

Internal Assessment Test – II
Answer Key

Sub:	Compensation & Reward System					Code:	18MBAHR303		
Date:	15/10/2019	Duration:	90 mins	Max Marks:	50	Sem:	III	Branch:	MBA

		OBE	
		CO	RBT
Part A - Answer Any Two Full Questions (2* 20 = 40 marks)			
1 (a)	<p>Define internal alignment. Name three factors on which internal alignment is based upon.</p> <p>It is the relationship between the pay structure and the design of the organization and the work. It focuses attention on the importance of designing a pay structure that supports Organizational strategy the workflow, is fair to employees, and directs their behaviours toward organizational objectives.</p>	[03]	L1
(b)	<p>Explain equity, tournament and institutional theory of internal alignment.</p> <p>Adams' Equity Theory is named for John Stacey Adams, a workplace and behavioral psychologist, who developed his job motivation theory in 1963. Much like many of the more prevalent theories of motivation (such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory), Adams' Equity Theory acknowledges that subtle and variable factors affect an employee's assessment and perception of their relationship with their work and their employer.</p> <p>The theory is built-on the belief that employees become de-motivated, both in relation to their job and their employer, if they feel as though their inputs are greater than the outputs. Employees can be expected to respond to this in different ways, including de-motivation (generally to the extent the employee perceives the disparity between the inputs and the outputs exist), reduced effort, becoming disgruntled, or, in more extreme cases, perhaps even disruptive.</p> <p>Tournament theory is the theory in personnel economics used to describe certain situations where wage differences are based not on marginal productivity but instead upon relative differences between the individuals. This theory was invented by economists Edward Lazear and Sherwin Rosen.</p>	[07]	L2
(c)	<p>Analyze the strategic choices in designing internal structures.</p> <ul style="list-style-type: none"> • Tailored VS Loosely Coupled 	[10]	L4

- Hierarchical VD Egalitarian

2 (a) Define pay differential? In which type of structure pay differentials are higher?
Pay differentials are conditions for which an employer is willing to compensate an employee with additional pay to get them to take certain assignments.

[03]

CO1

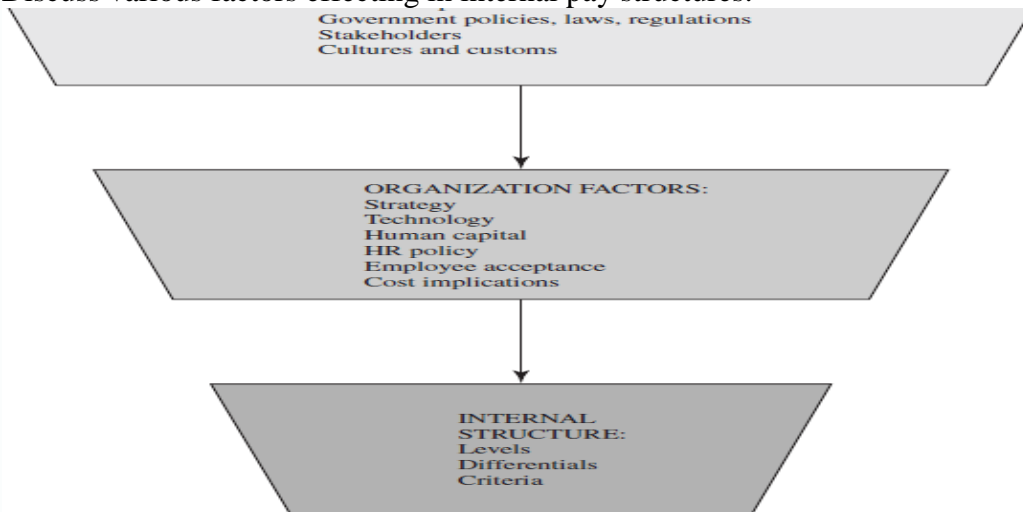
L1

(b) Discuss various factors effecting in internal pay structures.

[07]

CO1

L2



(c) Evaluate with examples the three strategic perspectives of pay.

[10]

CO3

L5

- Strategy
- Workflow
- Motivation

3 (a) Define internal pay structure? Explain with example.
Decision on how to pay each level

[03]

CO1

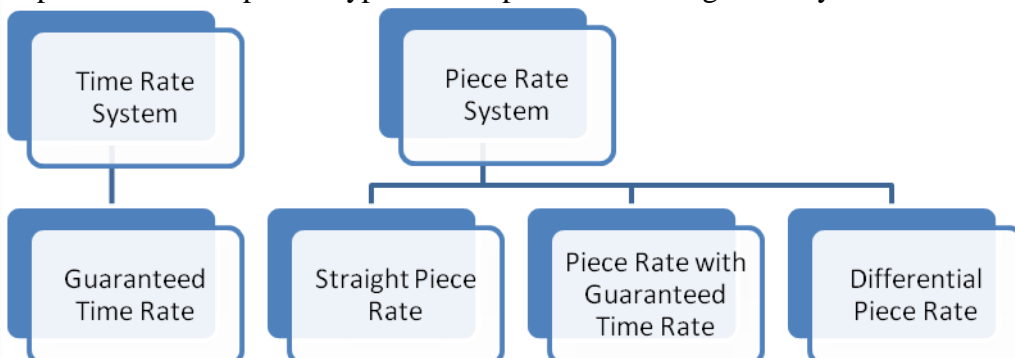
L1

(b) Explain with example the types of compensation management systems.

