

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 3– • EXAMINATION – WINTER 2015

Subject Code: 2830302

Date: 05/12/2015

Subject Name: Compensation Management

Time: 10.30 AM to 01.30 PM

Total Marks: 70

Instructions:

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

Q. No.

6

Q.1 (a)

Process of identifying the rates of pay in the labour market for comparable jobs are known as

1.

A. Job evaluation	B. Market Rate Analysis
C. Pay Progression	D. Basic Pay Fixation

The Concept of Total Reward Management is

2.

A. It is the same as total remuneration	B. About issuing statement to employees setting out total value of their work
C. Rewarding the entire team which works	D. It is about ensuring that the provision of rewards takes account of both financial and non financial rewards

Analytical job evaluation :

3.

A. Provides a scientific base of grading jobs	B. Breaks down jobs in to factors as a basis for comparing levels of responsibility
C. Guarantees that equal pay is achieved	D. Uses job analysis to determine internal relativities

A broad banded grade and pay structure have

4.

A. Limited numbers of grades	B. Equal numbers of grades
C. Narrow grades	D. All of the above

Contribution related pay

5.

A. Relates pay to individual's contribution	B. It is another name of "Performance Related Pay"
C. Relates pay to the achievement of agreed objectives	D. Relates pay to both (Results) output and inputs (Competency)

Which of the following is not Transactional Communal reward in Towers Perrin Model ?

6.

A. Pensions	B. On job learning
C. Holidays	D. Flexibility

- Q.1 (b)** Duncan Brown wrote that : ‘ The alignment of your reward practices with employee values and needs is every bit as important as alignment with business goals, and critical to the realization of the later’ – How can this advice be put in to the effect in the development and operation of reward system? **04**
- Q.1(c)** Differentiate between Narrow graded pay structure and Broad graded pay structures. **04**
- Q.2 (a)** Explain in details the Reward system components and their interrelationships. **07**
- (b)** Write a note on Towers and Perrin Model of the Total Rewards Management.
- OR**
- (b)** Explain in details the Zingheim and Schuster Model of Total Reward Management **07**
- Q.3(a)** What is “convergence and divergence” with respect to international reward policies ? **07**
- (b)** Differentiate between IES model of Employee Engagement Vs. Hay group model of Employee Engagement **07**
- OR**
- Q.3 (a)** What are the various factors affecting pay levels? Explain tournament theory of Pay system with suitable example. **07**
- (b)** Differentiate between analytical and non analytical job evaluation and write a brief note on analytical job evaluation methods. **07**
- Q.4 (a)** Why knowledge workers reward packages are considered specially? What are the approaches can be used to reward knowledge workers? **07**
- (b)** Write a note on Maternity Benefits Act, 1981 explaining it’s scope, applicability , provisions , exclusions and major amendments. **07**
- OR**
- Q.4 (a)** Write a brief note on various types of employee benefits HR department choose to offer these days to the employees. **07**
- (b)** Write a note on Income tax act provisions with respect to salaried persons and also mention the prevailing income tax slabs at present. **07**

New Delhi Shopping Point (NDSP) has around 300 employees. 200 of them are permanent, while others are outsourced. About 50% employees of total are females. Since it was new entrant in business, the retail store preferred to adopt on going job evaluation practices, rather forming their own. As a result of which, they failed to take in to account the cultural diversities and the same eventually lead to disagreement of reward system and dissatisfaction among employees. Eventually employees formed Unions with strong opposing political affiliations.

Company then formed a task force with cross functional team managers to educate employees on the methods of job correlation and job pricing with a hope to reduce the conflict as well as to develop mutually acceptable job evaluation scheme and rationalise the pay structure. Though it helped to reduce dissatisfaction fractionally, it failed to eliminate inequity, resulting in dissension amidst a small section of employees.

In a retail store customer notice dissatisfied employees easily, at NDSP too faced the same problems – while employees started ignoring customer queries, customers were left to guess the price etc. started taking place. The business of the retail chain started suffering, which resulted in to the substantial loss of business and reduction in customers.

Facing successive business losses, the company ultimately decided to discuss the pay parity issue and to arrive at a solution. It also agreed to develop a suitable job evaluation scheme, aligned with the compensation plan. All the Unions agreed to these propositions of the company and promised to come out of win-win situation. Some of the key issues suggested by the Unions for the discussion are : Correctly capture some key feature of the work done by the female employees, Differentiate between the quality of customer relations offered by a male and female employees, Understand the success rate (in terms of the percentage of the customer retention) of male and female employees etc. A section of female employees also complained that while their success rate were much better than male employees they were still paid less compared to them. They also threatened to refer the matter to the Human Rights Commission, if conciliation failed.

As a team leader, representing the management, suggest a ways for the company to achieve pay parity through mutual consensus.

OR

Q.5 Case Study – Compensation Strategy for Executives at Fortune Furnitech (FF)

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Fortune Furnitech is a state of art modular furniture manufacturer , started with an initial Rs. 500 Crore investment, by raising a term loan from different financial institutions and about 65% contribution from the traditional family business. The group has a traditional family history of wood craft manufacturing. Leveraging the family trend , the present owner Asim Singh and his wife Ragini ventured into this business. According to Mr. Singh, India has top quality berg woods in its North –Eastern states, which are imported by countries such as the US. However, Indians use them as firewood , because of lack of awareness. The company launched an ambitious plan to manufacture and sell hardwood furniture worldwide, as their study indicated that the Indian market for furniture is still unorganized, and that the affluent class used imported furniture made out of concentrated wood dust or waste products.

To achieve this goal, the company recruited the best designers, business heads, and production people worldwide. Many designers were either , Italian –born or trained in Italy. The biggest challenge the company faced was in designing managerial compensation.

Management compensation received attention primarily because of its performance implications and strategic fit in Fortune Furnitech. The HR manager claimed that it had a positive effect on the company's financial performance and recommended the appropriateness of different compensation for specific strategic situations. However, he could not convince the top management of the need to formulate an executive compensation packaged accordingly.

Asim Singh only considered such alignment for executives on board, arguing that their achievement was traceable . The HR Manager argued that , compensation cost in the company was the second largest expense in the category following the cost of raw materials and other implements. Hence, it had to be managed strategically , aligning with the performance of the organization and its fit with overall organizational strategy. He supplied extensive literature to support his argument. He complained that the organization did not have a well documented compensation philosophy , despite this evidence. Some incentives were also counter productive. He argued that it is time to develop executive compensation , deemphasizing the immediate financial gains and tagging it with long range strategy of the organization . After listening to the HR head's argument , the CEO directed him to develop a model that may work in the organization

Imagine you are the HR Manager . Design the appropriate pay model for executives of the organization.
