



PAN AFRICA CHRISTIAN UNIVERSITY
MASTER OF BUSINESS ADMINISTRATION
END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: HRM604

COURSE TITLE: COMPENSATION AND REWARD MANAGEMENT
EXAM DATE: WEDNESDAY 3rd AUGUST 2016

TIME: 1730HRS-2030HRS

INSTRUCTIONS

- Read all questions carefully before attempting.
- Answer Question One(Compulsory) and any other four questions
- Write your **student number** on the answer booklet provided

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Question One (Compulsory)

CALPRI Ltd, a large locally incorporated producer and distributor of Fast Moving Consumer Products was founded in 1967. It employs 2000 unionisable employees with another 200

categorised as management. For a long time the company has been a market leader in the industry, producing consistently good quality products and giving reliable service to its customers and paying competitive salaries to its employees.

Due to his many years of experience in the same position (25 years in total), coupled with the company success, The Chief Executive Officer's authority within the company is absolute and his influence all pervasive. His personal involvement in the recruitment and career development of each manager makes them unable to disagree let alone question his actions. Any view or sentiments that are contrary to the views of the CEO are never expressed openly for fear of reprisal.

There is no clear cut grading system or basis for determining salaries for management staff except a general categorization into supervisors, Managers and Directors. The starting salary for these employees is determined by the CEO and there after yearly increments is based on annual reports on each individual employee by their superiors. The performance reports are not based on any objective criteria. Instead a global essay without a standard format is done for each employee and recommendation made for the amount of salary increment.

Recently a number of young managers have started to leave the company citing unfair and unclear salary differentials and career progression criteria. At the same time they feel that their salaries compare unfavourably to those of their friends doing similar jobs in competitor organizations. In particular they complain about lack of medical, car and housing benefits.

The Chief Executive Officer's reaction has been that Calpri remains competitive in remuneration offered to its employees and that the leaving managers are being enticed with promises that would not in the long run be fulfilled by the other companies. Indeed his view is that such managers who cannot appreciate how good the company and him personally has been to them should never have been part of his team in the first place and that their leaving was "good riddance".

It was only when the CEO received a resignation letter from his most trusted and dependable Marketing Manager, who mentioned in his letter that he was leaving for a better paying job with a newly set up competitor that the CEO suddenly realized that all was not well. The CEO immediately called a board meeting to discuss the crisis. The board looked up to you as The Human Resource Manager to give advice on the situation.

- a) Explain the weaknesses of the reward system in this company. (12 marks)
- b) How would Job evaluation system help Capri alleviate the problems it is facing? (10 marks)
- c) Explain the role of performance appraisal on compensation. (6 marks)
- d) Advice the company on measures it should take to reduce the labour turnover (12 marks)

Question Two

- a) Examine the labour market theory of wages highlighting how it explains demand and supply of labour as well as the wage levels (10 marks)
- b) Describe the categories of intrinsic rewards and how workers view them (5 marks)

Question Three

Remuneration is probably the single most important factor in determining the state of industrial relations in an organization. Discuss five factors that influence the determination of remuneration to be awarded by an organization
(15 marks)

Question Four

Benefits are increasingly being recognized as a crucial ingredient for employee retention.

- a). By use of appropriate examples examine any four principles that an employee benefits programme should observe in order to meet this objective. (10 marks)
- b). What are the components of a benefits package? (5 marks)

Question Five

- a) Briefly describe the legal issues an organization's compensation policy should comply with. (10 marks)
- b) Highlight five criteria that need to be present in a well-designed incentive plan (5 marks)

Question Six

- a) Firms are increasingly implementing rewards systems that encourage teamwork and focus team members' attention on performance. Discuss the use and appropriateness of team rewards (10 marks)
- b) As the Human Resource Director of your company, you have been appointed to the remuneration committee of the board. Describe the Principles that would guide your committee in deciding pay for the company executives. (5 marks)