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**MBAS 560**

**IV Semester M.B.A. Degree Examination, September 2020**

**BUSINESS ADMINISTRATION**

**Compensation Management**

Time : 3 Hours

Max. Marks : 70

**SECTION – A**  
**(Compulsory)**

**Note :** Answer to the question should **not** exceed **six** pages. **(1×15=15)**

1. What do you mean by compensation for Special Groups ? What are the components of executive compensation package ? Give reasons for high executive compensation.

**SECTION – B**

**Note :** Answer **any five** of the following. Answer to **each** question should **not** exceed **five** pages. **(5×8=40)**

2. Distinguish between 'Internal Equity' and 'External Equity'.
3. 'Several modern and traditional methods of performance appraisal are used for appraising an employee's performance'. Explain any three methods of performance appraisal.
4. Explain various dimensions of compensation management.
5. Describe the modes of aligning compensation strategy with business strategy.
6. Discuss the malevolent and benevolent factors of team based pay.
7. Discuss the economic theories related to compensation.
8. What is the future trend of compensation ? Explain.
9. Write notes on :
  - a) Employee Stock Option Plans
  - b) Types of Retirement Plans.

**P.T.O.**



SECTION – C  
(Compulsory)

**Note :** Answer to the question should **not** exceed **six** pages.

**(1×15=15)**

10. Analyse the following case study.

Mr. Samrat Bhattadlarya joined Forgewell Auto Ltd., New Delhi recently as HR Manager. Forgewell Auto Ltd. is a manufacturer and supplier of safety critical automotive components which finds application in steering and suspension assemblies of passenger cars. It supplies to major OEMs in India and abroad. The company has modest turnover of 40 crores annually and is in business for the last twenty years. Samrat was very enthusiastic and wanted to bring about many changes in the HR policies and systems of the organization. He began by studying the various systems and practices in place. During a conversation with Mr. S.N. Hassija, the head of production, he found that the productivity of the workforce was lower than its competitors. With this cue, he started looking at HR practices in place. He noted that the compensation management in the organization hovered around rewarding individual performance although the nature of work was team based. So, one of the first things Samrat wanted to do in his new position at Forgewell Auto Ltd. was to improve productivity through team work at every level of the organization. As the new HR manager, Samrat set out to change the culture to accommodate the team-based approach to compensation. He had become so enthusiastic in his most recent position. Samrat decided to change Forgewell's long standing policy had been to give all employees the same annual pay increase but Samrat felt that in the new term environment outstanding performance should be the criterion for pay rises. After consulting with CEO Vikas Mohanty, Samrat sent a memo to all employees announcing the change to team based pay for performance.

The reaction was immediate and 100% negative. None of the employees was happy with the change. They complained that this will result in partiality in rewarding employees given that the performance appraisal system in the



organization is quite old and primitive some of the shop floor supervisors started suspecting the intentions of the new HR Manager as they thought that pay for performance was a veil to disturb the harmony prevailing amongst the employees. Samrat and Vikas arranged a meeting for early the next morning in his office over their tea, they began a painful debate. Should the new policy be retracted as quickly as it was adopted, or should it be allowed to stand ?

**Questions :**

- a) Do you agree with Samrat's idea of pay-for-performance plan ? Why or why not ?
- b) What advice would you give Samrat and Vikas as they consider their decision ?
- c) What mistakes did they make in adopting and communicating the new compensation plan ?
- d) What strategy should Samrat adopt to ensure the success of strategic compensation plan ?