Strategic Compensation (Canadian) 1st edition Martocchio Test Bank

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Test Bank for *Strategic Compensation: A Human Resources Management Approach, First Canadian Edition*

Chapter 1 Strategic Compensation: A Component of Human Resources Systems

Multiple Choice Questions

1) _____ refers to the design and implementation of compensation systems to reinforce the objectives of both HRM strategies and competitive business strategies.
A) Extrinsic compensation
B) Strategic compensation
C) Strategic analysis
D) Intrinsic compensation
Answer: B
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic compensation.

2)____ refers to multiple HRM practices to reinforce competitive business strategy.
A) Human resources management industry practices
B) Human resources management legislation
C) Human resources management strategies
D) Human resources management theories
Answer: C
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic compensation.

3) Which of the following describes a human resources management or compensation strategic business partner?
A) An HRM practitioner that works within the relevant HRM legislation.
B) An HRM practitioner that works within the relevant HRM best practices.
C) An HRM practitioner that works within the relevant organizational strategies.
D) An HRM practitioner is not a strategic business partner.
Answer: C
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic business compensation.

4) Protection or benefits programs are what type of compensation benefits?
A) external
B) non-monetary rewards
C) internal
D) monetary
Answer: B
Difficulty: Moderate
Skill: Concept

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LO: 1.1: Define strategic compensation.

5) Government sponsored benefits _____.
A) are not applicable in all provinces and territories
B) only applies to government employees
C) are a form of taxation
D) are a form of social insurance
Answer: D
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic compensation

6) Job analysis is _____.
A) an elective process for gathering, documenting, and analyzing information in order to describe jobs.
B) is a systematic process for gathering, documenting, and analyzing information in order to describe jobs.
C) is a systematic process for gathering and analyzing information in order to pay jobs.
D) is a systematic process for analyzing information in order to describe jobs.
Answer: B
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic compensation.

7) Which of the following is an example of a core compensation?
A) medical insurance
B) vacations
C) day care assistance
D) monetary compensation
Answer: D
Difficulty: Easy
Skill: Concept
LO: 1.1: Define strategic compensation.

8) This concept describes an company's success when the organization acquires or develops capabilities that facilitate outperforming the competition.
A) differentiation
B) capital
C) compensation practices
D) competitive advantage
Answer: D
Difficulty: Easy
Skill: Concept
LO: 1.1: Define strategic compensation.

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9) Which of the following refers to the planned use of company resources-financial capital, equipment capital, and human capital to promote and sustain competitive advantage?
A) strategic analysis
B) comparative analysis
C) 360 degree analysis
D) competitive business strategy
Answer: D
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic compensation.

10) Which of following enables companies to generate income, higher organization stock prices, economic value, strong positive brand identity, and reputation?
A) capital
B) assets
C) competency
D) human capital
Answer: A
Difficulty: Moderate
Skill: Concept
LO: 1.2: Summarize the role of compensation as a strategic business partner.

11) As a strategic business partner, HRM and compensation professionals today need to think most like whom?
A) vice president operations
B) chief financial officer (CFO)
C) chief executive officer (CEO)
D) controller
Answer: C
Difficulty: Moderate
Skill: Concept
LO: 1.2: Summarize the role of compensation as a strategic business partner.

12) In General Electric's human resource leadership program (HRLP), successful participants will achieve which of the following?
A) gain an understanding of the depth of specialization for each (HRM) function
B) gain an understanding of HRM competencies, global leadership skills, and business acumen
C) gain an understanding of the depth of specialization for each HRM function
D) gain an understanding of HRM from a generalist's perspective
Answer: B
Difficulty: Easy
Skill: Application of Knowledge
LO: 1.2: Summarize the role of compensation as a strategic business partner.

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13) Cash and equipment such as a lab equipment in a research lab are examples of which of the following?
A) non-liquid assets
B) organizational structure
C) capital
D) liquid assets
Answer: C
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.2: Summarize the role of compensation as a strategic business partner.

14) Discerning threats and opportunities is the main focus of which activity?
A) human resource planning
B) environmental scanning
C) job evaluation
D) job analysis
Answer: B
Difficulty: Moderate
Skill: Concept
LO: 1.3: Explain strategic compensation decisions.

