More bosses are getting two bites at their bonus apples.

A growing number of U.S. companies, mainly in the retail and high-tech industries, are replacing their annual incentive structure with bonuses earned twice a year.

In addition to boosting morale at a time of salary freezes and pay cuts, semiannual bonuses help companies retain key players by dangling the carrot of two targets a year, while giving boards a chance to raise those goals quickly if economic conditions improve.

Harman International Industries Inc.—a maker of high-end audio systems that relies heavily on consumer and automotive spending, both of which were hurt by the downturn—began experimenting with semiannual bonuses last spring.

Chairman and Chief Executive Dinesh Paliwal feared establishing annual goals for the fiscal year, which ends this June, "could prove totally useless" within a few months. So amid a U.S. salary freeze and the cancellation of contributions to 401(k) plans, Mr. Paliwal persuaded fellow directors to give nearly 400 senior colleagues, including himself, two chances to earn their bonuses. "The driving force was, 'How do we motivate people in a very difficult economic environment?'" Mr. Paliwal says.

Hay Group, a consulting firm which analyzed regulatory filings for The Wall Street Journal, found 50 big and midsize companies that have recently disclosed plans to pay semiannual bonuses, with more than half of them having adopted the plans since 2008. Companies that have made the switch include Home Depot Inc., Cisco Systems Inc. and Xerox Corp.

Rewarding managers for brief bursts of performance strikes certain compensation critics as a bad idea. "Earning a bonus every six months is an awful short-term vindication of worth," says Kenneth Feinberg, the U.S. pay czar. People will "cut corners to get the quick fix," he warns.

The trend also troubles Lucian Bebchuk, co-author of the book "Pay Without Performance." The economic crisis proved "it's important to link pay to long-term results," says Mr. Bebchuk, a Harvard law professor and head of its corporate-governance program. "Semiannual bonuses move companies in exactly the opposite direction from which they should be heading with their pay practices."

Mr. Paliwal says Harman's flirtation with short-term bonuses won't crimp its long-term outlook. "We are driving everything for the long term," he says, citing recent higher spending on research and development and expansion into China and India since he became CEO of the Stamford, Conn., concern in 2007.
Harman missed certain annual bonus targets in its prior fiscal year, so its top executives received only minimal payouts. The company won't disclose how high directors set the six-month targets for the current fiscal year until its proxy statement appears this fall. Even after Harman's results for the first half beat analysts' expectations, directors decided against raising second-half targets "due to continuing economic uncertainty," says John Stacey, Harman's chief human resources officer.

The board of Sprint Nextel Corp. took a tougher stance. In mulling bonus goals last spring for the second half of 2009, directors of the Overland Park, Kan., company decided to raise the bar, choosing more aggressive targets than during the first half.

"We are in a turnaround situation, and the board wants to make sure we continue to build momentum," explains Bill White, a Sprint senior vice president.

Sprint launched a plan in 2009 that gives 45% of the company's roughly 42,000 employees the chance twice a year to meet various goals, such as customer retention, with bonus checks for both periods awarded at year's end. Sprint says the program covers anyone working without commissions, including CEO Dan Hesse. In 2008, Sprint used a quarterly bonus plan due to Mr. Hesse's recent arrival, but previously had a traditional annual-bonus setup.

Last month, Sprint reported a narrower fourth-quarter loss and a slower rate of subscriber defections. Every eligible employee will receive a bonus "for both halves of 2009," Mr. White says.

Home Depot is pursuing a slightly different approach. As the economy slowed in 2008, the world's largest home-improvement chain began offering all but a handful of its highest managers bonus opportunities twice a year. "We decided, 'Let's shorten the performance period,' so we could give people more realistic goals," says Tim Crow, executive vice president for human resources.

A portion of bonuses for the approximately 22,000 affected managers still depend on a yearly assessment of their personal goals. The rest of the Atlanta-based retailer's 300,000-odd workers already participated in "Success Sharing," a program that doles out bonus checks semiannually if Home Depot hits financial performance targets for each period.

When CEO Frank Blake unveiled the broadened semiannual bonus push during field visits, store managers "were standing and clapping," Mr. Crow recollects. "Everybody likes to get their money quicker."

There has since been a drop in staff turnover throughout Home Depot. The twice-a-year bonus plan "gets a lot of credit," Mr. Crow says.