

Eddie bee's

Business, Employment



1. Create a comprehensive list of what you see as the strengths and weaknesses of Eddie Bee's current compensation plan. In what ways do you believe this compensation plan and each of its elements might be contributing to the problems the company is currently having? What other internal and external factors should be explored?

Wasserman (2009) stated that a compensation plan, whether good or not, has a significant impact on the future growth of the business. Companies use well-designed compensation plans in motivating employees, controlling compensation costs, and ensuring equity to succeed in a fast-paced competitive environment (Business and Legal Resources, n. d.). Well-thought-out compensation plans enable companies to create a sales culture wherein employees deliver high performances and set individual goals in line with those of the whole organization (Wasserman). It is important for companies to review and update constantly their compensation plans to ensure its effectiveness despite the changes in the economic environment. The case of Eddie Bee's demonstrated the possible consequences of an outdated and ineffective compensation plan.

Eddie Bee's Ice Cream Company was once " the mid-Atlantic region's fastest producer of gourmet ice cream pints and quarts". It was able to provide compensation and benefits for its employees that contributed to the success of the company since twenty-six years ago. However, in recent times, Eddie Bee's is unable to cope with the emergence of competitors and adapt to the ever-changing palettes of their customers.

Eddie Bee's compensation scheme formerly was its strength contributing to its prior success. VentureLine (n. d.) defined strengths as factors that make <https://assignbuster.com/eddie-bees/>

an organization more competitive than its marketplace peers do. One strong point of Eddie Bee's current compensation scheme is its sufficient provision of various financial rewards such as yearly salary increases and commissions. All the employees in the organization, excluding the sales personnel, receive a 4.5 percent of base, compounded salary increase yearly. On the other hand, Eddie Bee's implements a salary plus compensation system for its sales personnel guaranteeing them a yearly salary increase of 1.5 percent of base, compounded and an additional performance-based pay. This type of compensation rewards the employees depending on their abilities to reach performance goals and benchmarks. Mayhew (n. d.) described this as a strategic type of compensation since it drives the employees to surpass continually their prior work performances contributing greatly to the organization's overall performance. In addition, Eddie Bee's provides them a two-percent commission based on the company's gross sales, which enables them to benefit from the fruits of their labor. By providing monetary rewards to employees, they are able to benefit directly from what benefits the company.

Another strength of the company's compensation plan is fringe benefits. Eddie Bee's entitles all its employees to full health coverage and two-week paid vacation. Healthcare benefits play a key role in employee satisfaction and retention (HeartMath, 2011). These benefits give employees the chance to take a break from the stress, pressure and responsibilities at work. Moreover, every 4 years of employment, an employee receives an additional vacation week in that year. Eddie Bee's implements this to recognize the employees' loyalty and longevity in the company. Giving non-financial

rewards as recognition for the employees' tenure will help build employee loyalty and satisfaction (Michalowicz, 2011).

In addition, Eddie Bee's grants its workers employee discounts on company products. They are entitled to a 50% discount on their products and free ice cream on the children's birthday parties. This type of incentives does not greatly influence the employees' compensation; yet, it indirectly repays them for their valued contribution to the company. However, this benefit does not favor all employees since only employees with children are entitled to it. To give equal preference and opportunity, the company can preferably extend this incentive to other members of the employees' immediate family.

In spite of the strong points of the current compensation plan, it still had some limitations that contributed to Eddie Bee's situation. Eddie Bee's compensation plan focuses greatly on providing its employees financial rewards. However, rewarding employees and motivating performance does not always require a tremendous outlay of money (" How to Reward", 2010). The case of Eddie Bee's proved that a large compensation does not necessarily equate to employee productivity. The yearly salary increase failed to serve its primary purpose of motivating the employees. As time passes, extrinsic rewards like monetary benefits become less important, as intrinsic or non-financial rewards strongly drive day-to-day motivation further (Thomas, 2009).

The monotony of Eddie Bee's current compensation scheme for 26 years also lessened its effectiveness to the employees. Eddie Bee's compensation plan design was not able to keep up with the changes that are occurring in the company. Their compensation plan, which was once effective, did not

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cater to the changing needs of the employees to any further extent. Eddie Bee's lacked efforts in determining which part of the compensation plan does not work for the employees, thus resulting to a deterioration of employee productivity.

