

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER - 3 - EXAMINATION – SUMMER 2021

Subject Code: 4539232**Date: 19/08/2021****Subject Name: Compensation Management****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

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

- Q.1 Define following Terms in detail:** **14**
1. Reward Management
 2. Agency Theory
 3. Expatriate
 4. Intrinsic Motivation
 5. Bonus
 6. Distributive Justice
 7. Profit sharing
- Q.2 (a)** What is the role of compensation and rewards in modern organization? What are advantages of fair compensation system? **07**
- (b)** Explain in detail Hay group and Towers Perrin Model of Total Rewards **07**
- OR**
- (b)** Mr. Shah is owner of a firm. He is very happy with the work of employees and decides to give them contingent pay. Give him various option of Contingent Pay. State the guiding principle for effective contingent pay. **07**
- Q.3 (a)** How does an organization align compensation strategy with its HR strategy and Business Strategy? What are benefits to link HR strategies with Business Strategies? **07**
- (b)** Discuss payment of wages act 1936, for rules of deduction and enforcement of the act **07**
- OR**
- Q.3 (a)** Explain Home country based, Host country based and Hybrid basis reward strategies with respect to international reward strategy. **07**
- (b)** What is rewarding financial Business performance? Explain the types of schemes. **07**
- Q.4 (a)** Discuss in detail various Determinants of Pay level in the organization. **07**
- (b)** What did you understand from Medi claim policy? Briefly discuss salient features of it. **07**
- OR**
- Q.4 (a)** “Mitra” a retail medicine chain got a license to sell medicines of various pharma companies. It gives weightage to the competencies of Medical Representatives. Design a pay structure for them. **07**
- (b)** High Performance work system is the need of the day. Validate the statement by describing high performance work system, components of HPWS and how it can be created. **07**
- Q.5 CASE STUDY:**
- Nikhil has joined as Director of an organization during early March, 2001 in New Delhi, shifting from Calcutta. During the selection process, the committee

duly considered his earlier pay package and has given him a proportionate rise in pay adding also the tax savings which he will accrue due to splitting of 50 per cent of his pay as reimbursement. He was happy for such compensation design, as his savings will be more in his new position. Within two weeks of his joining, government has issued a notification, declaring ceiling on all perquisites and bringing all reimbursements given as perquisites within the ambit of tax net. Nikhil raised this issue and asked for reprieve with upward revision of his compensation package. The company pleaded its helplessness as government orders are beyond their control and any revision at this stage will set a bad precedence to other employees of the organization. He was told to continue and wait for the next revision after a year, when these issues will be taken care of.

Salary information in the company is not confidential. It is so transparent that even the lowest rung of the organization knows what others get. Internally employees feel demotivate when they find their pay raise is disproportionate to the pay raise of their bosses. The company has a system to give Diwali gifts to all in cash and kind. This is kept strictly confidential and nobody knows what others are getting. The Board approves the total amount for this purpose and distributes among employees, keeping in view their performance and hierarchy. Performance feedbacks are obtained from the structured performance appraisal system.

Nikhil was tipped off that he will be able to reduce his loss through the Diwali gift and hence he should not feel de-motivated at this stage. During early November, 2001, Nikhil received a sealed packet with a gift cheque of 10,000 and gift vouchers worth 20,000. Next morning he received a phone call from the Chairman, who asked him to indicate his Notes feelings when he met him in person during the afternoon. In between, Nikhil did a detailed computation in consultation with his Chartered Accountant and found that he cannot get him absolved from tax burden from this gift amount as he has to show this in 'other income category' and pay about 33 per cent towards tax. A visibly perturbed Nikhil decides to quit. He loses all hopes for re-negotiation and sends his three months' notice to the Chairman.

- (a) According to reward system do you think Nikhil is right in his stand? 07
(b) What could be the alternatives for the organization to reduce the pay gap? 07

OR

- Q.5 (a) Should the Chairman initiate any action to retain Nikhil considering his outstanding contributions? 07
(b) Discuss some good reward strategy which can be implemented by the organization. 07
