

Fourth Semester MBA Degree Examination, September 2024

BUSINESS ADMINISTRATION

Compensation Management

Time: 3 Hours

Max. Marks: 70

**Section – A
(Compulsory)**

Answer to the question should not exceed 6 pages.

(1X15=15)

1. Explain the role of intrinsic and extrinsic rewards in retaining employees and how can organizations balance both to create a comprehensive retention strategy.

Sri Dharmasthala Manjunatheshwara
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Studies and Research Library

Section – B

Answer any Five questions. Each Question carries Eight marks. Answer to the question should not exceed 5 pages.

(5X8=40)

2. Explain the concept of wage determination and discuss the key factors that influence wage rates in a competitive labor market.
3. What sources do most employers use to benchmark compensation?
4. What metrics would you use to evaluate the effectiveness of a 3P compensation strategy in achieving organizational goals?
5. Explain the economic theory related to compensation and what are the limitations of economic theories?
6. What are the factors favouring effective performance appraisal ?
7. What are the emerging trends in compensation and reward management?
8. Explain how do wage differentials vary globally, and what are the best practices for managing compensation in multinational organizations?

**Section – C
(Compulsory)**

Answer to this question should not exceed 6 pages.

(1X15=15)

9. Innovate Tech Solutions, a mid-sized software development firm, prides itself on innovation and cutting-edge technology. However, in recent years, the company has faced significant challenges related to its compensation management. Despite offering competitive base salaries, Innovate Tech has experienced a worrying increase in employee turnover, particularly among high-performing developers and key project managers. Exit interviews highlighted dissatisfaction with the overall

compensation package, lack of recognition for exceptional performance, and perceived inequities in pay.

Historically, Innovate Tech focused on base salaries with minimal emphasis on performance-based incentives or additional benefits. This strategy, while straightforward, did not account for the dynamic nature of the tech industry where skilled professionals expect not only fair pay but also rewards that reflect their contributions and market value. Furthermore, internal surveys revealed that employees felt demotivated by the lack of differentiation in pay for high performers versus average performers, leading to a decline in overall productivity and innovation.

Recognizing the urgent need to address these issues, the HR team, led by the new Chief Human Resources Officer (CHRO), embarked on a comprehensive overhaul of the compensation management system. The first step was conducting a thorough market analysis to benchmark Innovate Tech's compensation against industry standards. This analysis revealed that while base salaries were competitive, the total compensation packages lagged behind those offered by competitors, especially in terms of bonuses, stock options, and non-monetary benefits.

The CHRO proposed a multi-faceted strategy to revamp the compensation system. Key elements included the introduction of performance-based bonuses to reward top performers and encourage excellence. Additionally, the new plan included equity options to align employees' interests with the company's long-term success, thus fostering a sense of ownership and commitment. Enhancing the benefits package with options such as flexible working hours, wellness programs, and professional development opportunities was also prioritized to improve employee satisfaction and retention. To ensure transparency and fairness, the HR team implemented a clear and structured process for performance evaluations and pay adjustments. This process involved regular feedback sessions, objective performance metrics, and open communication channels where employees could discuss their career progression and compensation concerns. Furthermore, Innovate Tech committed to conducting annual market surveys to keep their compensation packages competitive and equitable. Six months after implementing these changes, Innovate Tech observed a notable reduction in turnover rates and a significant boost in employee morale and productivity. The new compensation strategy not only addressed the immediate concerns but also positioned Innovate Tech as an attractive employer in the competitive tech industry.

Questions:

- a) What were the primary issues with Innovate Tech Solutions' original compensation strategy?
- b) How did the lack of performance-based incentives and equity options affect employee motivation and retention?
- c) What steps did the HR team take to ensure the new compensation system was competitive and fair?
- d) How can regular market surveys help Innovate Tech maintain a competitive edge in the tech industry?