[07]

CO2

L2

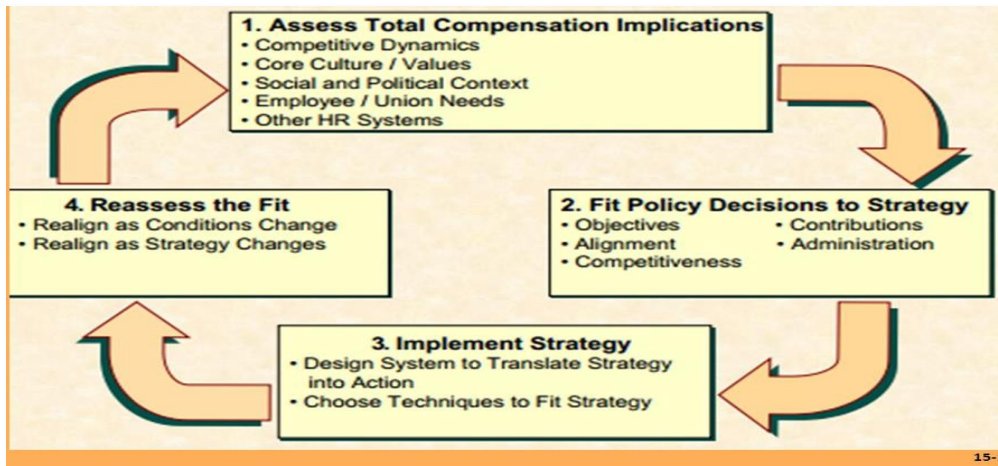


(c) Illustrate the steps to formulate a compensation strategy.

[10]

CO3

L4



Part B - Compulsory (01*10=10 marks)

4 Read the case and answer questions given at the end of the case study.

- (a) Peter Drucker calls orchestras an example of an organization design that will become increasingly popular in the 21st century, in that they employ skilled and talented people, joined together as a team to create products and services. Drucker may hear what he wants to hear. Others say orchestras are autocratic. The conductor dictates what is played and how it is played. Rather than basking in the glow of orchestral teamwork, jokes like the following are common among orchestra members: *Q. Why do so many people take an instant dislike to the viola? A. It saves time.*
- Job descriptions for orchestras look simple: Play the music. (*Q. How is lightning like a keyboardist's fingers? A. Neither strikes the same place twice.*) Violins play violin parts; trumpets play trumpet parts. Yet one study reported that job satisfaction for orchestra members ranks below that of prison guards. However, orchestra members were more satisfied than operating room nurses and hockey players.
- Exhibit 1 shows the pay structure for a regional chamber orchestra. (*Q. How can you make a clarinet sound like a French horn? A. Play all the wrong notes.*) The pay covers six full orchestra concerts, one Caroling by Candlelight event, three Sunday Chamber Series concerts, several Arts in Education elementary school concerts, two engagements for a flute quartet, and one Ring in the Holidays brass event as well as the regularly scheduled rehearsals. (*Q. How can you tell when a trombonist is playing out of tune? A. When the slide is moving.*) The figures do not include the 27-cents-per-mile travel pay provided to out-of-town musicians.

CO3	L5

Instrument	Fee	Instrument	Fee
Violin, Concertmaster	\$6,970	Violin I	2,483
Principal Bass and Conductor	5,070	Violin I	2,483
Principal Viola	5,036	Violin II	2,483
Principal Flute	4,337	Violin II	2,483
Principal Trumpet	4,233	Viola	2,483
Principal Cello	4,181	Violin II	1,975
Principal Clarinet	4,146	Viola	2,212
Trumpet	3,638	Oboe	2,206
Principal Oboe	3,615	Trombone	2,137
Principal Violin II	3,488	Viola	2,033
Principal Horn	3,390	Violin II/Viola	1,784
Keyboard I	3,361	Cello	1,634
Cello	3,228	Clarinet	1,548
Principal Percussion	3,049	Horn	1,548
Violin I	2,899	Flute	1,455
Cello	2,882	Keyboard II	1,392
Principal Bassoon	2,824	Bassoon	1,265
Violin I	2,685	Violin II	1,178
Violin I	\$2,483		

EXHIBIT 1 *Orchestra Compensation Schedule*

Questions

1. Evaluate the orchestra's pay structure in terms of levels and differentials.
2. Why does violinist I receive more than oboist and trombonist? Summarize the factors explaining the difference.
3. How well do equity and tournament models apply here? Justify your answer.

Answers to case are dependent on student's discretion.

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Course Outcomes		PO1	PO2	PO3	PO4	PO5	PO6	PO7
CO1:	Gain insights of various conceptual aspects of Compensation and Benefits to achieve organizational goals	1a, 1 b, 2a, 3a	2b,					
CO2:	Determine the performance based compensation system for business excellence and solve various cases		3b					
CO3:	Designing the compensation strategies for attraction, motivation and retaining high quality workforce.		1c, 2c, 3c				4 a, b, c	
CO4:	Understand the Legal & Administrative Issues in global compensation to prepare compensation plan, CTC, wage survey and calculate various bonus.							

Cognitive level	KEYWORDS
L1	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5	grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1 - Knowledge application; PO2 - Analytical and logical thinking; PO3 - Team work; PO4 - Leadership; PO5 - life-long learning; PO6 - Analyze and practice aspects of business; PO7- Personal and Societal growth;