15) This term suggests that a loss is likely for the organization, and that the individual will be left with little control.
A) reverse opportunity
B) negative equity
C) threat
D) foreclosure
Answer: C
Difficulty: Easy
Skill: Concept
LO: 1.3: Explain strategic compensation decisions.

16) Which of the following competitive strategies does Apple Computer use?
A) lowest-cost strategy
B) differentiation strategy
C) total quality management strategy
D) human capital strategy
Answer: B
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.3: Explain strategic compensation decisions.

17) IKEA sources its products to countries where labour is cheaper and provides a low level of service. Which of the following competitive strategies does IKEA use?
A) differentiation strategy
B) high quality strategy
C) brand notoriety

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D) lowest-cost strategy
Answer: D
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.3: Explain strategic compensation decisions.

18) A company using this competitive strategy seeks to offer a product or service that is completely unique from other competitors in their market segment.
A) differentiation strategy
B) defender strategy
C) prospector strategy
D) lowest-cost strategy
Answer: A
Difficulty: Easy
Skill: Concept
LO: 1.3: Explain strategic compensation decisions.

19) Which of these actions would HRM encourage in attempting to create a lowest-cost competitive strategy?
A) an employee's long-term focus
B) unpredictable employee behaviour
C) cost minimization
D) high concern for the quality of output
Answer: C
Difficulty: Challenging
Skill: Concept
LO: 1.3: Explain strategic compensation decisions.

20) This legislation made it illegal to pay women less than men for performing equal work.
A) equal pay for equal work
B) human rights
C) pay equity
D) employment standards
Answer: A
Difficulty: Moderate
Skill: Concept
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

21) Cost-of-living adjustments (COLAs) are typically based on which index?
A) Producer Price Index
B) Consumer Price Index
C) Employment Cost Index
D) Employee Benefit Index
Answer: B
Difficulty: Moderate
Skill: Concept

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LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

22) What type of pay system rewards employees for partially or completely attaining a predetermined work objective?
A) seniority pay
B) merit pay
C) incentive pay
D) skill-based pay
Answer: C
Difficulty: Moderate
Skill: Concept
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

23) What type of pay system rewards employees for differences in job performance as assessed by supervisors or managers?
A) seniority pay
B) merit pay
C) incentive pay
D) skill-based pay
Answer: B
Difficulty: Moderate
Skill: Concept
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

24) Abdu works at a call center for a media organization, and he has been answering calls regarding cell phones and TV services. Recently, he started to attend a training program about internet services. Upon successful completion of this training program, Jason will be able to handle in-depth internet questions and queries as well. If this organization has a compensation policy that rewards Abdu's completion of this training, then what type of pay system does it employ?
A) incentive pay
B) merit pay
C) seniority pay
D) pay-for-knowledge
Answer: D
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

25) Tia's position changed from supervisor at the planning department to supervisor at the new projects department. In terms of career development, which of the following describes Tia's situation?
A) maintaining focus with less responsibilities

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B) making a lateral move across the organization's hierarchy
C) moving upward through a organization's hierarchy
D) maintaining the focus and assuming greater responsibilities
Answer: B
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

26) What do compensation managers use to recognize differences in the relative worth of jobs and to establish pay differentials based upon management priorities?
A) job evaluation
B) internal consistency
C) job analysis
D) strategic analysis
Answer: A
Difficulty: Moderate
Skill: Concept
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

27) These compensation systems go a long way in attracting and retaining the most qualified employees and are based upon market and compensation surveys.
A) internally consistent compensation systems
B) market-competitive pay systems
C) job evaluation compensation systems
D) externally consistent compensation systems
Answer: B
Difficulty: Moderate
Skill: Concept
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

28) Which of the following represents the pay rate differences for jobs and employee contributions of unequal worth to an organization?
A) merit pay
B) incentive pay
C) retention pay
D) pay structures
Answer: D
Difficulty: Moderate
Skill: Concept
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

