



III Semester M.B.A. (Day) Examination, January 2011  
(2007-08 Scheme)  
MANAGEMENT

H-3 : Performance and Compensation Management

Time : 3 Hours

Max. Marks : 75

SECTION – A

1. Answer **any six** of the following, **each** question carries **two** marks. (2×6=12)
- a) What is obtaining commitment ?
  - b) What is real wages ?
  - c) What is critical incident method of appraisal ?
  - d) Distinguish between profit sharing and gain sharing.
  - e) What is golden parachute ?
  - f) What are the various methods of compensating cost of living ?
  - g) Distinguish between internal and external equity in compensation system.
  - h) What do you mean by group piece rate ?

SECTION – B

Answer **any three** questions. (8×3=24)

- 2. Discuss the important theories of wages.
- 3. Explain the retirement plan of public co. employees and private company employees.

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4. Discuss the reasons for wage differentials and consequences of that.
5. Describe the non-financial incentives with suitable examples.
6. Explain wage determination process and factors influencing wage and salary administration.

#### SECTION – C

Answer any two questions.

(12×2=24)

7. Discuss the issues relating to executive compensation plan. Is executives are paid more ? Justify your answer.
8. a) Explain the organisation wide incentives.  
b) What is diagnosis ? Explain the stages of diagnosis in organisation.
9. What is the need of performance appraisal in the organisation ? Explain the modern methods of performance appraisal.

#### SECTION – D

10. Case study (compulsory) :

(15×1=15)

##### **A Dilemma for Magnolia State Bank**

Magnolia State Bank, serving a small community, has successfully bid to take over the insolvent City Bank and Trust in a large city fifty miles away. The president of Magnolia State is anxious to examine the comparability of the wage plan of the newly acquired branch with that of the Magnolia headquarters location.

Tellers and clerks, the majority of the work force at Magnolia State Bank, receive a starting wage of \$250 a week (\$13,000 per year), which can increase to \$315 (\$16,380 per year) with experience. The cost of living in Magnolia is low, and Magnolia State Bank stands virtually alone as a prestigious employer with good working conditions. In fact, the low-wage structure at Magnolia State Bank is part of the competitive strategy that has allowed the bank to maintain its position as the sole bank in the community.



City Bank and Trust is one of many banks in the large, nearby city. The cost of living is higher, and there are numerous reputable employers competing for available talent. As a result, City Bank and Trust has found that it must start clerks and tellers at \$340 (\$17,680), with ranges up to \$425 (\$22,100), to attract and retain employees with needed skills.

- 1) Could Magnolia State Bank justify continuing the approximate 35 percent wage differences that exist between Magnolia and the newly acquired branch ?
  - 2) If yes, how would you, as president of Magnolia State Bank, explain the differences to employees in Magnolia ? Given what you know about equity theory, how would employees be likely to respond ? How would you address employee concerns ?
  - 3) If no, how would you proceed to merge the systems ? What effect would wage reductions have on attracting and retaining employees at the city branch ? What effect would wage increases have on the competitive position of the bank in Magnolia ?
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