

# Analysis

Finance



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Assignment 9. 5. Why Incentive Plans Cannot Work Summary There are a number of studies which analyzed the relationship between executive incentives and profitability for the company. The findings of these studies showed a negative relation between pay and performance. These results can be interpreted also in other way e. g. better payment does not determine better results.

There were analyzed the reasons for the failure of incentive programs. The first one was described previously i. e. pay does not motivate the employees to perform better. The second one is that rewards have a punitive effect due to their feature of being manipulative. Also, rewards rupture relationships at the workplace because employees because it creates a competitive and hostile environment, which leads to poor connections between employees. Another explanation can be that rewards ignore reasons behind the success of the company. Maybe increase in company's profitability, or growth in sales is not necessarily related the incentive program for employees. Also, rewards cause a risk-aversion because employees would try to do only what they are required and would not look to improve their work or to find new solutions to problem that appear. Finally, rewards undermine interest which means that people who want to work will do that without any incentive.

#### Learning Outcome

The article overviewed the relationship between incentives and performance, and the reasons for which payments does not lead to a better work. I agree with this final conclusion, because incentives for managers (e. g. stock options) have lead in some cases to a lower long-term performance for companies because they were interested only on the short performance in order to exercise the options, and not on the long perspective of the value of <https://assignbuster.com/analysis-essay-samples-18/>

the company.

## 9. 7. Implementing Management Innovations Successfully: Principles for Lasting Change

### Summary

Successful implementation of management's innovations must follow some principles. The first one is related to organizational culture, which means that the values and customs of the specific company could lead to a better or lower implementation due to the reaction to changes. The second principle connects innovations with corporate, divisional and plant strategies.

Another principle pays attention to the current state of the company; if a company is suffering structural changes, innovations may not be appropriate. Also, it is considered that a link between human and technical side of change is necessary.

Moreover, it is vital to train and educate the employees in order to face the changes of the organization. The final principle relates to indicators of performance. When implementing innovation, it is important to measure the effects of performance on medium-term and also long-term value of the company.

### Learning Outcome

This article discussed the importance of a better assessment of innovation on the performance of the company. In my opinion, it is important to consider the effects of innovations on all levels i. e. employees, strategy, organizational culture, and finally on performance.

## 10. 1. Continuous Budgeting at HON Company

### Summary

The HON Company is a manufacturer of office furniture with operation in U.

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S. and Canada. This company has implemented a continuous three-month budget cycle, which overcomes the drawbacks of a standard cost accounting system.

The industry where this company operates is dependent of the state of the company, and is characterized by uncertainty and risk. Because the furniture industry is very volatile and very competitive, planning and coordination should be vital considerations for a company which operates in this industry. The quarterly budget process involves the following steps. First step relates to developing the sales budget by product line, and is followed by a conversion of the sales budget to a plant production and shipping schedule. Next, it is necessary a preparation of cost/expense budget for all departments involved in this process. Step four depicts a consolidation of the previous budget and a comparison with expected results. Finally, it is the development of a complete budget package for the parent company.

#### Learning Outcome

This article underlined the necessity of continuous budgeting on the case of HON Company. In my opinion, the continuous' budgeting is necessary mostly for companies which have many subsidiaries and operate globally. The implementation of this type of budgeting could lead to a better performance of the company, and maybe to its expansion in other countries.