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29) Compensable factors include which of the following?
A) employee knowledge, skills, and abilities
B) employee compensation and benefits
C) skill, effort, responsibility, and working conditions
D) skill, effort, talent, and working condition
Answer: C
Difficulty: Challenging
Skill: Concept
LO: 1.4 Identify and discuss the building blocks and structural elements of strategic compensation systems

30) Human capital theories refers to:
A) the total number of employees
B) employees' knowledge and skills add value
C) B) total of employees' knowledge and skills
D) cost of human capital
Answer: B
Difficulty: Easy
Skill: Concept
LO: 1.4 Identify and discuss the building blocks and structural elements of strategic compensation systems

31) Person focused pay includes:
A) rewards employees for specifically learning new curricula
B) rewards employees for the tasks completed
C) rewards employees for the number of persons they supervise
D) rewards employees for their knowledge and skills
Answer: B
Difficulty: Moderate
Skill: Concept
LO: 1.4 Identify and discuss the building blocks and structural elements of strategic compensation systems

32) This agreement describes the terms of employment that are set between management and union bargaining representatives.
A) employee relationship agreement
B) collective bargaining agreement
C) joint employment agreement
D) workplace requisite agreement
Answer: B
Difficulty: Easy
Skill: Concept
LO: 1.5: Describe the fit of the compensation function in organizations.

33) Which type of professional is involved in the compensation functions such as building job structures, market competitive pay systems, and merit pay structures?
A) compensation generalist

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B) HRM specialist
C) compensation specialist
D) HRM generalist
Answer: A
Difficulty: Easy
Skill: Concept
LO: 1.5: Describe the fit of the compensation function in organizations.

34) Oftentimes, companies use this method to trim their payroll responsibilities by encouraging higher-paid workers with more seniority to voluntarily leave the organization earlier than previously planned.
A) resignation plans
B) severance plans
C) early retirement programs
D) employee expenditure plans
Answer: C
Difficulty: Moderate
Skill: Concept
LO: 1.5: Describe the fit of the compensation function in organizations.

35) This group is directly involved in producing goods and delivering services for an organization.
A) staff employees
B) line employees
C) managers
D) executives
Answer: B
Difficulty: Moderate
Skill: Concept
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

36) The success of HRM departments depends on how well they serve the interests of which of the following stakeholder groups?
A) employees, line managers, executives, unions, broader community, and the Canadian government
B) unions and the Canadian government
C) executives and shareholders
D) employees and line managers
Answer: A
Difficulty: Easy
Skill: Concept
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

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37) Which of the following group is a stakeholder within an organization?
A) Human Rights Commission
B) Employment and Social Development
C) applicants
D) line managers
Answer: D
Difficulty: Easy
Skill: Concept
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

38) Which stakeholder group turns to compensation professionals for advice about appropriate pay rates for jobs?
A) government leaders
B Line managers
C) applicants
D) employees
Answer: B
Difficulty: Easy
Skill: Concept
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

39) What are the main elements of environmental scanning?
A) assessing organizational threats, opportunities, strengths, and weaknesses B) assessing organizational threats, options, strengths, and weaknesses
C) assessing employee threats, options, strengths, and weaknesses
D) assessing managerial threats, options, strengths, and weaknesses
Answer: B
Difficulty: Easy
Skill: Concept
LO: 1.1: Define strategic compensation

Fill in the Blank Questions

1) _____ compensation refers to the mental state of employees as a result of their performance on the job.
Answer: Intrinsic
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic compensation.

2) Pay-for-knowledge and _____ programs are key to giving employees the necessary knowledge and skills to use new workplace technology effectively.
Answer: skill-based pay
Difficulty: Moderate
Skill: Concept
LO: 1.2: Summarize the role of compensation as a strategic business partner.

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3) Saudi Arabia, which is one of the top oil-producing countries in the world, continues to pump crude oil even as demand for oil decreases. This activity is considered to be a(n) _____ to other oil producing countries such as Canada.
Answer: threat
Difficulty: Challenging
Skill: Concept
LO: 1.3: Explain strategic compensation decisions.

4) Strategic management involves distinguishing between threats and _____ in attempting to achieve organizational goals, thus making strategic management an imprecise process.
Answer: opportunities
Difficulty: Challenging
Skill: Concept
LO: 1.3: Explain strategic compensation decisions.

