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**Sr. No. of Question Paper : 2578**

**Roll No.....**

Unique Paper Code : 101538

Name of the Course : BBS 2013

Name of the Paper : Performance and Compensation System Management  
(504-H2)

Semester : V

Duration : 3 Hours

Maximum Marks : 75

**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **ALL** questions.

1. Case Study :

Arya textile Industries Ltd was fifty years old, but a small ten cr textile trading company in Delhi. The new generation of the promoter's family decided to create a textile conglomerate by the process of acquisition. The company then acquired sick-synthetic and cotton-yarn manufacturing units of well-known groups with their brands, assets and liabilities. In the next two years, the company acquired four major textile companies, and the combined sales turnover of the company rose to around 600 cr with 5000 employees. The managing director of the company decided to set up performance management system. After prolonged discussions with the MD and directors, the HR Head designed a performance appraisal system/format wherein a number of traits of employees with rating and score were described, followed by key result areas. It first went to appraise who wrote down all his non-routine and excellent achievements, his strengths and weaknesses, his training and development inputs, his potential utilization, etc. After completion of self-appraisal, the form was submitted to the immediate superior who rated the appraise by ticking – 'Outstanding, Very Good, Good, Average and Below Average' in the columns of quality of output, job knowledge, decision making, communication skills, quality of work, interpersonal skills, planning

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and organizing, subordinate development, leadership skills, ethical conduct etc. with a score being assigned to each trait as per the maximum score indicated in the relevant column. The form then was sent to the reviewer who reflected his own opinion in each column. Before, the form was sent to the top management, for better transparency, the signature of an appraisee was taken. Clear guidelines for filling up the form were also given. Employees were told to set aside personal biases while conducting this process. However, no score or rating was assigned to the key result areas. With this, the management took pride in performance management which would help the organization in retaining the employees and create a performance-oriented system. The first appraisal was carried out in FY2005-06, and the following observations were made by the HR head at the conclusion of appraisal on 30 October 2006 as follows :

- In many cases, it was found that one employee with higher performance rating got lower score than another employee whose performance rating was low; however his score was high.
- In most of the cases, either key results were not considered or job responsibilities not described.
- Rewards were arbitrary as it was not linked to performance appraisal.
- There was a vast variation in rating and scoring patterns of different departmental heads.

On the analysis, it was found that the scoring system was defective. For example, equal score was assigned to job knowledge and health/hygiene. One employee got a score of 5 on job knowledge and 13 on health/hygiene compared to another employee who got 13 on job knowledge and 3 on health/hygiene. The result is that an employee with a lower job knowledge got a higher overall rating. The other problem noticed was that since no score or rating was assigned to the key result areas, therefore it was not addressed at all by employees, managers, and even the management. Rewards were administered purely on the basis of traits/ characteristics of the employees. At the end of the appraisal, most of the employees were de-motivated.

- (i) What went wrong with performance management system in Arya Textiles Industries Ltd. ? Why ?

(5)

- (ii) What should the HR head have done while designing the performance management systems ? (5)
- (iii) If you were a management consultant, what advice would you like to offer to the managing director of the company on performance management system ? (5)
2. (i) Why do different organizations have different performance management system, although the principles of performance management are same everywhere ? (7)
- (ii) Performance management system is a key to competitive advantage of an organization. Justify the statement with examples. (7)
3. (i) What do you think are the most important benefits to offer to following employees (a) A young inexperienced female worker (b) An ambitious Mother of two (c) A 45 years old employee with joint family (d) Old employee about to retire in three years. (8)
- (ii) Take an example of any two sectors and one similar job in these two sectors, explain why there is difference in compensation for similar job in in these two sectors ? (6)
4. A reputed manufacturing company has a trend of keeping temporary and contractual employees. It pays temporary employees lower wages and offer fewer benefits than they extend to their counterparts. Nevertheless, what are some of the possible drawbacks for this company that employs temporary workers ? Do you believe that these drawbacks outweigh the cost savings ? Explain your reasoning. (8)
5. (i) A father decides to put his two sons to work landscaping. The business involves going to a customer's home and providing landscaping services (cut grass, edge sidewalk, pull weeds in flower beds, prune bushes and trees, rake leaves). Rather than paying a flat wage, the father decides to pay an incentive according to the following schedule (average across all lawns).

Task	Piece rate incentive per person	Physical effort	Time to complete per person	Charge to customer
Cut Grass	\$4	Easy	0.4 hr	\$30
Edge Sidewalk	\$1	Easy	0.1 hr	\$5
Pull Weeds	\$6	Very Hard	0.5 hr	\$40
Prune Bushes	\$5	Hard	0.5 hr	\$30
Rake Leaves	\$5	Hard	0.5 hr	\$25

At the end of the second week under this arrangement the boys are quarrelling with each other and not happy with their dad. All of the disagreements revolve around the incentive system. What might be the problems? (7)

- (ii) Companies focus heavily on cost savings strategies to be competitive today. Identify both monetary and non-monetary ways of cost saving that would be relevant for compensating a person's job. (5)

6. Write short notes : (Do any TWO)

- (i) Strategic PMS
- (ii) Mentoring Process
- (iii) Wages in India
- (iv) Pay Commission

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**Sr. No. of Question Paper : 1149**

**Roll No.....**

Unique Paper Code : 101538

Name of the Paper : Compensation & Performance Management System

Name of the Course : BBS

Semester : V

Duration : 3 Hours

Maximum Marks : 75

**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions.
3. Internal choice is given.

1. How does organizational strategy shape performance management. What are the different factors which affect performance management in international context ? How does culture impact the design and implementation of Performance management systems ? (10 marks)
2. Discuss how performance appraisal has evolved over time into performance management. Explain the Performance management cycle detailing the aims of each stage and the managers role in it ? (10 marks)

**OR**

What is compensation ? How do organizations determine the compensation to be given to employees. Discuss the different types of pay for performance programs.

3. (a) Why are performance reviews necessary ? How can the reviews be made more constructive ? (5 marks)

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- (b) What is the role of coaching and counseling in the performance development plan? How is coaching different from mentoring. (5 marks)
4. Discuss the various components of a typical benefits programme indicating their importance and scope. Also mention some of the services that can be provided by an organisation to enhance the living standard of its employees? (10 marks)
5. What are the key areas which the international HR manager must dwell on when assessing an expatriates performance. What constraints can he face while assessing an expatriates and subsidiary's performance. (10 marks)

**OR**

What are the components of expatriate compensation. Discuss the different issues in international compensation?

6. Discuss the features of Payment of wages act? What is role of wage boards and pay commissions in setting wages? (10 marks)
7. Read the case and answer the questions that follow :

**Incentive Pay for Fox Geomapping**

Fifteen years ago, when John Fox started Fox Geomapping, the idea of using computers in planning school, election, and other political districts was in its infancy. Fox's idea was to store residential information about a city or county in a computer and then use mathematical models to optimize the boundaries desired in government planning (e.g., schools or election districts). The challenge was to incorporate the entire scope of census information - streets, dwellings, numbers of residents, occupations, and incomes - into a computer and then manipulate the information to satisfy the multiple goals of planning officials. The software was complex and needed to recognize logical division