**Case 10.1**

**The Star Award**

As director of the excise audit bureau in the West Dakota Department of Taxation, you have to decide who on your staff should receive a new performance bonus. The legislature created the bonus back in February, and the division of personnel has now issued all the regulations. You have the forms and instructions, and by the end of the month, you have to send your choices to the taxation commissioner, who will forward them to personnel.

Two things motivated the West Dakota legislature to create the performance bonus. First, key legislators had concluded that state employees were simply not working hard enough. Legislators constantly receive complaints about the lackadaisical attitude of state workers, and they concluded that the fixed civil service pay scale was not attracting new talent or motivating existing employees.

Second, West Dakota is running a budget surplus for the second straight year. Naturally, the legislature has cut taxes—twice. But despite those efforts, the budget continues to show a surplus. Consequently, the Speaker of the House decided to use a portion of it to reward the “stars” of state government.

The new Star Award will give the top20 percent of employees in each unit a $5000 bonus, to be paid in 12 monthly installments during the coming fiscal year. The bonus is sup-posed to go to those employees who are not only “outstanding” but also genuine stars. The head of each unit must determine the criteria for choosing who the stars are. To ensure that the bonus can be included in the July payroll checks, each manager must submit a “star list” by June 20.

Your audit bureau has 15 employees with a wide range of responsibilities and job classifications—everything from clerk I to senior auditor. And, predictably, they also possess a range of talent, enthusiasm, and effectiveness. Here are the most obvious candidates for the performance bonus:

• Larry Beck, senior auditor. As a 23-year employee, Beck is clearly your most knowledge-able and effective auditor. Everyone goes to him for advice. Everyone looks up to him. But in two years, Larry will be eligible to receive his pension, and he knows it. He can still be a top performer—when he wants to. Recently, however, he has lost a little drive, although most people in the Department of Taxation still think of him as your unit’s star.

• Jim Beatty, auditor III. With an advanced degree in accounting, Jim draws your unit’s tough assignments. He understands the subtle-ties of the excise tax and thus works with both the department’s legal counsel and the attorney general’s office explaining the intricacies of each case and helping to formulate strategy. He can, however, be condescending toward his less knowledgeable colleagues, few of whom understand the complexity of his work.

• Rachel Gonzalez, auditor I. Straight out of law school with a verve for public service, Rachel is a real go-getter. In fact, she has struck gold several times, having gone over the books of numerous firms in such detail that she found mistakes most other auditors would have missed. Unfortunately, she also discovered some “errors” at a firm owned by the House Speaker’s cousin. The firm refused to acknowledge any error, and eventually the department’s legal counsel decided to settle out of court. The firm paid the taxes that Rachel claimed it owed (plus interest) but admitted no guilt for any tax violations and paid no fine. Rachel would be a gutsy choice on your part, but it might create a few problems politically when the Speaker hears about it.

• Martha Rutledge, administrative assistant II. With 35 years in the Department of Taxation, Martha knows everybody and everything. She runs your life. In fact, she really runs the day-to-day business of the audit unit, permit-ting you to concentrate on long-term, strategic concerns. You trust both her skills and her judgment; she really functions as your deputy director. Of course, she is still paid as an administrative assistant. It’s hard to imagine Martha slacking off in her duties under any circumstances; it’s also unlikely that an award would make her any more diligent. She’ll be doing her same conscientious job right up until the day she leaves.

• Samantha Black, clerk I. Two years ago, straight out of high school, Samantha passed the civil service exam with flying colors. You immediately hired her, and she quickly became a real team member—both competent and cheery. Every auditor wants to give his or her clerical work to Samantha. Moreover, others in the department have heard of her talents, and she has already turned down several offers as a clerk II. You, however, don’t have a clerk II position into which you can promote her.

The rest of your employees are quite proficient and professional. They’re smart; to do their work, they have to be. Like any other manager in the taxation department, or in state government for that matter, you have a couple of people whom you wouldn’t mind replacing. Still, you have a talented team that does its job without requiring much attention (except when you step on some politically sensitive toes). Your people are over-worked and underappreciated. If the bonus is for performance, 90 percent of them deserve one. But you have only three to give.