JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (MARKETING) / PGDM (SERVICE MANAGEMENT)
V TRIMESTER (Batch 2016-18)
END TERM EXAMINATION, JANUARY 2018

Course Name	COMPENSATION MANAGEMENT	Course Code	HR503
Max. Time	2 Hours	Max. Marks	40

INSTRUCTIONS:

a. All the questions are compulsory for which marks are indicated against questions.
b. Do not write anything on question paper except roll number.
c. Please be precise and legible in writing your answers.

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1. Explain the importance of an externally aligned compensation. How can the equations of demand & supply establish that there is no advantage for a single organization to pay more or less than the market equilibrium price (wages) in the short run? **(08 Marks)**

2. Why are the decisions regarding compensation of special groups critical and important? Apply "Tournament Theory & Golden Parachute" strategies of executives' compensation for the post of a Cardiologist who is heading department of Cardiology at a renowned multispecialty hospital, "We Care". **(08 Marks)**

3. List out the various steps involved in a typical Indian Payroll process and further also create a dummy CTC sheet for the position of Sales Executives (Postpaid Mobile Subscription) applying necessary "Indian Statutory Requirements". **(08 Marks)**

4. Following data of AICPI is furnished by Labour Bureau, Department of Statistics, Govt. of India;

Month	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
CPI	274	274	275	277	278	280	285	285	285	289	290	295

   a. Considering the CPI value fixed at 285 July, 2017 as the base, calculate the revised Dearness Allowance (DA) for the year 2018 effective from 01st January 2018. The last percentage increase in DA was announced at 136% in July, 2017. **(04 Marks)**

   b. Apply Straight Piece Work Plan of PFP, calculate total incentives of a worker with the following details: **(04 Marks)**
      - Basic hourly rate = Rs. 6
      - Increase in rate for increased performance = 25%
      - Avg. Output per hour (Std.) = 800 units
      - Worker has produced 7000 units in an 8 hours shift

5. **Case Study: Compensation Strategy at SEAMINT – A Crisis to Talent Management**

To introduce effective talent management systems in organisations, it is important to first adopt talent strategies, extending the focus from good performers to a wide cross-section of diverse manpower. Systematic knowledge management initiatives can mitigate this problem but cannot act as stand-alone solutions. Cost-effective compensation strategies must be adopted, first to pull and attract talents, then to motivate and retain them.

Innovative compensation design has always been a concern for global cement major SEAMINT. The company is now on a global diversification and acquisition spree, and extending its reach to new emerging markets, including India. For many years, cement industries in India grew very slowly, especially in the restricted market era. In the post-liberalization era, following price de-control and booming economic activity, the industry revived. Its current rapid growth has attracted many foreign players, many of whom are buying and developing new cement manufacturing units in the country. SEAMINT is one such organization, which is now trying to find a foothold in the Indian market.

Most large cement manufacturing companies in India are owned by big business houses and managed professionally. Grasim, Aditya Vikram Birla Group Company, has now acquired L&T in an effort to consolidate its market share. ACC, Gujarat Ambuja, India Cement, and Madras Cement now manage their units more efficiently. Apart from these, we also have many medium and small cement manufacturing companies, who cater to local market needs, by efficiently using their logistics and supply chain management. All this is possible because they have learnt from past mistakes. In the nascent stage of India's economic liberalization, many Indian companies could not survive because of competition from global majors. Soft-drink manufacturers, who have had to submit to global majors, and even became their franchisees to survive in the market, are good example.

SEAMINT's initial compensation strategy was to pay salaries above the market rate to executives and managers, while outsourcing low-key operation jobs. High compensation packages immediately attracted executives and managers, across level, from local cement companies. However, SEAMINT could not attract operations level workers and employees because of their unfriendly employment terms. SEAMINT believed that it would be able to attract workers from cement units that had been shut down, given increased unemployment. It also believed that it would get the privilege of ready-to-use expertise at the operations level. However, it failed. The operations-level failure reduced SEAMINT's cost competitiveness, and even forced it to scale down its activities and restructure the organisation. The problem escalated to such an extent that executives and managers started leaving the organization. Many of them have been rehired by their past employers, while some had to shift to other industries.

The industry believes that SEAMINT's predicament is attributable to its failure to recognize the need for an inclusive approach to talent issues. Organizations cannot sustain themselves with only a few talented executives and managers. Talent should be recognized across functions and at all levels.

Questions for analysis: **(08 Marks)**

a. Identify and analyze the gaps in compensation management practice at SEAMINT.
b. Develop a compensation plan to positively influence talent retention in the company.
