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Incentive Problems In A Software Company



Introduction

Based on literature review incentive problems are common in software companies as well as designing motivation systems that will support organizational goals is crucial. This case identifies the sources of incentives distortions and discusses how they might be eliminated to sustain performance, creativity, and satisfaction.



Inequitable Rewards

Paying people in similar jobs and contributing similar levels of effort differentially decreases motivation in high performers.



Proposed Solutions

Provide incentives where employee is rewarded for both performance as an individual and as a group. There is evidence that incentives such as bonuses, profit-sharing or shareholders stakes serve as the right motivation for initiatives that will help organizations achieve their objectives.



Conclusion

The motivation problems call for an approach that recognizes both the self-interest and the organizational interests. When performance-based measures are put in place, rewarding fairly, and encouraging team work software houses can only stand to benefit both the company and its employees.



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