

Customizing bonus pay plans

[Business](#)



Operating employees should be included in the development and use of incentive programs due to the fact that these types of programs promote pay equity, raise motivation among the workers, and can positively contribute towards increasing productivity (Schermerhorn, Hunt, Osborn, 2003). The use of incentive programs can be designed to allow employees to benefit and receive incentives if the performance of the company goes up. It is logical and cost effective to pay the employees more if the firm's net income increases. Incentives are a good and effective way to reward employees for their efforts. Both individual and group incentives can be used to motivate workers. One of the cons of the use of individual incentives is that it can create interpersonal conflict due to competition among the workers. A negative aspect of group incentives is that sometimes many employees receive additional compensation benefits without providing any effort since they rely on the efforts of others to achieve the productivity goals.

The individual performance modifier identified by Towers Perrin was incentive plans in which the performance was linked to a company wide measure and distributions were made from a pool in proportion to salary. The use of the scorecard approach is more appropriate for companies in the manufacturing sector or firms that have a wide variety of products to offer. Companies or professionals that offer intangible services such as stylists or consultants are not suitable for this assessment tool. Firms with many employees can benefit from the application of this tool because it can be used as a metric to evaluate the individual performance of each employee.

References

<https://assignbuster.com/customizing-bonus-pay-plns/>

Schermerhorn, J., Hunt, J., Osborn, R. (2003). Organizational Behavior (8th ed.). New York: John Wiley & Sons.