5) Apple Computer's use of a differentiation strategy promotes both market demand and _____.
Answer: loyalty
Difficulty: Challenging
Skill: Application of Knowledge
LO: 1.3: Explain strategic compensation decisions.

6) The demand for human resources management professionals is _____.
Answer: increasing
Difficulty: Challenging
Skill: Concept
LO: 1.5: Describe the fit of the compensation function in organizations.

7) Companies that implement pay-for-knowledge and _____ plans generally increase the amount of classroom and on-the-job training as these types of plans make training necessary rather than optional.
Answer: person-focused
Difficulty: Moderate
Skill: Concept
LO: 1.5: Describe the fit of the compensation function in organizations.

8) Employment _____ occurs when an employee's agreement to perform work is ended, whether it is voluntarily or involuntarily.
Answer: termination
Difficulty: Easy
Skill: Concept
LO: 1.5: Describe the fit of the compensation function in organizations.

9) Due to the recent economic downturn, Your Brewing Co. decided to shut down one of its breweries in British Columbia, and therefore approximately 100 employees were laid off. Your Brewing Co. has chosen to award laid-off workers 6 months of _____ pay.

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Answer: severance
Difficulty: Challenging
Skill: Application of Knowledge
LO: 1.5: Describe the fit of the compensation function in organizations.

10) _____ compensation reflects employees' psychological mindsets that result from performing their jobs while extrinsic compensation includes both monetary and nonmonetary rewards.
Answer: intrinsic
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.5: Describe the fit of the compensation function in organizations.

11) _____ represent pay rate differences for jobs of unequal worth and the framework for recognizing differences in employee contributions.
Answer: Pay structures
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.5: Describe the fit of the compensation function in organizations.

12) Pay grades group jobs for pay policy application and _____ build upon these.
Answer: Pay ranges
Difficulty: Moderate
Skill: Application of Knowledge
LO: 1.5: Describe the fit of the compensation function in organizations.

Short Answer Questions

1) What are the three questions that compensation professionals should answer to help determine whether they are making a strategic contribution to the organization?
Answer:

- Does compensation strategy fit well with the objectives of competitive business and HRM strategies?
- Does the choice and design of compensation practices fit well to support compensation strategy?
- Does the implementation of compensation practices effectively direct employee behaviour to enhance job performance that supports the choice of compensation practices?

Difficulty: Challenging
Skill: Concept
LO: 1.3: Explain strategic compensation decisions.

2) Compensation represents both the intrinsic and extrinsic rewards employees receive for performing their jobs. Together, both intrinsic and extrinsic compensation describe an organization's total compensation system. Briefly describe both types of rewards and indicate the professionals who are responsible for managing them.
Answer: Intrinsic compensation reflects employees' psychological mind-sets that result from

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performing their jobs. Extrinsic compensation includes both monetary and nonmonetary rewards. Organizational development professionals promote intrinsic compensation through effective job design. Compensation professionals are responsible for extrinsic compensation. Extrinsic compensation includes both monetary and nonmonetary rewards. Compensation professionals establish monetary compensation programs to reward employees according to their job performance levels or for learning job-related knowledge or skills. Nonmonetary rewards include protection programs (e.g., medical insurance), paid time off (e.g., vacations), and services (e.g., day care assistance). Most compensation professionals refer to nonmonetary rewards as employee benefits.
Difficulty: Moderate
Skill: Concept
LO: 1.1: Define strategic compensation.

3) What are the three goals of compensation professionals?
Answer: Compensation professionals promote effective compensation systems by meeting three important goals: internal consistency, market competitiveness, and recognition of individual contributions.
Internally consistent compensation systems clearly define the relative value of each job among all jobs within a organization. This ordered set of jobs represents the job structure or hierarchy. Companies rely on a simple, yet fundamental, principle for building internally consistent compensation systems: Employees in jobs that require greater qualifications, more responsibilities, and more complex job duties should be paid more than employees whose jobs require lesser qualifications, fewer responsibilities, and less-complex job duties. Internally consistent job structures formally recognize differences in job characteristics, which therefore enable compensation managers to set pay accordingly.
Market-competitive pay systems play a significant role in attracting and retaining the most qualified employees. Compensation professionals build market-competitive compensation systems based on the results of market surveys and compensation surveys.
Recognizing Individual Contributions are captured in pay structures, which represent pay rate differences for jobs of unequal worth and the framework for recognizing differences in employee contributions. No two employees possess identical credentials or perform the same job equally well. Companies recognize these differences by paying individuals according to their credentials, knowledge, or job performance. When completed, pay structures should define the boundaries for recognizing employee contributions. Well-designed structures should promote the retention of valued employees.
Difficulty: Challenging
Skill: Concept
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

