**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FOURTH TRIMESTER (Batch 2020-22)**

**END TERM IMPROVEMENT EXAMINATION, MARCH 2022**

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| Course Name | **COMPENSATION MANAGEMENT AND REWARD SYSTEMS** | Course Code | **HR 501** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:** Please attempt all the questions.

**Question.1.** Explain the need for fixed pay and variable pay components in a compensation structure. What kind of components and compensation structure would you suggest for the position of assistant Manager-MDP for a professional education institution like ours? **(8+8=16 Marks)**

**Question.2.** **Case Analysis (12+12=24 Marks)**

*Look at the description of the real-life case set out below. Then decide on the recommendations that you would make as an HR manager for dealing with the issues raised.*

The firm Girdle Textiles, making textiles and trimming, was established in 1964. The factory originated in a small building with one crochet loom machine, and a group of local people who were subsequently trained by the family on how to create hand-made trimming. In the last ten years the company has been growing at an average rate of 20% per year, and has become a major global player in the trimming business. The company exports 80% of its products to 71 countries worldwide. The major market is the US market, followed closely by the European market. The company is viewed today as one of the top three companies in the world within its field and provides employment for approximately 1,000 people. The success of the company has, according to management, been due to its being innovative, flexible and aggressive with regard to the export market. More specifically, by concentrating on specialised niche markets the firm has managed to survive the flooding of global markets by cheap textiles manufactured in the Far East. The firm received an Exporter of the Year award in 1994. Management are proud of the fact that many employees have been with the firm for many years and that the enterprise has one of the lowest staff turnover rates in the textile industry*.*

The organisation decided many years ago to focus and to become a leading force in the international arena. In the mid-1980s the organisation manufactured basic trimming that required a simple level of manufacturing. It made use of only 30 types of combinations of raw materials and colours. Today, this figure has expanded to over 350 types of yarns/colours. From a range of combinations of products in the region of 20,000 at the beginning of the 1990s, the organisation now deals with over 130,000 combinations of products. This ability to meet specialised niche demand, through the production of individualised batches, has, in part, insulated the firm from head-on competition with high-volume low-cost Far Eastern producers.

In the late 1980s and at the beginning of the 1990s, customers abroad bought large quantities of relatively few items. However, increased competition forced the firm to concentrate on niche markets. In the latter areas, it seems that a very real market breakup has occurred, many customers now demanding small quantities of very complicated items in thousands of combinations and variety of colours, whereas 15 years ago a much more limited range would have sufficed. In addition, the established lead time for delivery on handmade articles was 13 weeks in the late 1980s. By the onset of the 1990s customers expected a lead time of no longer than four weeks, probably on account of a desire for reduced inventory stocks. This diversification necessitated more flexible methods of production, hinging around a multi-skilled workforce. After making a survey of the international literature on multi-skilling, a formal training plan was formulated. Thereafter, extensive (and lengthy) consultation took place with departmental heads, shop stewards, and finally the employees themselves.

At the time of the case study, production was divided into four main divisions: i) crochet knitting, which produced mainly *crochet-knitted* decorative trimmings (for example, fringes), ii) the handmade division, where activities revolved around the assembly of decorative trimmings by hand (for example, tiebacks and tassels), iii) *twisting and component manufacturing*, and iv) *narrow weaving*, which manufactured woven material, such as ribbons and narrow-width decorative trimming.

Within the crochet knitting division, the setup time on the machine for each article could take between a minimum of four hours and maximum of 12 hours (for a qualified mechanic). To produce 100 metres of knitted material could take within the region of one hour. As the market conditions changed and short runs had to be put through the machines, management decided to recast the division of labour on the shop floor. Prior to the implementation of the development initiative, the ratio of operators to mechanics was 10:1. Within this area, human resource development plans aimed to train all the operators to become mechanics – a process that is still on-going. This has not reduced employment, but it has enabled the organisation to produce shorter runs and to have many more changes of products in order to fulfil market requirements. An accurate list was undertaken of all employees’ educational qualifications, and psychometric tests were then undertaken to evaluate their mechanical abilities, whereby they proceeded to choose the best potential operator. This operator was then assigned to a qualified mechanic as a trainee. Meanwhile, the most capable mechanics were then chosen to acquire additional skills in the engineering workshop.

The handmade division comprised two sections. The tassel fringe section consisted of workers manually tying tassels to the end of braids. The loose tassel section mainly assembled tiebacks and key tassels by hand. Even though the two operations of covering and tying yarn to different components seemed to be similar activities, they were, in fact, not compatible. During periods when there was a shortage of orders in one department, management attempted to transfer workers from one department to the other. This proved to be unsuccessful in the sense that, according to management, workers were unable to reach a reasonable level of productivity within a short time-frame. Thereafter, management decided to train new multi-skilled operators, capable of performing both tasks, from scratch. According to the departmental manager: People who were used to performing certain hand movements for long periods found it difficult to change this habit. However, a few existing employees proved capable of operating in both sections and, unlike their ‘repetitive peers’ enjoyed relatively high levels of job security.

Within the twisting and component manufacturing section, management saw multi-skilling as particularly desirable, in that it would enable any worker to operate all the machines should a peer be absent. Each operator has since been trained, or is currently undergoing training, to be able to operate all the machines. In both the cord-making and mould-covering sections, a single worker may have to operate between two to six machines at any one time.

The organisation therefore decided to train operators from cord-making and mould-covering to be able to function in each others’ department. The entire department underwent assessment and evaluation to ascertain their ability and skill level. Those who were discerned to be ‘more capable’ were asked to undergo intensive training in order to be able to operate the other section’s machines. Management motivated employees by stating that, due to being multi-skilled, their position within the organisation would be much more secure than that of their single-skilled co-workers. Staffing levels in the narrow weaving division were extremely tight, each worker ‘being trained to the maximum of his ability’.

*Source: G. Wood and R. Sela (2000) ‘Making human resource development work’, Human Resource Development International, Vol. 3, No. 4, 451–64.*

**Questions:**

Q. A. Do you think all the four departments should have a same compensation and reward system? Or, would you suggest a different structure for each department. Give reasons. **(12 marks)**

Q. B. As an aspiring manager, do you think organisations need to integrate training, performance management and compensation systems? Why? **(12 marks)**