



# MASENO UNIVERSITY

## UNIVERSITY EXAMINATIONS 2012/2013

### FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (HOMA BAY CAMPUS)

#### **MBA 838: EMPLOYEE COMPENSATION**

*Date: 27<sup>th</sup> July, 2013*

*Time: 2.00 – 5.00 p.m.*

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#### INSTRUCTIONS:

- ♦ Answer Question ONE and any other THREE questions.

### Question 1

The Great Rift Electric Company is a city-based manufacturer of welding machines and motors. When Kenaan Amani established the company in 1970, he was keenly aware of the importance of a highly motivated workforce, and how the company's success, in fact, depended on it. Therefore, Amani had to ensure that each employee would work as diligently as possible for the good of the organisation. Amani realised that the best way to motivate employees would be to link the company's reward and recognition system to its goals. To establish this connection, Amani developed and implemented a comprehensive incentive system. Its aim was to improve the company's overall performance by allowing contributing workers to share in the proceeds. The plan rewards employees for turning out quality products efficiently while controlling costs. The system includes the following components: Paying by the piece rate: Production workers are paid according to the number of "pieces" or product units they produce that are not defective. If a customer sends a defective part back to the company, the employee who produced it must repair it on his or her own time. Providing year-end bonus: To reward workers further for their efforts, Amani introduced a year-end bonus system that gives all workers an opportunity to nearly double their base wages. Workers get the bonus if the company's annual profit increases. Providing stock options: Amani also provided his employees with the option of buying company's stock at a low cost. Employees are also given shares of the company's stock based on annual profits.

a) To motivate his employees Mr. Amani uses piece rate system.  
i. Discuss the advantages and disadvantages of such a system. (5 Marks)

ii. Discuss other methods of rewarding employees, clearly showing their advantages and disadvantages. (5Marks)

b) The basic objective of compensation management can be briefly termed as meeting the needs of both employees and the organization. Discuss the other objectives of compensation management. (5 Marks)

**Question 2**

As a Human Resource Management function, show how compensation relates to other core Human Resource Management function of Performance appraisal. (15 marks)

**Question 3**

- a) The purpose of job evaluation is to produce a defensive ranking of jobs on which a rational and acceptable pay structure can be built. Discuss its important features.(8 Marks)
- b) Enumerate the benefits of job evaluation exercise. (7 Marks)

**Question 3**

- a) Discuss the methods of performance appraisal. (8 marks)
- b) Explain the factors within the internal environment of a firm that have an impact on the pay structure. ( 7 marks)

**Question 4**

Using relevant examples where appropriate, discuss how organizations can use non-financial rewards to motivate employees' and to reward them for their performance. (15 Marks)

**Question 5**

- a) In order to achieve the objectives of compensation management, it should proceed as a process. Discuss the compensation management process. (8 Marks)
- b) Identify and explain the causes of wage differentials within and among organizations. (7 Marks)

**Question 6**

The idea of Pay equity concerns whether employees believe that they are being fairly compensated for their contribution to a firm's success. In this context, explain, entirely, this idea of Pay Equity, bringing out its salient features. (15 marks)