

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 03 – EXAMINATION – SUMMER 2016

Subject Code: 2830302
Subject Name: Compensation Management (CM)
Time: 10:30 AM to 01:30 PM

Date: 06/05/2016
Total Marks: 70

Instructions:

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**

- Q.1 (a)** Objective Questions **06**
1. Under reward strategies, following is not an internal contextual factor.
A. Globalization
B. Work environment
C. Organization's culture
D. Business strategy
 2. Which one is not a transactional reward?
A. Base pay
B. Contingent pay
C. Employee benefit
D. Performance management
 3. Home-country, Host-country, selected country are the approaches for calculation of pay for
A. Sales personal
B. Executives
C. Directors
D. Expatriates
 4. Bonuses are often referred as
A. Base pay
B. Pay -at-risk
C. Variable pay
D. Both B and C
 5. Followings are non-cash rewards except....
A. Basket of fruit
B. Incentives
C. Experience days
D. Jewellery
 6. Which one is not a grade structure
A. Pay structure
B. Narrow-graded structure
C. Broad-graded structure
D. Broad-banded structure
- Q.1 (b)** Define followings **04**
1. Total reward
 2. Bonus
 3. Strategic reward
 4. Team pay
- Q.1 (c)** Discuss types on non-financial rewards with suitable example. **04**
- Q.2 (a)** Explain in detail narrow graded structures, career family structure and job family structure. **07**
- Q.2 (b)** Explain different types of bonus schemes with advantages. **07**
- OR**
- Q.2 (b)** Write important characteristics strategic reward. **07**
- Q.3 (a)** What do you understand by strategic reward? Discuss guideline principle of strategic reward. **07**
- Q.3 (b)** Design a contribution-based sales compensation plan, assuming hypothetical figures, for a company engaged in retail sales of spices & blended masala. **07**
- OR**
- Q.3 (a)** What is financial reward? Explain arguments against financial rewards. **07**
- Q.3 (b)** "Easy click" a web-based online shopping company, gives weightage to the competencies of software engineers & marketing managers. You have been entrusted to help company to design a competency-based pay structure for software engineers & marketing managers. **07**
- Q.4 (a)** Why has executive pay grown so much? Discuss with suitable example. **07**
- Q.4 (b)** Your company is seriously considering switching to a team-based compensation plan from the existing individualistic approach to compensation design. It develops prototypes of machines, based on clients' requirements. Most of the employees are scientist & specialists in their respective areas. Draw up a suitable team-based plan, clarifying the necessary steps. **07**

OR

- Q.4 (a)** Discuss how sales compensation plan is different from other compensation plan. **07**
- Q.4 (b)** Small manufacturing unit has to recruit skilled and unskilled workers. These workers are easily available from local labor market. Now this manufacturing unit believes that there is no need to pay the workers above minimum wage set by the state government. However, as a unit head you personally feel that fair wages should be paid to workers. Since unit is capable of paying by having enough profit. Provide your arguments accordingly. **07**
- Q.5** **07**

Fringe benefits at Ultra Pharmaceuticals

In today's marketplace, retaining and recruiting top-notch employees in one of the biggest headaches for human resource professionals. Competitive salaries are simply not enough, one should have revolutionary perks like stock options, and weekends at resorts etc. are now virtually industry standards. What length do companies need to go to recruit employees? what new benefits must be added to packages to satisfy and maintain current employees? Mr. Atul Raval, spoke person for Ultra Pharmaceuticals (UP), shares the company's recipe for HR relief. Atul had difficulty singling out a single perk or benefit that is a sure-fire hit with Ultra Pharmaceuticals (UP) recruits and employees. Individuals maintain very different lifestyles, so packages may appeal or not appeal for different reasons. For example, Arts graduate may prioritize profit sharing, while the experienced management professionals might be looking for a job with flex time, in order to spend more time with family. UP does survey of its current workers in order to gauge their satisfaction with current benefits and learn what new perks they need to implement to keep happy. They also do substantial research on innovative trends being tried out in other companies across the country. Their mission, according to Mr. Atul, is to 'give support our employees successfully integrate their personal and professional lives.'

