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Fourth Semester M.B.A. Examination, May/June 2017

BUSINESS ADMINISTRATION

Compensation Management

Time : 3 Hours

Max. Marks : 70

SECTION – A

(Compulsory)

Sri Dharmasthala Manjunatheshwara
College of Business Management, Mangalore
Post Graduate Centre for Management
Studies and Research Library

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

(1×15=15)

1. Explain the stages in development of an effective compensation system to suit the changing business world.

SECTION – B

Note : Answer **any five** questions. **Each** question carries **eight** marks. Answer to the question should **not** exceed **five** pages.

(5×8=40)

2. Critically evaluate the historical development of payment systems.
3. Trace out the role of compensation management in motivating employees.
4. Explain the role of compensation in employee retention.
5. Evaluate the strategies to overcome the challenges of performance based pay.
6. Explain the objectives of National Wage Policy.
7. Briefly explain the relevance of employee stock option plan.
8. Briefly explain the recent policy changes related to compensation for CEO's.
9. Explain the new trends in compensation management.

P.T.O.



SECTION – C

(Compulsory)

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

(1×15=15)

10. Mr. Samrat Bhattacharya 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 ?

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Questions :

- 1) Do you Agree with Samrat's idea of pay-for-performance plan ? Why or why not ?
 - 2) What advice would you give Samrat and Vikas as they consider their decision ?
 - 3) What mistake did they make in adopting and communicating the new compensation plan ?
 - 4) What strategy should Samrat adopt to ensure the success of strategic compensation plan ?
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