

Developing management skills - 8th edition david a whetten and kim s cameron

[Business](#), [Management](#)



Developing Management Skills Organizations implement incentive plans for a number of reasons including increasing costs of labor, enhancing the competitiveness of product markets, slowing advances in technology and potential for production bottlenecks. These are some of the commonly cited reasons for incentive plans. However, the contemporary argument is that organizations implement incentive plans because of their focus on pay-for-performance and linking compensation rewards to the goals of the organization (Whetten and Cameron 88). Managers assume that creating a link between compensation rewards and organizational goals will make employees take full control of their jobs hence improving their efforts and overall job performance.

According to Navistar International's incentive plan, the plan aims at enabling the organization and its affiliated company subsidiaries to attract and retain employees with high qualifications and skills. Additionally, the company's incentive plan aims at attracting consultants and non-employee directors who have exceptional skills in the operation of the company (Whetten and Cameron 90). The company is focused on providing its key employees occupying major positions an opportunity to earn incentive awards in line with the quality of their individual performance and achievement of performance goals.

In line with the above mentioned organizational goals, the company has designed a number of compensations for its different categories employees. The company has different levels of employees defined by their tasks and responsibilities (Whetten and Cameron 95). The awards for performance depend on the performance of employees and their level of employment as

stated earlier on. The objective of the company is attracting and retaining exceptional talent through attractive compensation packages. The incentive plan for the company is designed in such a way that employees with greater responsibility receive higher compensation compared to employees with less responsibility. This is because employees with greater responsibility have higher skills and talents and the organization is keen in attracting and such a group of employees in order to improve and maintain good performance.

How the incentive plans assist the organization in achieving its goals

The organization's incentive plan is based on pay-for-performance. The organization provides for the establishment of a committee that is responsible for the evaluation of employee performance and recommendation for compensation. Since the organization aims at attracting and retaining exceptional talent and skills, the pay-for-performance incentive plan ensures that there is the identification of good performance and rewarding of the skills. The organization is able to enhance performance among its high performing employees and at the same time encouraging low performing employees (Whetten and Cameron 96). The plan outlines the rewards and expected performance from individual employees. This ensures that each employee is committed to the overall goal of improving organizational performance.

Employee performance is measured on an annual basis and incentives provided on a fixed basis during the year. This is effective in improving organizational performance because the organization has adequate time for the measurement and determination of employee consistency in their performance. The period of twelve months is adequate for the organization

to determine the level of performance and level of compensation for the different levels of performance (Whetten and Cameron 95). As noted earlier on, the organization outlines different incentives with different levels of performance. For instance, managers and directors are entitled to stock options upon the achievement of a specified organizational goal such as improving revenues by 20 percent.

The pay-for-performance incentive plan is effective in improving the overall performance of the organization because positive performance is rewarded and negative performance punished. Employees stand a chance of getting a promotion upon their accomplishment of predetermined goals and also face demotion for failing to achieve organizational goals (Whetten and Cameron 96). It is obvious that employees like promotions and rewards as opposed to demotions. This creates a sense of commitment to organizational goals hence improving organizational performance.

How the incentive plans limit the organization in achieving its goals

Navistar Internationals incentive plans have been effective in improving the achievement of organizational goals to some level. However, the incentive plans have also in some way limited the organization from achieving its goals. Firstly, the organization's incentive plans have failed to address to satisfy the needs of its employees. Employees have different needs that influence their levels of motivation towards improving their performance.

According to Abraham Maslow's hierarchy of needs, employee needs include psychological, safety, love/belonging, esteem and self-actualization (Whetten and Cameron 98). The organization's incentive plan is majorly centered on meeting employee needs for self actualization and self esteem while ignoring

the other needs. The plan offers managers huge compensations in form of stock options and bonuses while ignoring employees at lower levels who crave for the satisfaction of their needs for safety and belonging.

The second factor is that the management failed to give adequate attention in designing and implementing the incentive plan. The outlook of the plan is basically centered on attracting and retaining top level management while ignoring the need to nurture new talent. In such a case, the organization is spending a lot of resources in making compensations for the top management at the expense of nurturing talent at low costs (Whetten and Cameron 100).

Work Cited

Whetten, David and Cameron, Kim. Developing management skills. New York: Prentice Hall, 2007.