

# Performance measurement and control essay examples

[Business](#), [Company](#)



## **Performance Measurement and Control**

### Company Profile

Heineken International, a Dutch brewing company founded in 1864 and its headquarters are located in Amsterdam, Netherlands. Since its inception, the company has grown and expanded its business to over seventy countries with 125 brewing companies' worldwide. Heineken International is the third largest brewer world wide in the beverage industry. It deals with beers and lagers ranging from Tiger Beer, Zagorka, Birra Moretti, Murphy's, Star, kingfisher, Strongbow, Newcastle brown Ale, and Heineken Pilsener. The company is famed for its brewing recipe, which gives its products a distinctive taste and a competitive edge in the beverage industry.

Heineken international's major brewing industries are located in Wijnre, Zoeterwoude, and 's-Hertogonnbosch. The original brewery located in Amsterdam was closed and in its place is museum known as the Heineken Experience. With its vast corporate holdings Heineken International as organized its companies into five major territories, which comprise of Africa and Middle East, Asia Pacific, The Americas, Western Europe, and Eastern and central Europe. Heineken International continues to use a strain of yeast developed by a French student in its laboratories the ' Heineken-A -Yeast' to date, which gives its bears a distinctive taste. Over the years, the company has continued to develop innovative ways of ensuring consistency in quality despite mass production (Heineken International, 2011).

## **Vision, Mission, and Goals**

Heineken International vision statement is ' To be the worlds leading premium beer company' (Heineken International, 2010). The vision statement guides Heineken's operations, which has seen the company expand its business into over 70 countries worldwide. The company through exportation also has managed to grow a market of loyal consumers, which has seen its market share grow massively over the past few decades.

Heineken Mission statement focuses on building a strong brand identity globally through maintaining a distinctive taste. Heinekens Mission statement is, " To be a leading brewer in each of the market it operates, and have the worlds most prominent brand portfolio through its principle brand Heineken." Heineken mission statement is based on the organizations priorities, which include marketing excellence, sustainability, and innovation (Heineken International, 2011).

The company's strategic intent is based on goals, which are focused on growing the business in a consistent and sustainable manner. The organizations also aim to improve its profitability through ensuring excellence in production and overall cost reduction. The corporation aims at accelerating sustainable growth through expansion of its market share, achieving, and maintaining a loyal customer base (Heineken International, 2011). Another goal, which has been at the core of Heinekens operations, is fast implementation of all its strategies through fast decision-making and execution. Finally, Heineken has been able to implement its growth and expansion strategy by concentrating its resources and efforts only on the markets, which it believes it can win.

## **Heinekens Policy on remunerating executives and directors**

According to Stittle (2003), the remuneration for executives and directors should be set a remuneration committee in order to protect the shareholders' interests. Heinekens remuneration policy is structured in such a manner that it can attract and retains highly qualified managers who will steer the multinational corporation towards the successful attainment of its short term and long-term goals. According to Lassila and Kilpatrick (2008), the remuneration policy should cater for the executives and directors present and future needs. Heinekens remuneration structure consists of a base salary, annual bonus, and long term incentives. The total executive and directors remuneration is tailored such that the fixed salary is about 45% and the rest is divided into short term and long-term benefits (Heineken, 2004). The Heinekens remuneration package aims at creating consistency in both the executives and board members remuneration packages. Heinekens remuneration policy aims at emphasizing performance related benefits for senior board members than those of other executives in order to drive them to impact performance in the organization.

According to Solomon (2010), the remuneration policy of one company should be consistent with the market value as well as other players in the industry. The remuneration policy for Heineken was formulated after extensive market research and taking into consideration internal pay relativities. The remuneration for the chair of the board is 30% higher than for other members of the board. Finally, the remuneration policy for Heineken International was tailored to reflect the size of the company.

Dunne and Morris, (2008), argue that the remuneration package for directors

and executives should reflect the size stature and future strategic intent. The remuneration package for Heineken international is at the median market level reflecting the company's growth and expansion into new markets and countries.

## **The components of the remuneration package for executives and directors**

The base salary for members of the executive board and directors is at the median level of labor market. The chair will receive 680, 000 pounds, which is slightly higher than, other board members remuneration packages at 525, 000 pounds. The base salary is subject to adjustments based on the consumer price index. Heineken will remuneration component for executives and directors comprises of short-term incentives which are based the annual operational performance of the organization. The annual performance will be calculated based on the organic net profit growth. However, the targeted payout will not exceed the target bonus by 1. 4 times. A supervisory board usually determines the organic net profit growth target for Heineken International at the beginning of the financial year. The threshold for the payout is set at 60% of the target performance, which is subject to a linear curve. Heineken international also pays out an annual bonus based on annual yearly targets set for the executives and board members. Heineken operates in many countries but it has used other Dutch companies as comparison when setting its remuneration packages for executives and managers.

The remuneration for Heineken also comprises of long term incentives, which are subject to shareholder approval. Each year a number of shares are

awarded to board members and other executives upon approval by shareholders. Before being awarded, the shares are discounted for performance linkage. The performance linkage is measured using shareholders return over a three-year period. The shares are subject to holding restriction for the at least two years.

### **The relationship between the company's performance and its remuneration structure**

According to Craythorne (2006), the remuneration structure for a company should be tailored in such a manner that will help the organization to achieve its short-term and long-term objectives. Heineken international has tailored its remuneration structure to steer the executives and board members to drive performance in the organization. For instance, the corporation issues board members and executives with short-term incentives based on a target set by the supervisory board. The bonus is calculated based on the performance of the company each year. In addition, the company issues a long-term incentive in the form of shares whose value is discounted for the shareholders equity value over a period of three years. The incentives are geared towards motivating board members and executives to perform.

### **The motivational effects of the remuneration package on the executives and directors**

According to Daft and Lane (2007), the reinforcement theory of motivation establishes the relationship and change of behavior in employees through use of rewards immediate rewards or punishment. Heineken International is using long term and shorter incentives to reinforce performance seeking

behavior on its executives and in turn increasing the chances that of attaining its objectives. The board members are motivated by the annual short term and long-term incentives to meet the organic net profit growth (Marquis and Carol, 2008).

## **Improvements to the remuneration structure**

Although the remuneration structure for Heineken International has helped the multinational company to achieve growth and expansion over the decades, some adjustments would help the organization to achieve its vision of becoming the world's largest premium beer company in the world. The company should introduce a pay based remuneration compensation packages, awarded only after attainment of set targets by the organization for each of the five regions. Each executive of each of the five regions in which Heineken operates pacific Asia, the Americas, Eastern Europe, Western Europe, and Africa and Middle East should have performance-based incentives calculated based on each regions business and environmental factors.

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