Another lapse in Eddie Bee's compensation plan is its extensive focus on the Sales Department setting aside the other departments such as the Marketing, Product Development and Operations Departments. As stated in the case, some incentives are exclusively available to the sales personnel such as a 2% commission on the company's annual gross profit. Eddie Bee's failed to understand the interconnectivity of the performances of each department wherein the functioning of each department is equally significant to actualize a company's overall performance. The inequity of the compensation scheme in favor of the sales department resulted to the lack of employee motivation causing the downfall of the company.

A poorly constructed compensation plan might result into " pay-for-non-performance" (Siciliano, 2010). Although Eddie Bee's placed its focus in motivating its sales personnel through the base pay plus commission scheme, there was a lack of monitoring of its implementation. There was no close supervision to determine whether each sales personnel indeed contributed to the company's work output. Hence, Eddie Bee's no longer promoted a " pay-for-performance" scheme and served as a motivational tool for the employees. Furthermore, the absence of monitoring can lead to conflict and unwanted competition between employees (Johnson, n. d.). To achieve greater sales, employees might resort to unethical ways thinking that the ends do justify the means. Keeping an oversight on the

implementation of this pay scheme will assure Eddie Bee's that its employees work together to achieve a common goal, but not at the expense of customer satisfaction and ethical compliance.

Eddie Bee's current compensation plan likewise falls short in identifying which factors should become a basis for the employees' compensation as employees with different roles and longevity in the company receive relatively close compensation. As stated in the case, employees brought in 5 years ago have competitive salaries allowing them to be at par or even surpass the salaries of those employees who by then have worked for 16 years. An additional vacation week is insufficient to compensate the years spent by the employees in the company. This type of compensation scheme fails to give importance to the employees' tenure in the company. Companies who fail to respond to the growing trend of employee disloyalty are likely to pay a high price - losing key workers to competitors and suffering from reduced employee productivity (Scorza, 2011). This is evident in the case of Eddie Bee's wherein employees from the different departments failed to fulfill their duties, thus resulting to an inefficient overall performance of the company. Although employees continued to stay in the company, several delays occurred and the company's total operations suffered.

Granting these weak points of Eddie Bee's compensation plan, it is inevitable to relate it to the current problems that the company is facing. According to the Management Study Guide (n. d.), weaknesses are the qualities that prevent companies from accomplishing their mission and achieving their full potential. The shortcomings of the compensation plan deprived it from

serving its purpose of satisfying and motivating the employees. An effective compensation plan's design is to push its employees to greater productivity; however, this is unachieved in the case of Eddie Bee's.

Aside from the compensation plan, there are internal factors, which contributed to Eddie Bee's Ice Cream's current performance:

Outdated Equipment The company never updated its ice cream making and packing equipment. This caused frequent mechanical problems resulting to a delay in the production as much as three weeks. These delays did not only interrupt the company's operations but also dispirit the employees as they fail to fulfill their duties.

Lack of Employee Motivation

Employees are demotivated because of the inequality of payments specifically in between departments. As seen in the case, sales personnel have more opportunities to attain a higher pay. In addition, employees who have worked longer for the company still have the tendency to receive a lower amount of salary as compared to the new employees who enter the company with more competitive salaries. These disparities brought about the feeling of demotivation and a sense of complacency among the employees that hinders development.

Internal Communication Internal communication including philosophical statements and policies build an organization's culture (Baldwin, n. d.). A company's compensation plan should be in line with their goals. Conversely, in the case of Eddie Bee's, there were no concrete company goals and objectives that guided the management in what direction they want to bring the employees. Employees should identify with the company's mission and

goals to ensure that their work performance contributes to the achievement of these objectives (Baldwin).

An important part in the success of a business is being aware of not only the internal but also the external factors, which can actually influence the organization as a whole. According to Schieltz (2011), businesses, regardless of the duration of their existence, should consider several factors in the environment to gauge the direction in which they should steer. The misstep of Eddie Bee's to recognize such factors resulted to a lack of information which became its disadvantage.

Change in Market Trends Eddie Bee's failed to evolve along with the changing market trends, hence a number of competitors were able to surpass them. People's wants and needs changes over time, and even their preferences. Companies must revamp their products in a way that would satisfy the current market demands. The organization must be market-oriented and proactive in attempting to discover, understand and satisfy the needs of the customers (Slater and Mohr, 2006).

