



EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE & MANAGEMENT
THIRD YEAR SECOND SEMESTER EXAMINATION IN BBA
SPECIALIZATION IN HRM – 2014/2015

(AUGUST 2017)
(PROPER/REPEAT)

HRM 3043 Performance Evaluation and Compensation Management

Answer All Questions

Time: Three Hours

Read the case study and answer the questions given below.

Salary Inequities at Acme Manufacturing

Black was trying to figure out what to do about a salary problem he had in his plant. Black recently took over as president of Acme Manufacturing. The founder and former president, Bill George, had been president for 35 years. The company was family owned and located in a small town in western Arkansas. It had approximately 250 employees and was the largest employer in the community. Black was a member of the family that owned Acme, but he had never worked for the company prior to becoming president. He had an MBA and a law degree, plus five years of management experience with a large manufacturing organization, where he was senior vice president for human resources before making his move to Acme.

A short time after joining Acme, Black started to notice that there was considerable inequity in the pay structure for salaried employees. A discussion with the human resources director led him to believe that salaried employees' pay was very much a matter of individual bargaining with the president. Hourly paid factory employees were not part of the problem because they were unionized and their wages were set by collective bargaining. An examination of the salaried payroll showed that there were 25 employees, ranging in pay from that of the president to that of the receptionist. A closer examination showed that 14 of the salaried employees were female. Three of these were front-line factory supervisors and one was the human resources director. The other 10 were non-management.

This examination also showed that the human resources director appeared to be underpaid, and that the three female supervisors were paid somewhat less than any of the male supervisors.

However, there were no similar supervisory jobs in which there were both male and female incumbents. When asked, the HR director said she thought the female supervisors may be paid at a lower rate mainly because they were women, and perhaps George, the former manager, did not think that women needed as much money because they had working husbands. But she added she personally thought that they were paid less because they supervised less employees than did the male supervisors. Black was not sure that this was true.

The company from which Black had moved had a good job evaluation system. Although thoroughly familiar with and capable in this compensation tool, Black did not have time to conduct a job evaluation study at Acme. Therefore, he decided to hire a compensation consultant from a nearby university to help him. Together, they decided that all 25 salaried jobs should be in the same job evaluation cluster; that a modified ranking method of job evaluation should be used; and that the job descriptions recently completed by the HR director were current, accurate, and complete. Black was in the study.

The job evaluation showed that the HR director and the three female supervisors were underpaid relative to comparable male salaried employees. Black was not sure what to do. He knew that if the underpaid female supervisors took the case to the local EEOC office, the company could be found guilty of sex discrimination and then have to pay considerable back wages. He was afraid that if he gave these women an immediate salary increase large enough to bring them to where they should be, the male supervisors would be upset and the female supervisors would not comprehend the total situation and want back pay. The HR director told Black that the female supervisors had never complained about pay differences.

The HR director agreed to take a sizable salary increase with no back pay, so this pay problem was solved. Black believed he had four choices relative to the female supervisors:

- (1) To do nothing.
- (2) To gradually increase the female supervisors' salaries.
- (3) To increase their salaries immediately.
- (4) To call the three supervisors into his office, discuss the situation with them, and decide what to do.

a. What was the HR related issues in this situation?

(06 Marks)

b. How would you handle this situation, if you are appointed as a president of Acme manufacturing?

(07 Marks)

c. Why would you suggest Black to pursue the alternative you suggested?

(07 Marks)

d. "Primary equity is most important than input equity in compensation management" Do you agree with this statement? Elaborate your answer.

(8 Marks)

(Total 28 Marks)

(a) Briefly explain purposes of performance evaluation system to an organization.

(05 Marks)

(b) Choose an organization yourself and analyze the performance evaluation system that organization is currently practiced.

(06 Marks)

(c) "HR score card is a powerful way for HR professional to evaluate employees' performance"

Describe benefits of HR score card in an organization.

(07 Marks)

(Total 18 Marks)

Q3.

(a) As a HR specialization student which recommendation would you like to provide to evaluate employees' performance in an organization.

(05 Marks)

(b) List and discuss the pros and cons of six performance evaluation methods.

(06 Marks)

(c) How can psychological appraisal process improve the performance management system in an organization?

(07 Marks)

(Total 18 Marks)

Q4.

(a) Differentiate the following term;

i. Internal Equity and External Equity in compensation

ii. Best Fit and Best Practices in HRM

(02*03=06)

(b) What are the legal aspects that a HR manager should consider when he/she designs a compensation package for his/her organization?

(06 Marks)

(c) Identify and define the most popular organizational variable pay plan in today's business world.

(06 Marks)

(Total 18 Marks)

Q5.

(a) "The organization concentrate Team or Group incentive is more effective than individual incentive programme". Do you agree with statement? Elaborate your answer.

(05 Marks)

(b) What is the relationship between Performance Evaluation System and Compensation Management in today business world?

(06 Marks)

(c) "Every organization has more strategy in order to achieve their business goals. If an organization wants to achieve their business strategy, then they should have a compensation strategy". Do you agree with this statement? Explain it with example.

(07 Marks)

(Total 18 Marks)