**Part 10 - material for practicing**

**Remuneration of employees by MBO (Management by Objectives) and BSC (Balanced scorecard)**

What is the principle of MBO?

What is SMART?

What are the types of MBO objectives?

What are the advantages and disadvantages of MBO remuneration?

What is the principle of BSC

What are the advantages and disadvantages of BSC remuneration?

What are the kinds of BSC remuneration?

1. MBO remuneration – An employee of a multinational company works in the technical department providing electrical equipment installation and service. The employee is the team leader of this department, where he leads 7 service technicians. The employee is remunerated by a time wage + bonus for meeting the planned quarterly goals, which is paid quarterly.

Objectives in the company are divided into:

• business target weight is 20%

• target of technical service department weight 30%

• Individual targets weight is 50%

The corporate goal for the first quarter of 2020 is to increase the company's sales by 5%.

The goal of the department is to keep the cost of technical customer service below 2019

The individual goals for this employee are:

1. Successful audit in the warehouse department - no shortage in warehouses

2. The installation period from the creation of the installation order shall not exceed 14 working days

3. The number of eligible installation claims may not exceed 3 per quarter

* The weight of the first individual goal is 30%
* Weight of the second individual goal is 40%
* Weight of the third individual goal is 30%

The employee's total bonus is 15% of his basic salary for the quarter, while his wage plan is CZK 42,000.

Calculate its salary for the month of March, if the company's sales fell by 2% in the first quarter, the cost of tech. departments were 6% lower than last year, the average time to install according to SAPU was 16 days in the reporting period, the number of justified claims for 1 quarter were 2 and the audit in the warehouse did not find any shortage.

1. BSC remuneration

BSC is based on the company's vision and strategy. BSC is a set of benchmarks that are derived from the organization's strategy. The company measures its performance from 4 perspectives:

 • finance

 • customer

 • internal business processes

 • learning and growth

The production company AAA uses the BSC system for rewarding variable component - bonus for 3 production managers. The maximum bonus amount is 30% of their time wages. When rewarding, the following 4 criteria are evaluated to demonstrate the success of the BSC production team

4 criteria

1. Share of operating reject costs in the company's direct costs (limit 8%) (weight 30%)
2. Share of timely delivered primary orders according to customer requirements (limit 70%) (weight 30%)
3. Share of production orders of the company for customers without complaint to the total number of orders (limit 98.5%) (weight 20%)
4. Delayed orders as a percentage of total orders (20% limit) (20% weight)

Calculation: Bonus amount = ∑ (Weight criterion \* premium amount \* fulfillment coefficient) \* 100 =

|  |  |  |
| --- | --- | --- |
| **Evaluation** | Grade | Performance factor |
| not fulfilled/ accomplish | 0 | 0 |
| partially accomplish/ incomplete due to recognizable objective effects | 1 | 0,75 |
| accomplish | 2 | 1 |
| accomplished above average (quality, volume, compliance speed, etc.) | 3 | 1,25 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Employee** | **Wage month tariff** |  | **Bonus MBO** | **Total wage** |
| **A** | **34200** |  |  |  |
| **B** | **38100** |  |  |  |
| **C** | **37400** |  |  |  |

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