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| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**  Post Graduate Diploma in Management |
| **Course Title: Compensation Management, Course Code: 40325**  **End-Term Improvement Examination, Term - V (Batch 2021-23) (March, 2023)** | |
| **Time Duration : 2 Hours Total Marks: 40** | |

***General Instructions*:**

1. *Answer the questions as directed. The break-up of the marks is given wherever necessary.*
2. *Marks against each question is indicated to its right.*
3. *Answer all the questions of a ‘Section/Question’ at one place in continuation.*
4. *Answers should be brief and to the point.*
5. *Do not write on the question paper except your roll number.*

**SECTION - A**

**Q1.** It is seen that organization provide fringe benefits to employees to comply with statutory requirements and honour negotiated settlements, besides voluntary considerations such as keeping in tune with competition, build a favourable corporate image, etc. In light of the above, design an innovative and flexible benefits plan for an organization of your choice - what components of salary structure and illustrative list of allowances and benefits to be offered to the organizational employees?  **(8 Marks)**

**Q2.**Does Variable pay improve Performance Results? Identify any three performance plans at Individual, Team or at organizational levels.  **(8 Marks)**

**Q3.** Encouraging employee behaviors that help achieve an organization’s objectives and fostering a sense of fairness among employees are two hall marks of a useful internal pay structure. One of the strategic pay decisions is how much to align a pay structure internally compared to aligning it to external market forces. The issue is not achieving internal alignment versus alignment with external market forces. Rather, the strategic decision focuses on sustaining the optimal balance of internally aligned and externally responsive pay structures that help the organization achieve its objectives. Both are required.

In light of the above explanation explain how: a) Job analysis, & Job Evaluation and b) Salary Surveys, support managers in making Strategic total compensation decisions for the organization to achieve competitive edge in the market place.  **(6+4 Marks)**

**SECTION - B**

**CASE STUDY - TRANSLATING STRATEGY INTO HR POLICIES AND PRACTICES**

The Hotel Paris’s competitive strategy is “To use superior guest service to differentiate the Hotel Paris Properties, and to thereby increase the length of stay and return rate of guests and thus boost Revenues and profitability. “HR Manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy by eliciting the required employee behaviours and competencies.

Like several other HR systems at the Hotel Paris, the compensation program was unplanned and unsophisticated. The company has a narrow target range for what it will pay employees in each job category (front-desk clerk, security guard, and so forth). Each hotel manager decides where to start a new employee within that narrow pay range. The company has given little thought to tying general pay levels or individual’s employees pay to the company’s strategic goals. For example, the firm’s policy is simply to pay its employees a competitive salary “, by which it means about average of what other hotels in the city are paying for similar jobs. Lisa knows that pay policies like these may actually run counter to what the company wants to achieve strategically, in terms of creating an extraordinarily service – oriented workforce. How can you hire and retain a top workforce, and channel their behaviors towards high quality guest services, if you don’t somehow link performance and pay? She and her team therefore, turn to the task of assessing and redesigning the company’s compensation plan.

Even the most casual review by Lisa Cruz and the CFO made it clear that the company’s compensation plan was not designed to support the firm’s new strategic goals. For one thing, they knew that they should pay somewhat more on average than did their competitors if they expected employees to exceed expectations when it came to serving guests. Yet their review of a variety of metrics (including the hotel Paris’s salary/competitive salary ratio, the total compensation expense per employee, and the target percentile for total compensation) suggested that in virtually all job categories the Hotel Paris paid no more than average, and, occasionally, paid somewhat less.

The current compensation policies had also bred what one hotel manager called an “I don’t care attitude on the part of most employees. What she meant was that most hotel Paris employees quickly learnt that regardless of what their performance was, they always ended of getting paid about the same as employees who performed better and worse than they did. So, the firm compensation plan actually created a disconnect between pay and performance: it was not challenging employees’ behaviours toward those required to achieve the company’s goals. And in some ways, it was doing the opposite.

Lisa and the CFO knew they had to institute a new, strategic compensation plan. He wanted a plan that improved employees morale, contributed to employees engagement, reduced employee turnover, and rewarded (and thus encouraged) the sorts of service oriented behaviours that boosted guest satisfaction. After meeting with company’s CEO and the board, the CFO gave Lisa the go ahead to redesign the company’s compensation plan with the overall aim of creating a new plan that would support the company’s strategic aims.

Lisa and her team (which included a consulting compensation expert) set numerous new measurable compensation policies for the hotel Paris and these new policies formed the heart of the new compensation plans. A new job evaluation study provided a more rational, and fair basis upon which the company could assign pay rates. A formal compensation survey by the consultant established, for the first time at the hotel Paris, a clear picture of what competitive hotels and similar businesses were paying in each geographic area, and enabled the hotel Paris team to more accurately set targets for which each position at the hotel should be paying. Rather than just paying at the industry average, or slightly below, the new policy called for the hotel Paris to move all its salaries into the 75th percentile over the next three years.

As they instituted the new compensation policies, Lisa and the CFO were pleased learn from feedback from the hotel managers they were already noting several positive changes. The number of applicants for each position had increased by over 50% on average, turnover dropped by 80%, and survey of morale and commitment were producing higher results. Lisa and her team now began to consider how to inject more of “pay for performance” element into the company’s compensation plan, perhaps by instituting new bonuses and incentives.

**Question B-1:** Lisa knew little about setting up a new compensation plan. What would you tell her if she asked, “how do I set up a new compensation plan for the Hotel Paris”? **(7 Marks)**

**Question B-2:** Would you suggest that Hotel Paris implement a competency-based pay plan for its non-managerial staff? Why or why not? If so, outline what they need to do? **(7 Marks)**