

PGDM, 2017-19
Subject: Compensation Management
Subject Code: DM-521
Trimester – V, End-Term Examination: December 2017

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Calculator is allowed.

| Sections | No. of Questions to attempt | Marks | Marks |
|----------|------------------------------|--------------------|-------------|
| A | 3 out of 5 (Short Questions) | 5 Marks each | $3*5 = 15$ |
| B | 2 out of 3 (Long Questions) | 10 Marks each | $2*10 = 20$ |
| C | Compulsory Case Study | 15 Marks | 15 |
| | | Total Marks | 50 |

Section A (Short Questions)

Attempt any Three.

3*5=15

1. Merit pay and Incentives are the two different components of compensation used for adjustment to base pay. Elucidate them by stating their advantages and disadvantages.
2. 'Compensation function fits into other sub functions of HR Department', Justify.
3. One of the recent approached of giving fringe benefits to their employees is 'Cafeteria approach of fringe benefit'. Discuss.
4. Dearness allowance and house rent allowance are the two major components organization uses to adjust the basic pay. Justify the statement.
5. What is an ESOP and why should an employee stock ownership plan be seen by employees both as an attraction and as a risk?

Section B (Long Questions)

Attempt any Two.

10*2=20

1. Identify any two companies – one that you believe pursues a cost cut strategy and another that pursues an innovation strategy. Describe these companies' compensation strategies.

2. Consider your college. What are the compensable factors required for your college to evaluate jobs of Academic and Non Academic staffs? How would you go about identifying these factors? Should the college mission's be reflected in your factors or more generic factors used in the Hay plan would be considered? Discuss.

3. Calculate the Bonus

M System is a fifteen years old private power utility company having its head office at Bengaluru. The minimum bonus calculated by the company to be given to its employees is Rs. 1045,0000. The maximum bonus is approximately Rs.2500, 0000/- . The allocable surplus (67% of the available surplus) is given year wise. You are required to calculate the bonus given by the organization of ten years.

| Year | Allocable Surplus |
|------|-------------------|
| 1 | Rs. 1,045,0000 |
| 2 | Rs, 3,000, 0000 |
| 3 | Rs. 4, 300, 0000 |
| 4 | Rs Nil |
| 5 | Rs. 2500,0000 |
| 6 | Rs 500,0000 |
| 7 | Rs. 1100,0000 |
| 8 | Rs. Nil |
| 9 | Rs. 7,250,0000 |
| 10 | Rs 2500,0000 |

Section C: Case Study

All the questions at the end of case study are compulsory.

15 marks

A New Sales Representative

After 10 years in business, John Shurtman has determined that it is time to hire a sales representative. As the founder and president of United Fleet Service (UFS), John has been the main driver of new business sales for the company. However, as UFS has grown, John has found that he must spend more time on planning and administration, leaving little time to generate new sales leads or call on potential customers.

UFS provides maintenance, mechanical repair services, and body repair services to organizations that maintain fleets of large vehicles. UFS customers include mostly school districts that own bus fleets and municipalities that own fleets of fire and police vehicles. While UFS has a strong hold on these public sector organizations, John sees many opportunities for expansion through targeting other potential customers such as utility companies and commercial trucking companies.

UFS has several competitors in its geographic area, but none provide as comprehensive a service as UFS. For example, several competitors provide mechanical repair services, but do not provide body repair services; on the other hand, several competitors provide body repair services, but do not provide mechanical repair services. UFS also has a reputation for high-quality repairs and fast turnaround times on service. With these strengths in mind, John is convinced that an effective sales representative that can take the time to contact and develop relationships with potential customers can help lead the organization to expansion.

John has experienced steady growth over the past 10 years, acquiring just two or three new customer each year. Leads on potential new customers have come primarily through referrals from current customers. John personally called on the leads to secure sales. Once a target was established as a customer, John handed the customer account over to a service advisor. The service advisor's role is to process incoming vehicles and communicate work progress with customers. Service advisors are also encouraged to generate new sales from current customers by suggesting add-on services or establishing on going maintenance schedules. Due to increased volume growth, the service advisors have had little time to develop more significant relationships with customers. Because of this, UFS has missed out on many add-on sales opportunities.

Therefore, John plans to hire a new sales representative to both call on new customers and develop better relationships with current customers. Cultivating new customers will require cold-calling on potential customers as well as following up on referrals from current customers. Because most companies that have vehicle fleets establish contractual relationships with mechanical service providers, some new customers may take long time to acquire. This is the sales representative may have to interact with a potential new customer over an extended period of time until the company's contract with another service provider expires.

Working with current customers will require significant interaction with the service advisors to understand each customer's past history of services and identify opportunities to increase the number and frequency of services provided. Growing business from current customers will also require spending time developing relationships with each customer.

Before he begins recruiting for this position, John must determine how to compensate the new sales representatives. He's researched market rates for sales representatives in his industry and has a targeted salary range, but he wants to make sure that the compensation plan provides enough incentives to both secure new sales and spend time developing new relationships with current customers.

Questions:

1. What are the sales objectives of the new sales representatives?
2. What role will the compensation design play in motivating the new sales representative?
3. What kind of sales incentive plan do you recommend? Why?