

# The effectiveness of the incentive plans implemented by federal express corporati...

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



The paper "Effectiveness of Incentive Plans Implemented by Federal Express Corporation for Attainment of Organizational Goals" is a brilliant version of a case study on management. The effectiveness of the incentive plans implemented by Federal Express Corporation in relation to the attainment of organizational goals would be evaluated in this paper. It is also the objective of this essay to find out what other factors affect strategic policies that contribute to the organization's goals.

Every organization sets a distinct mission and vision which it strives to accomplish. The choice of objectives and the formulation of strategic policies for the attainment of organizational goals depend on a variety of factors unique to a given organization and situation.

A system of motivation and incentives are positive elements which encourage the individual to the voluntary achievement of the organization's goals. These incentives come in different forms such as (1) attractive compensation package; (2) specialized forms of recognition; (3) financial or non-financial incentives; (3) stock option plans; and (5) fringe benefits, to name a few.

Federal Express (FedEx) is committed to the People-Service-Profit Philosophy. The company's mission is to produce outstanding financial returns by providing totally reliable, competitively superior, global, air-ground transportation of high-priority goods and documents that require

rapid, time-certain delivery. Through the years, it has been known to give stock option plans and compensation schemes as incentives to its personnel. The objective of this essay is to determine if the incentive plans of FedEx contribute to the attainment of organizational goals.

**INCENTIVE PLANS and ORGANIZATIONAL GOALS** The incentive stock plan of FedEx has the following purpose: “ to aid the Company and its subsidiaries in securing and retaining key employees and directors of outstanding ability and to motivate them to exert their best efforts to achieve the long-term goals of the Company and its subsidiaries. The Company believes that the ownership or increased ownership of the Company’s Common Stock by employees and directors will further align their interests with those of the Company’s other stockholders and will promote the long-term success of the Company.” (FedEx Corp.)

On the other hand, the long term incentive (LTI) compensation package of FedEx provides cash payment opportunities to FedEx’s named executive officers based upon achievement of aggregate Earnings per Share goals for the three-fiscal-year period.

All management is held accountable for a people-first attitude, impeccable service to external and internal customers, and a reasonable profit, which can be used to reward employees and to improve the company. All the organization’s values and objectives flow from this model, which helps to

align employees and managers' activities. Link Compensation to Strategic Goals: By linking compensation to company goals, Federal Express helps ensure that employees focus their work and activities on objectives that will advance the organization. To help senior executives and managers march in step together and in the same direction, Federal Express aligns them through a powerful Management by Objectives (MBO) policy: All FedEx managers MBO incentive bonuses are tied to several common objectives, such as achieving a yearly target that measures improved performance on an index called FedEx Service Quality Indicators (SQI). If the overall company does not meet its goals in terms of service excellence, customer satisfaction, and employee satisfaction, no one in senior management receive any annual bonus payout, which can be as much as 40% of a corporate officer's salary.

## GLOBAL CRISIS

The financial crisis that beset global industries for the past year and is projected to continue in the near future affects the incentive schemes being implemented by FedEx. Although for several years, the incentive packages have a direct positive effect to the achievement of organizational goals, the impending crisis made it inevitable for FedEx to review and revise not only their incentive schemes but other policies deemed pertinent to the survival of the organization.

FedEx has already begun more than \$1 billion in cost-saving measures; including job cuts across its FedEx Freight and FedEx Office divisions, a reduction of some workers hours, elimination of certain bonuses and

implementation of a hiring freeze. The package delivery company said it will cut pay for senior executives and freeze 401(k) contributions for a year.

## CONCLUSION

With the present financial crisis in the global market, most organizations opt to defer the institution of their system of incentives in the hope of saving the workforce, or the company, as a whole. There are several studies which attest that an incentive system is not enough to contribute to the attainment of organizational goals. A system of constraint, controls, and penalties must also be devised to contain nonfunctional activity and to enforce standards. Further, recent developments in the economic and political markets are important factors which affect motivational schemes.

It is not a matter of choice or preference which motivational technique to employ - incentives or controls. It is actually more options to conclude that in the effective performance to achieve organizational goals, each is indispensable, provided that market factors are all in place.