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Roll No. :

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M. B. A. (Third Semester) Examination,

Nov.-Dec. 2021

(New Scheme)

(Management Branch)

EXECUTIVE COMPENSATION (New)

Time Allowed : Three hours

Maximum Marks : 80

Minimum Pass Marks : 32

Note : All questions are compulsory. Three sections A, B, and C are present. And internal choice is given in each every section.

Section-A

1. Define executive compensation. Explain in detail the characteristics, significance and elements of executive compensation.

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Or

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[2]

What do you mean by executive compensation? Explain in detail the principles and factors influencing compensation.

2. List out the various economic and behavioural theories of compensation. Explain atleast 4 economic theories of compensation in detail. 10

Or

Explain the legalistic framework for wage determination. Explain in detail the concept and scope of Minimum Wages Act 1965 and Payment of Bonus Act 1965 and Payment of Wages Act 1936.

3. Explain in detail the compensation in knowledge based global economy. Give the components of compensation systems and explain compensation surveys in detail. 10

Or

What do you mean by job analysis? Explain job description, job specification and job evaluation. Also explain atleast 3 methods of job evaluation.

4. Define pay structure. What are the objectives of pay structure. Explain various types of pay structures in detail. 10

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Or

Define Fringe Benefits. Explain in detail the characteristics, advantages and types of Fringe benefits.

5. What do you mean by compensation of special groups? List the special group and their respective compensation in detail. 10

Or

Give the current compensation brands in India. Also explain in detail various executive compensation plans.

Section-B

Write short notes on : (any four) 20

- (a) Link between organisation structure and compensation strategy.
(b) Process of compensation design.
(c) Methods of compensating/kinds of wage plans.
(d) Group incentive plan
(e) Pay for performance and its reasons.
(f) Equity compensation schemes.

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Section-C**Executive Compensation Strategy in Fortune Furnitech.**

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Fortune Furnitech is a state-of-the art modular furniture manufacture, started with an initial Rs. 500 crore investment, by raising a term loan from different financial institutions and about 65 percent contribution from the traditional family business. The group has a traditional family history of wood craft manufacturing. Leveraging the family trend, the present owner Asim Singh and his wife Ragini ventured into this business. Asim Singh has toured extensively all over the world with his father, right from his childhood. According to Mr. Singh, India has top quality berg woods in its North-eastern states, which are imported by countries such as the US. However, Indians use them as firewood, because of lack of awareness. The company launched an ambitious plan to manufacture and sell hardwood furniture worldwide, as their study indicated that the Indian market for furniture is still unorganized, and that the affluent class used imported furniture made out of concentrated wood dust or waste products.

To achieve this goal, the company recruited the best

designers, business heads, and production people world wide. Many designers were either Italian born, or trained in Italy. The biggest challenge the company faced was in designing managerial compensation.

Management compensation received attention primarily because of its performance implications and strategic fit in fortune furnitech. The HR Manager claimed that it had a positive effect on the companies financial performance and recommended the appropriateness of different compensation for specific strategic situations. However, he could not convince the top management of the need to formulate an executive compensation package accordingly.

Asim Singh only considered such alignment for executives on the board, arguing that their achievement was traceable. The HR manager argued that compensation cost in the company was the second largest expense category, the first being the cost of raw materials and other implements (excepting labour). Hence, it had to be managed strategically, aligning with the performance of the organisation and its fit with overall organisational strategy. He supplied extensive literature to sell his argument. He complained that the organization did not have a well-documented compensation

philosophy, despite this evidence. Some incentives were also counter productive. He argued that it is time to develop executive compensation, de-emphasizing the immediate financial gains and tagging it with long-range strategy of the organisation. After listening to the HR Head's argument the CEO directed him to develop a model that may work in the organisation.

Answer the question :

Imagine you are the HR Manager. Design the appropriate pay model for executives of the organisation.