

2017

Management Studies

PAPER : 3.8(A)

PERFORMANCE AND COMPENSATION MANAGEMENT

FULL MARKS:70

Time :3 hours

{ The figures in the margin indicate full marks for the question. }

SECTION-A

A. Answer any five:

2x5=10

1. What does Performance Management aims at?
2. What is 720-Degree Feedback?
3. How do we manage performance within the organization?
4. What is the purpose of compensation in an organisation?
5. What is Organized Sector?
6. What is Improshare?
7. How is EPF calculated?

SECTION-B

B. Answer any five:

4x5=20

1. Why do we need Performance Appraisal?
2. Mention the benefits of Balanced Scorecard.
3. Explain the classification of wage differential.
4. Explain the concept of Group Variable Compensation.
5. Justify the concept of Principles of Equal Pay for Equal Work.
6. What are PPF and EPF?
7. Explain the concept of Retirement Plan.

2+2

SECTION-C

C. Answer any four:

8x4=32

1. Describe the essential of good performance appraisal system.
2. Describe the direct or base Compensation.
3. Discuss any four theories of wage.
4. What are the advantages and disadvantages of Individual Incentives? 4+4
5. How do the employees seek balance in the payment of wages and salary?
6. What are the methods used for calculation of Dearness Allowance?
Explain.
7. Describe the process designing an effective Executive Compensation Program.

P.T.O.

SECTION-D

D. CASE STUDY: (Compulsory question for 8 marks)

The case discusses the compensation management practices at Tata Consultancy Services Ltd. (TCS), one of the leading Indian IT companies. TCS' compensation management system was based on the EVA model. With the implementation of Economic Value Added (EVA)-based compensation, the salary of employees comprised of two parts - fixed and variable. The variable part of the salary was arrived after considering business unit EVA, corporate EVA, and also individual performance EVA. During the fourth quarter of the financial year FY 2007-2008, TCS announced its plans to slash 1.5 percent of the variable component of employee salaries since its EVA targets for the third quarter of FY 2007-2008 were not met. The announcement came as a jolt not only to TCS employees but also to the entire Indian IT industry. The company came in for severe criticism and it was accused of not being transparent with respect to EVA calculation. However, some analysts felt that the pay cuts were a result of the macroeconomic challenges that the Indian IT companies were facing - rapid appreciation of the rupee against the US dollar and the recession in the US economy (USA was the largest market for the Indian IT companies)

Questions:

1. Analyze TCS' HR practices with respect to its policy related to compensation of its employees. 4
2. Understand the rationale behind the cut in the compensation of the employees at TCS. 4