Poor Research As mentioned, there is some research going on, but the pace is very slow. The lack of research caused the company to miss out the changes that are occurring externally. An extensive research could have provided the company with essential information such as market preference and perception and increase in competitors.

Technological Advancements As stated in the case, the company's equipment has been on use from the beginning of the business. With manufacturing crucial to the company's total productivity, Eddie Bee's

should invest in updating its equipment and adapting newfound technology to better their products.

2. Working from the information you collected and the lessons in class, create a new compensation system for Eddie Bee's Ice Cream. Consider what role each part of your plan will have in adding to the effectiveness of the marketing department, the product development group, the sales force, and productivity for the company as a whole.

Sales strategy, job definitions and compensation plan aids to ensure the success of the organization (Gilmore Lewis, 2006). Each of these components builds the foundation that is critical to the success of the company. The organization is only as strong as its weakest link thus, consistency is vital in aligning the compensation plan to all the functions of the company.

Sales Department Effective sales compensation is critical to the success of any go-to-market strategy (Blyzniuk, 2007). A sales compensation should be within the context of business strategy and directly support the achievement of corporate objectives. It should promote an aggressive growth strategy; yet not result to aggressive sales personnel. Consequently, Eddie Bee's Ice Cream should retain its current sales compensation scheme, which is a mix of base pay and commission. This will allow employees to gain more as they work harder. However, Eddie Bee's should make some changes concerning the commission of the Sales Department.

As seen in the case, the 2% commission received by the sales force per annum was not effective as a motivational tool for the employees. Instead of feeling motivated by this increase, the sales team became complacent as

they receive salary increases and commissions regardless of their performance.

Marketing, Product Development and Operations Departments As seen in the case, employees of different departments, excluding sales, are unmotivated and unproductive. To address this issue, the company can give commission in addition to the employees' base pay. The sales, marketing, operations and product development departments work together as a team to be able to contribute to the whole being of the company. The unproductivity of a department will consequently affect the other departments. Thus, the company should implement " Distributed Commission" among the different departments.

Distributed Commission would help employees motivate each other to do well through positively taking advantage of the fact that there is a " domino effect" among the departments. The Distributed Commission works by dividing the whole commission rate to 4 parts to represent the 4 departments. The sales department will get the 40% percent of the commission since they are the frontline of the company. They have direct contact with the customers and clients to actualize sales. All the sales will come from them; hence, they deserve the biggest share. The marketing department comes second who gets 30% of the whole commission rate. The operations and product development team both get 15% each from the whole pie. In this way, one department will motivate another department to work hard as a team. They will convince one another to perform their tasks to heighten the sales of the company so that they will receive the commission instantly. [pic] [pic]

Eddie Bee's should likewise retain the employees' increase in salaries of 4.5% every year to give the employees something to look forward to annually. Nadel (2010) mentioned that giving salary increase is indeed one factor of keeping employees motivated. Thus, keeping employees motivated will help increase their work productivity.

Benefits In the case of Eddie Bee's Ice Cream Company, the organization should both change and retain some of the policies in their compensation plan to address the company's problems. The company should retain their policy of granting employees health benefits. Unicorn HRO (n. d.) mentioned that health benefits are types of benefits that employees consider the most when choosing companies. Hence, to attract the best employees, a company must offer health benefits. Providing such benefits will also make employees feel that the company gives value to them and to their contributions. In effect, employees will stay happy and loyal to the company.

The company should also consider giving educational benefits to its employees wherein it is more beneficial as an employee chooses to stay longer in the company. Each employee will receive money as a contribution to the educational expenses of their children per year. The following policies are as follows: for employees who have been staying in the company for 2-5 years will receive PHP 30, 000; for employees who have been staying for 6-12 years will receive PHP 65, 000; and for employees, who have been staying for 13 years and above, will receive PHP 100, 000 per annum. Employees will verify their transactions by showing the receipt of the tuition fees to the company for reimbursement. The educational benefits would not depend on the number of children an employee has; the company will

implement fixed rates based on the number of years an employee has been with the company.

Lastly, the company would provide various loyalty benefits for every five years of their stay in the company. For the first 5 years, the employee would be receiving tokens such as gift certificates, appliances or gadgets; for their 10th year, they would be entitled to travel incentives; housing plans are for those who have been in the company for at least 15 years. A benefit system that is uniform throughout all departments will promote equality and equity on the organization. It will give everyone and fair chance to receive said benefits despite their rank and position in the organization.