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Roll No.

MB-303-H2

**M. B. A. (THIRD SEMESTER)
END SEMESTER
EXAMINATION, Jan., 2023
COMPENSATION AND BENEFITS
MANAGEMENT**

Time : Three Hours

Maximum Marks : 100

- Note :** (i) This question paper contain two Sections—Section A and Section B.
- (ii) Both Sections are compulsory.
- (iii) Answer any *two* sub-questions among (a), (b) and (c) in each main question of Section. Each sub-question carries 10 marks.
- (iv) Section B consists of case study is compulsory. Section B is of 20 marks.

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(2)

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Section-A

1. (a) What do you understand from compensation management ? Discuss the process of job analysis and its importance in compensation design. (CO1)
 - (b) Explain different wage theories used to determine the wages. How Minimum, living and fair wages are different from each other and why we provide these different wages to employees ? (CO1)
 - (c) Elaborate different contemporary issues which have influence on compensation management. (CO1)
2. (a) Illustrate the job evaluation method and its application in structuring salary of an employee. (CO2).
 - (b) Chart the components of cafeteria plan. Examine Employee stock option plan, retirement plans and fringe benefit plans. (CO2)
 - (c) Demonstrate the factors of difference in expatriate compensation. (CO2)

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3. (a) Analyze different incentive plans. Differentiate them on the basis of their advantages and disadvantages over each other. (CO3)
 - (b) Executive compensation is higher than others." Analyze the statement. (CO3)
 - (c) Contrast the performance based pay from competency based pay. Does Skill based pay is similar to them. (CO3)
4. (a) Appraise the analytical method over the non-analytical method of job evaluation. (CO4)
 - (b) "Differentiation based on pay creates different concen but every employee can't be paid similar." Evaluate the statement and use appropriate example to evaluate. (CO4)
 - (c) Assess the importance of profit sharing plans in compensating employees. Compare different profit sharing plans and cafeteria plans in detail. (CO4)

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Section-B

5. Dr. Ahalya Varma is a compensation specialist and is invited by Cleancare, a surgical equipment manufacturing company with cross-border operations, to resolve the crisis of differential pay policy. Cleancare has a competitive pay policy which is economically viable as well as motivating and rewarding to the employees. However, Cleancare peruses a differential pay policy creating a large gap and Ahalya needs to use her expertise to resolve this crisis.

Dr. Ahalya Varma (Ahālya), a Professor of Human Resource Management and Organisational Behaviour at a reputed B-School in Hyderabad was invited by an Indian firm that has cross-border operations to provide a compensation model following an ethnocentric approach. Before visiting the firm, she performed her desk research to gather certain vital details.

Cleancare is a Hyderabad based surgical equipment manufacturing company that began

its operations in the year 2000. Within ten years, Cleancare rose to fame and began cross-border operations with manufacturing units in 9 different countries. The International manufacturing units were engaged in manufacturing devices for sleep apnea, cardiac rhythm management devices, and robotic surgical systems. Cleancare continuously reviews its compensation strategy in order to remain competitive in the market as well as to engage in talent attraction, motivation, retention, and reward best performers.

Manufacturing robotic surgical system is not only challenging, but also highly profitable as it is technology-driven, and provides up to 98 percent realisation of the product from core raw materials. Cleancare is presently the world leader and is able to meet the market demand with on-stop production in all the units spread across nine countries.

Mr. Srikant Amanaganti, the Founder and CEO of Cleancare, strongly believed in an ethnocentric approach. He founded Cleancare

soon after he completed his Engineering from IIT Chennai. Today, the firm has 180 employees in Hyderabad and 360 employees in all manufacturing units across countries. He was aware of the fact that international organisations largely believe in aligning pay and performance.

As on date, the company is following a Uniform Compensation Policy wherein 75% is the fixed pay with 25% variable components. The structure of the variable component is fairly simple since it calls only for 100% attendance and compliance with the production plans. With the present structure of compensation variables, 100 percent of Cleancare's incentives are paid as additional wages. However, the HR department was always on its toes as the onus of developing a compensation practice to enable the organisation to be competitive lay on it. Added to this, the compensation practice should be able to attract talent to the organisation vis-à-vis retaining the best performers.

Ahalya spoke to Mr. Rajeev Lochan (Rajeev), the global HR Head of Cleancare for an appointment to gather information about the compensation practices. The following day, she visited Cleancare's registered office in Hyderabad. Rajeev received her politely and they both sat down in a consultation cabin to discuss the matter while sipping a cup of coffee with a marshmallow cake.

Ahalya endearingly sipped coffee, and said, "The coffee is nice as also the cake... thanks for this." Rajeev nodded approvingly.

Ahalya asked, "Rajeev, tell me what objectives does the present compensation practice achieve? And what is it that I am expected to do?" Rajeev adjusted his voice and said, "our compensation practice is formulated to attract qualified and talented applicants, to provide flexibility to respond to the departmental needs, to improve employee morale, to be fiscally responsible, to support a healthy environment with good promotional opportunities, to maintain salaries which are

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competitive externally and equitable internally, to motivate the workforce to be more innovative, to ensure fair and just compensation administration." Rajeev paused and looked at Ahalya who is seriously listening to him. He continued, "compensation tools such as job evaluation, performance management system, job restructuring, reward programmes are diligently followed to fulfil the objectives just stated."

Ahalya asked, "Rajeev, tell me about your compensation policy and what does it focus on ? Rajeev began, "our practices maintain salary ranges that are consistent and within the economic requirements of the organisation; equal pay for equal work irrespective of religion, gender, age, disability, orientation, ethnicity/caste is another area of focus; our salaries match the labour market and we respond favourably to labour shifts; salary surveys enable us to adjust pay ranges as needed; compensation policy is a transparent document and is accessible to all; our

compensation structure maintains adequate compliance with employment laws.

Ahalya was seriously taking down notes and she was adding some points wherever she deemed necessary. Then, she raised her head and asked Rajeev, "everything seems fine, then how should help ? What should be my contribution ?"

Rajeev smiled and continued, "we at Cleancare pursue a different compensation policy for Senior Executive and managerial employees. Executive compensation is broad-based with stock options, giving huge intrinsic benefit. Not only this, periodic pay-outs of organisational Performance-linked bonus benefits all the executives, making it possible for them to get additional 20-25 percent of their gross compensation. For instance, Cleancare's factory in London suddenly earned the displeasure of the corporate governance body, which questioned cleancare's differential compensation practices. The London unit largely employs Malaysian workers who are

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unionised. Getting a cue from the corporate governance body, the unions also issued similar notices to the company headquarters, asking for pay equity." Rajeev sighed deeply and there was silence. Ahalya broke the silence... "Okay, now I understand" Rajeev was still silent. Ahalya stood up and Rajeev shook hands with her.

Ahalya came home and sat seriously at her writing table and began thinking. For organisations, globalisation has exerted two influences—market globalisation and the need for reducing the cost of production. However, relocating the production facilities to low labour cost countries may not be feasible. Thus, organisations need to expand their plants and offices to anywhere in the world and recruit people both from the local markets and also depute their own employees as expatriates to these countries. Now, compensation design should be for third country nationals as also the locals. The compensation should be framed strategically so that the compensation cost

discrepancies do not defeat their business goals in global markets. Now, wage-related laws are different from region to regions and this variation influences the compensation design. International compensation has cultural issues, variation concepts, repatriation issues, an various approaches to international compensation.

Question : Discuss the concerns and identify the solutions of the problems expressed in the case.

(CO5)