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Group 13
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- Not unreachable, just tough.
- Budget targets directly affected bonuses paid to those included in the bonus plan.
- Bonuses paid based half on profit before tax and half on the 7 performance areas as detailed below.
- Bonuses were paid based on annual performance, but payments were made quarterly at 80%.

A large company that had designed the mid-budgeting system and the inventory compensation plan, yet they didn't understand companies smaller than *Fortune 500*.
The stretch performance philosophy hasn't worked! -Causing corporations not to be a source of profits.
The stretch targets you have to think strategically.
And also, you have to make sure that you're strong and aware of its impact on influence it.
The corporation has never achieved its targets.
People have to control any decisions.
Also everyone should know that the stretch targets were too optimistic to become a true business.
Financials will build the managers who still in home state.
And if you don't they have to know much about meeting business.
Also, this plan seemed to have every thing, but it wasn't the reason as the house was made (forced) itself would be leader in competitors, not complex or complex.

Judge people on whether they are hitting a minimum performance standard first. Only then can they earn extra rewards.
Budgets with targets that are realistic and achievable
Missing the budget could now cost them their jobs.

Wipe to minimum performance standard budgeting
Were to be set as that probability of achievement was 100%. Managers asked to set targets that reflected a performance level considered to be beyond normal capability - 50% probability of achievement. CHANGE IN LEVEL OF DIFFICULTY OF STANDARDS
CHANGE IN INCENTIVE: COMPENSATION PLAN division bonus pool was created based on 30% of the amount by which actual division PBT exceeded the MPS, plus 25% of the amount by which it exceeded the target.
Left plan vague because the importance of particular targets varies over time.

- 4 primary operating divisions, each run by a general manager.
- The general managers were responsible for all the division's business functions except that the division controls reported on a solid line to the CEO.
- DUPAGE: bonuses are based on division results, because division controllers work a distance from the headquarters and naturally develop an emotional attachment to the people they work with.
- Solid line reporting to corporate helps remind them that their primary job is to protect the corporation's assets.
- All 4 divisions separate and self-contained.
- No effort to produce synergies.
- Pro decentralization.
- Corporate staff provided few direct services to the divisions.

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Ideas

HCC Industries

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Stretch Performance Targets

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DISSATISFACTION WITH STRETCH BUDGETING

A large consulting firm had designed the old budgeting system and the incentive compensation plan, but they didn't understand companies smaller than Fortune 500.

The stretch performance philosophy hasn't worked. - Causing corporation not to achieve its plans.

For stretch targets you have to think optimistically.

HCC don't understand the markets well enough and aren't in a position to influence it.

The corporation has never achieved its targets.

People haven't earned any bonuses.

Since everyone knew that the stretch targets were too optimistic it became ok to miss budget.

Problem: at 60% of budget the managers were still in bonus territory, so they didn't have to worry much about meeting bonuses.

Most division personnel never knew their bonus potential not the bases on which the bonus were made-feared info would be leaked to competitors, too complex to explain.