The idea being, of course, that satisfied employees are productive employees, and that dissatisfied employees tend to be productive too – at finding other jobs. After further consideration. Mr. Atul did list of some perks in the UP benefits package that are sure-fire crowd pleasures. One of these is free financial planning seminars. The seminar covers topics from successful investment strategies and managing kids' school tuition fees to planning for purchasing of home. Another perk is offered is additional insurance. Over and above complete medical plan that UP provides. One special benefit that Mr. Atul mentioned was UB's elder care referral service. We are in the area of ever-increasing the life expectancies. The responsibility for caring physically, as well as financially, for elder loved ones has never been a great. Ultra Pharmaceuticals (UP) employees who are presented with the misfortune of not being able to care for their parents can consult an elder referral service at no cost. Not only does the service provide lists of care options and aid with financial planning, it also provides support services designed to help families cope with the stress of such an emotionally trying situation.

Question-1 Briefly analyze the role of fringe benefits in employee motivation.

Question-2 Critically analyze fringe benefits to employees and their impact on motivation in Ultra Pharmaceuticals (UP).

Question-3 Give your own suggestion to Ultra Pharmaceuticals (UP) for revision/additional fringe benefits to make a job more attractive.

OR

Q.5

Dipak lights

07

Dipak lights came in to existence in the year of 1977 as a medium sized electric company with just two products and 150 employees. In span of 35 years, it has grown and now emerged as a second largest electrical company in the country with a sizable presence in the global market. The company's staff list comprises 1500 talented employees. The company has marketing more than 400 products in more than 35 countries. It has successfully introducing 15 products in a year on an average. Which itself an indicator of the strength of its human resources.

The top management of company strongly believes that its highly skilled employees are responsible for its performance and growth. The company has full fledged HR department under stewardship of HR director Mr. K.S. Prasad. The HR department through sustained measures and a meticulous approach has fostered loyalty and job involvement among the members of a company. Since its inception, the labor turnover rate of the company has been far less than the industry average. Except the past two years, including the current year.

Obviously, the company is concerned about the recent disturbing trend in the employee attrition

rate, particularly at the executive levels. Since executive retention is crucial to the stability of the business, the company wants to reduce the executive turnover at the earliest before too much damage is done. Many of the serving executives have blame to the pay revision conducted two years back as responsible for his trend. In the last pay revision, the company moved from narrow-graded pay structure to broad-graded one. Consequently, the number of pay grades was reduced and kept to a minimum in the revised pay structure. Junior-level executive complained that they got a raw deal in the new pay grade fixation and the pay difference between their level and the higher level (middle level executives) became unacceptable large. The executive also found fault with the job evaluation techniques followed for determining the internal worth of jobs. They felt that the ranking method adopted in job evaluation was highly subjective and functionally erratic. The junior-level executives also alleged that the job evaluation committee had evaluated persons instead of positions at executive levels, and that was responsible for the anomalies in the pay grade allocation. They wanted the HR department to undertake a fresh and objective evaluation of jobs and reallocate pay grades on the basis of the result of a new job evaluation.

However, the HR department, which takes overall responsibility for job evaluation and pay revisions, resolutely rejected the accusation made by junior level executives. It maintained that the job evaluations were conducted in the most objective manner. The HR people also stated that the large difference between the pay scale of junior executives and those of middle-level ones were due to the recent increase in the duties and responsibilities of the middle-level managerial jobs and not due to any flaw in the job evaluation or pay revision process. But the junior level managers were not prepared to accept the explanation of the HR people and kept asking for a fresh exercise to fix the worth of each job in the managerial levels and relocate pay grades.

Now, the management is in an acute dilemma. If it concedes the request of the junior level managers and orders a fresh job evaluation and pay grade fixation for them. It might send wrong signals to other sections of the employees and they also might seek revisions. If it does not concede their request, it may not be possible to reduce the high executive turnover. Finally, the management has instructed the HR department to come out with some plausible solution to this serious issue.

Question 1: According to you, who is to be blamed for the high level of executive attritions prevailing in the company?

Question 2: If you were to be the HR director, how would you have responded to the criticisms of the executives?

Question 3: What will your suggestions to solve the present embarrassment faced by the management?