

# Houston fearless 76, inc. essay sample



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1. Why are Houston Fearless 76, Inc. (HF76) managers unhappy with the company's existing sales incentive plan? Are weaknesses in this plan a major cause of the company's performance problems?

We see on the text that the CEO is unhappy about some problems in the company. We see in the text in the first page that the CEO isn't happy about the sale, we see that the company need revenue growth and a constant profitability, this can be explain by the fact that commission are based on sale, and not on the gross margin of the product. So if the HF76 managers' are unhappy it's because the commission are not based on the product profitability.

But there are some other problem. Indeed if the revenue is not what we expected it's because of the lack of development of the company on new market, the salespersons are not doing enough on it. Secondly they don't do anything about expand their existing market, they don't develop a synergie among our market. So the problem in its globality is the market objective and development market.

We see too that there is some different compensation structure for different product.

There is another problem which is the fact that the sales forecast is inconsistent.

Related to this problem there is an another problem which forecast accountability which is not strong enough since there is no downside

for salespersons for overstating forecast , and so this make some problem about planning .

And to finish we can say that the incentive has not been introduced properly.

So for these reasons manager are not happy in the Houston Fearless 76 INC .

We will see on this part if the weaknesses on this plan is a major cause of the company's performance plan .

So to begin we have to list all the weaknesses of the current plan

For me the first weaknesses is the Sales , we see on the text that the first main reason that HF76 manager's are unhappy is because the sales do not reach the goal that the board fixed. It's due a Mismatch between co's objective and sale force incentive , it's evident that if the co's objective is not matching with the sales force incentive the salesperson are demotivated to work because they think with all the effort than can make they will never reach co's objective and so to earn money . The other weaknesses about sales that we can talk is the decrease of the sale due to they late introduction into the digital technology and we see on the text that The CEO is unhappy about the revenue , so we can conclude he is not happy about the sales , because if there is no sales they will have no revenue . The other weaknesses that can tell is about the the commission system , because the commission are based on the sales , and not on product profitability .

One another weaknesses there is a lack of development of the market , this a weaknesses because the company sell micrography product , so they can

use their technology knowledge to develop their activity in the other market .

There is no Internal Force (Reps and Dealers ) and no industry performance benchmark ( they have only smaller competitor who were privately held, and their bigger competitor are too big for the company ). These two weakness are important because this lack of internal force and industry performance benchmark don't permit to make profit (no internal force ) and to forecast the market and also know his market .

We can notify also as the last weakness is the poor performance in expanding firms's existing market (linked with all the weaknesses that we see on the top).

So to answer to the question all the weaknesses that we saw previously are the main the reasons of poor performance of Houston Fearless 76 Inc.

2/ Evaluate the new incentive plan being contemplated. What modifications would you make to the proposed new plan, if any? How would you address the unresolved issues?

The new incentive plan is compare to the old better on everything. This plan composed in three keys factors , this key factor are essential for the futur development of the company . These three keys factors are Sales Forecast , the Product Gross Margin , and the Management By Objective . So to evaluate the new incentive plan we have to evaluate each key factor to answer .

Sales Forecast ;

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To respect better the sales objective, there is in the new incentive plan a commission which is paid on the sales forecast accuracy . So this new commission is something really good to improve the operating process business and not only the potential sales objective. And also with this new rule salesperson will forecast the minimum target in order to reach their target.

The Product Gross Margin ;

There is a new commission based on the product gross margin , but neither commission will be paid until gross exceeded 70% at the early stages of the measuring year because the people will not be optimistic in achieving the 70% cap (de-motivating factor).

Management By Objective ;

A new commission related to the management by objective is related in the text. So this commission will be reach only and only if the MBO target will be reach , and to reach this goal they must ;

Adding a significant of new customer

Coordinating well with the production

Keeping annual travel expenses below forecast

So this a very good news that in the new incentive plan there is a management by objective , it will permit to salespersons team to be more efficient , and they will have a common goal so to reach they have help each other , so I think that will improve the relationship between sales persons .

So I think this is the first step to improve the turnover of the company, so it's a good incentive plan.

If I were the HF76 manager I will give these 4 recommendations;

They have to quantify the MBO target (How many new customers, ...)

I think that solution that we can add is the fact that the company should concentrate their attention not only on the gross margin product, but on the margin per product to, so for example for each product that the sales persons sold they will earn a percentage on the product margin.

I think to improve the realization of objectives they have to mix some measurement indicator (Economic situation (Crisis), sales growth, market situation ...)

They have to reconsiderate their strategy, I think that they have to enter in some niche market to be more profitable.

3/ Are there any significant impediments to the successful implementation of the new incentive plan? If so, which?

They will have some impediments to the successful implementation. The first impediment is the fact that they need some software to create better analyze and forecast better the sales objectives. In fact these are the main point of the new incentive plan, so the forecast and the measure performance had to be perfect.

The other impediments are the Salespersons and The HF76 Inc managers', because, if neither of those groups fulfill the objectives, the company will

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go down . So the company needs them to be motivate and the CEO want that his employee believe in their company in order to be better on the field and so they will make profit.

4. Would you make any changes to the system providing bonuses to sales assistants? If so, what?

I think that the new incentive plan is a good plan and they have to be respected by all the employee , we have just to wait about it's realization .

But like I said earlier , I think that we can replace the gross margin product commission by a commissions on the margin per product . That is true that the commission will be smaller but it can permit for the sales persons who work to be reward by a better commission this will be motivate them to sale and this will make the company profitable

5. What are SMART goals? What sales goals have been established for the sales team? Are they SMART?

SMART Goal SMART is a best practice framework for setting goals. It permit to managers and sales pesons to clarify their goal in order to achieving them . SMART is an acronym for ;

Specific

Measurable

Assignable

Realistic

Timely-related

So, House Fearless 76 sets up several SMART goals on the new incentive plan which are:

Adding a significant of new customer

Coordinating well with the production

Keeping annual travel expenses below forecast

Strengthening ties with professional associations

Improving communications through effective use of e-mail

Learning and utilizing Microsoft Office and other software.

So all of these objective are Smart Goal .