

News review



Business behind the news

with Paris Smith & Randall LLP



PARIS SMITH & RANDALL LLP
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A Big Bonus

Incentivising staff with a potential bonus is high on the list of "must do's" for senior managers and, in fairness, schemes can work well in practice as well as in theory. There is, however, a delicate balance to be struck to make sure that they incentivise the majority and not simply a small minority and, as I have found, it is a subject upon which everybody has a firm (and probably different) opinion.

Bonuses have been back in the news ("Ministers say bonus culture has to end") as yet another by-product of the credit crunch. Whilst it is impossible to tell at this distance if bankers carried on securitising and selling bad mortgage risks simply to hit bonus targets it wouldn't come as any surprise if they did, earning themselves famously large wads in the process. In the banking and finance industry (apparently) a big win in one year can turn into a big loss the next. Should a bonus be returned in these circumstances? Sounds to me like a lawyer's delight in terms of drafting rules which would work but I can see the sense in crediting or phasing these deals over time to guard against abuse.

To my mind, the most balanced bonus schemes combine a degree of equality ("we are all in this together") with a meaningful payment to reward true and measurable achievement. This is particularly tricky in my profession where lawyers often operate in teams (yes we have caught up with the 21st century) and we have to be very careful to avoid individuals grabbing and hanging onto work which should properly go elsewhere.

It can also be quite difficult to use the bonus carrot to incentivise individuals who are simply not motivated by money - and they are often the ones whose performance you want to improve most of all.

Did I say they were a good idea?

We mean business



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