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**M. B. A. (Third Semester) Examination,
Nov.-Dec. 2020**

(New Scheme)

(Management Branch)

EXECUTIVE COMPENSATION (New)

Time Allowed : Three hours

Maximum Marks : 80

Minimum Pass Marks : 32

***Note : All questions are compulsory. Attempt any
two parts out of three in each question.***

1. (a) Explain Executive Compensation. Explain the nature, significance, objectives & functions managerial remuneration.

8

- (b) Explain various elements of executive compensation. Which components do you feel are more important for retention of executives? 8
- (c) Explain various factors affecting executive compensation. Justify the high levels of remuneration executive receive. 8
2. (a) Discuss various theories of executive compensation. Which theories do you consider more applicable for executives in a labour intensive manufacturing organization? 8
- (b) Explain national and international regulatory framework of Executive Compensation. What is the role of institutional factors in shaping executive compensation? 8
- (c) Write a detailed note on : (any **one**) 8
- (i) Executive Compensation in developing Economy
- (ii) Institutional framework of Compensation Management
3. (a) How can you align executive compensation to objectives of the organization? What is the importance of aligning the objectives? 8

- (b) Explain the concept of job analysis in detail. Job analysis is important in designing executive compensation, justify. 8
- (c) What is Job Evaluation? Explain its purpose, steps involved and different techniques of job evaluation. How job evaluation is linked with designing executive compensation? 8
4. (a) Evaluate different methods of designing executive compensation. Explain the importance of performance criteria in designing it. 8
- (b) What is team-based compensation? Why does a team-based compensation plan need to be different from other compensation plans? Justify your answer. 8
- (c) Write short notes on any **two** : 8
- (i) Broad banding in executive compensation.
- (ii) Fringe benefits and Executive Perks
- (iii) Paying for Performance, Competency, skills & innovation.
5. (a) Discuss the types of compensation executives receive and their effects on strategic decisions. 8

(b) Explain various approaches of executive pay. How executive pay does compared across countries? 8

(c) Case Study : CEO Pay in News 8

A recent campaign by organized labour unions brought the issue of executive compensation into the public eye. Media coverage of executive compensation concerns has been extensive over the last few weeks with articles in national publications and a featured story on a television special, in addition to stories on local news stations. This extensive coverage has highlighted public concerns of the high level of pay that top executives receive.

The union promotes an executive compensation awareness campaign every year as a strategy to build awareness of perceived inequities between the pay of CEOs and frontline employees. Such awareness often prompts employees to consider forming a union, resulting in the growth of national unions.

The publicity has caused some turmoil at Oakwood Lawns. For the first time, the company's CEO pay is featured as an example of perceived excesses in the executive suite. Several field managers

have been in touch with Don Henry, the director of human resources, to report that employees are outraged at the rate of pay of the company CEO and other top executives. In addition to their company's desire to remain union free, Don also knows that such outrage could lead to low morale and other problems at Oakwood.

The union targeted Oakwood because it is a big company that has faced some financial challenges. The landscaping company has more than 15,000 employees in offices throughout the Midwest, and most of their employees are frontline labourers. The media coverage has been extensive in the area, and many company employees who viewed the story were surprised to learn the CEO is among the highest paid in the United States. The news was especially difficult to hear as the company recently announced that employees would not receive an annual pay increase due to the financial challenges the company is facing.

The Oakwood CEO's annual salary is \$975,000. Add in a bonus, stock awards, retirement benefits, and other benefits, and his total compensation is close to \$10 million a year. The average landscaping

technician is paid \$28,000 annually. The disparity is clear, and Don must now plan a response to address the employees' concerns.

Questions :

- (i) What additional information about the CEO's pay package should Don identify to potentially share with the employees?
- (ii) How can Don explain the pay disparity to the employees to ease their concerns about the fairness of the CEO's pay?