very frustrating. -? Division Manager, General Products Dillon, Industrial Electronics, Inc. Industrial Electronics, Inc. Produced a wide range of electronic equipment, including signal sources, test equipment, communications systems, and various piece parts and subassembly such as motors, generators, and probes. Total annual sales were in excess of \$8 billion.

Ice's stock was listed on the New York Stock Exchange. The company's objective was to maximize shareholder value. In most of its business areas, IEEE had to be innovative to stay ahead of the competition. However, price competition was also significant, so the company also had to maintain tight control over costs. The company was organized by product line. Its 16 relatively autonomous dollops were managed as profit centers. The Dillon managers reported to one of four Business Group managers who, in turn, reported to the company's CEO.

Thirty managers, including all line managers at the level of division manager and above plus key corporate staff managers, were eligible for an annual management bonus award. (Many lower-level employees were included in a separate "management-by-objectives" incentive plan.) The management bonuses were based on company-wide performance. Each year, a bonus pool equal to 10 percent of the corporation's profit after taxes in excess of 12 percent of the company's book net worth was set aside for assignment as bonuses to managers. This amount was divided by the total salary of all the executives eligible for a bonus.

This yielded an “ award per dollar of salary. ” The maximum bonus paid was 150 percent of salary. Historically Ice’s managers had been earning bonuses that ranged from of 30-120 percent of salary, with the average approximately 50 percent. But because of the recession in the years 2000 and 2001, the bonus pool was zero. Complaints about the management bonus system had been growing. Most of them stemmed largely from division managers whose divisions were performing well, even while the corporation as a whole was not performing well.

These managers believed hat the current bonus system was unfair because it failed to properly recognize their contributions. The quote cited at the beginning of the case was representative of these complaints. Assignment given to the manager of each of the following four divisions under the proposed new bonus system.

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