

## **No Bonus Hat-trick**

You are Head of the Mid-central Facility at Acme Corporation. Acme has 12 facilities spread across the U.S. (8), Mexico (2), and Canada (2). You just learned from the Acme CEO that all employees of the Mexico and Canada facilities will receive annual bonuses again this year, whereas all U.S. employees (yourself included) will not.

The CEO also shared Acme's performance numbers, so you're well aware of the "why" behind the bonus announcement. Company profits in Mexico and Canada were impressive again last year. Returns in the U.S., on the other hand, continue to be only slightly better than break-even. The reality is that Acme competition in the U.S. is much stronger than in Mexico and Canada. So, despite the fact that most Acme divisions in the U.S. (including yours) have "done more with less" and cut costs significantly in recent years, this is the third year in a row of zero bonus for U.S. employees, versus an average bonus of nearly 8% annually for Mexican and Canadian employees over the same period.

Acme was formed 5 years ago when three companies – two based in the U.S. and one in Canada – merged. Prior to the merger U.S. employees enjoyed a modest bonus virtually every year. But that was before a wave of consolidation hit the industry. The Acme merger was one of several that all happened at roughly the same time. The result has been cost-cutting across the industry and intense competition, especially in the U.S. For U.S. employees, this has meant going from an average annual bonus of 3% prior to the merger, to 1% in the two years right after the merger, to 0% the last three years in a row. To make matters even less palatable for U.S. employees, the Acme CEO and other top brass have all received large executive bonuses each of the last four years. Top executives are sure to be similarly compensated again this year, as company profits continue to be good.

When the Acme merger happened five years ago, the policy regarding bonuses – namely, that bonuses in each country would be tied directly to Acme's profitability in that country – was formulated quickly and communicated clearly across the company. Everyone was made aware of the policy and no one complained. U.S. employees (including yours) started complaining two years ago, however, after receiving their first zero bonus. Last year the complaining got louder. This year, well, you don't even want to think about it. But, as Facility Head you not only have to think about it, you have to deliver the bad news to all 500 of your employees (either directly yourself, or indirectly through the managers who report to you). The only silver lining is that Acme hasn't had any lay-offs since the merger, and no lay-offs are expected either.

Employee morale and engagement at your facility have been declining over the past three years. Your biggest fear is that news of another zero-bonus year may lead to serious disengagement and a drop in productivity, especially given that this year was the best your facility has ever had in terms of controlling costs and "doing more with less." **Thus, if possible, you would like to deliver the news in a way that minimizes disengagement and dissatisfaction at your facility. Is this even possible? How will you go about delivering the message? What is your communication plan?**

Assume: 1) U.S. employees did receive merit-based pay raises, averaging 3%, each of the last 2 years, and will receive similar merit increases again this year; 2) last year and the year before you delivered the no-bonus message "impersonally" via written communication; 3) every month employees are provided country-level profitability numbers, so they can monitor the likelihood of bonus as the year draws to a close; and 4) as this year was drawing to a close the U.S. was "on the bubble" with respect to bonus, and employees knew it could go either way.