

Case Study #2

Team-Based Incentive Rewards

Network Cable, Inc., operates throughout the central and southern portions of Florida's east coast. With approximately 43,500 subscribers, the company is a service provider for cable TV and high-speed Internet connections. Network Cable operates in an area described as a "high-growth market."

In January 2001, Tara Gilbert, vice president of human resources for Network Cable, convinced company president and CEO Jeff Lesitner that restructuring the organization workforce into teams would benefit both Network Cable and its employees. Cost savings, improved morale, and team synergy were cited as inherent benefits of teams. Based on these assessments, in June 2001, a select group of three senior managers, plus Tara Gilbert and the company's financial officer, implemented teams within the company's installation department. Here, forty installers were formed into eight teams of five installers each. Management set performance goals for the installation teams linked to attractive incentive rewards (cash bonuses above base salaries) when performance goals are reached. Performance measures included indexes for improved installation time, customer satisfaction scores, additional sales, equipment maintenance, and repair/callback problems. Each team could earn incentive bonuses up to a maximum of \$15,000 annually with cash bonuses shared equally by each team member - a possible cash reward of \$3,000 for each installer. Team bonuses after the first years were as follows: two teams, \$15,000; one team, \$12,500; one team \$7,300; one team, \$3,150.

During August 2002, Tara Gilbert sent to all installers and their supervisors a survey requesting feedback on the satisfaction with teams and, specifically, the incentive rewards program. While survey results were generally positive, not all was rosy. Problems could be grouped into the following categories:

1. Some installers believed that various team members did not "buy into" the team concept and were simply "free

riders" - average employees who benefited from the efforts of superior employees.

2. There was a general feeling that several teams were routinely assigned difficult installations that prevented them from achieving high performance goals.

3. Teams did not always display the motivation and synergy expected, since "bickering" was prevalent between average performers and super performers. Average performers complained that high performers made them look bad.

4. A high percentage of survey respondents (29 percent) felt the incentive rewards program was unfair and asked for a return to fixed across-the-board salary increases.

Questions

1. Do results from the survey illustrate typical complaints about teams? Explain.

2. Do results from the survey illustrate complaints specifically about team incentive rewards? Explain.

3. If appropriate, what changes would you recommend to improve the incentive reward program? Be specific.

4. Would management have benefited from employee involvement in the initial design and implementation of the program? Explain.