

CHAPTER III

SUPPLEMENTAL BONUS PLANS FOR EXECUTIVES

THE simplest and the usual method of remunerating the executive officers of a company is by a flat salary. It keeps the company's fixed expenditures at a definite level. Many companies, however, feel that this plan is not capable of stimulating the executive to his best efforts, because he realizes that increased effort will bring no increased remuneration or promotion after the salary maximum has been reached. In order to remedy this situation without increasing their fixed expenditures, a number of companies have introduced various schemes for remunerating exceptional and more or less definitely measurable achievements of their executives.

In those plants where the duties of executive officers are broad, it is not easy to set up a reward for any specific accomplishment. In these instances, a bonus is usually paid at the end of a definite period and is based on the general merit of the executive, on his achievements, or on his general contribution to the success of the company as evaluated by the president or directors. But if the functions fulfilled by an executive are so specific that the results may be quantitatively measured, a supplementary bonus may be given for such items as an increase in the profits, shipments, production, sales or general enlargement of the business above established standards.

SCOPE OF REPORT ON SUPPLEMENTAL BONUSES FOR EXECUTIVES

This study covers bonus plans for executives for thirty-three companies, employing 215,968 workers, of whom 427 are executives who participate in the bonus programs.¹ That

¹ The number of participants was not shown for six companies and 5,158 executives and supervisors were reported as an unsegregated group.