4) What is a constituency? How does it affect the HRM department?
Answer: HRM departments does not exist in isolation. Rather, it must respond to a variety of stakeholders, each with its own interests. In fact, the success of an HRM department may depend on how well it serves various stakeholders. Stakeholders can include employees, line managers, executives, unions, the broader community, the Canadian. government, and customers. Each of these groups expects certain actions by the HRM department, rates these actions according to its own standards, and tries to set up goals or present constraints within their realm of

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understanding. As a result, the HRM department plays multiple roles, trying to meet often-competing goals presented by multiple stakeholders.
Difficulty: Challenging
Skill: Concept
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

Essay Question
1) How does compensation impact HRM practices?

Recruitment, and Selection. Job candidates choose to work for particular companies for a number of reasons, including career advancement opportunities, training, the company's reputation for being a "good" place to work, location, and compensation. Companies try to spark job candidates' interest by communicating the positive features of the core compensation and employee benefits programs. Organizations use compensation to compete for the very best candidates. In addition, companies may offer such inducements as one-time signing bonuses to entice high-quality applicants. It is not uncommon for signing bonuses to amount to as much as 20 percent of starting annual salaries. Signing bonuses are useful when the supply of qualified candidates falls short of companies' needs for these candidates.

Employee Performance Management. Accurate performance appraisals are integral to effective merit pay programs. For merit pay programs to succeed, employees must know that their efforts toward meeting production quotas or quality standards will lead to pay raises. Job requirements must be realistic, and employees must be prepared to meet job goals with respect to their skills and abilities. Moreover, employees must perceive a strong relationship between attaining performance standards and receiving pay increases. Merit pay systems require specific performance appraisal approaches. Administering successful merit pay programs depends as much on sound performance appraisal practices as it does on the compensation professional's skill in designing and implementing such plans.

Training. Successful pay-for-knowledge plans depend on a company's ability to develop and implement systematic training programs. When training is well designed, employees should be able to learn the skills needed to increase their pay, as well as the skills necessary to teach and coach other employees at lower skill levels. Companies implementing pay-for-knowledge plans typically increase the amount of classroom and on-the-job training. Pay-for-knowledge systems make training necessary rather than optional. Companies that adopt pay-for-knowledge systems must accordingly ensure that all employees have equal access to the training needed to acquire higher-level skills.

Career Development. Most employees expect to experience career development within their present companies. Employees' careers develop in two different ways. First, some employees change the focus of their work—for example, from supervisor of payroll clerks to supervisor of inventory clerks. This change represents a lateral move across the company's hierarchy. Second, others maintain their focus and assume greater responsibilities. This change illustrates advancement upward through the company's hierarchy. Advancing from payroll clerk to manager of payroll administration is an example of moving upward through a company's hierarchy. Employees' compensation changes to reflect career development.

Labour–Management Relations. Collective bargaining agreements describe the terms of

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employment (e.g., pay and work hours) reached between management and a union. Compensation is a key topic. Unions have fought hard for general pay increases and regular COLAs to promote their members' standard of living. Unions have traditionally bargained for seniority pay systems in negotiations with management. More recently, unions have been willing to incorporate particular incentive pay systems. For example, unions appear to be receptive to behavioural encouragement plans because improving worker safety and minimizing absenteeism serve the best interests of both employees and employers.

Employment Termination. Employment termination takes place when an employee's agreement to perform work is terminated. Employment terminations are either involuntary or voluntary. The HRM department plays a central role in managing involuntary employment terminations. Organizations initiate involuntary terminations for a variety of reasons, including poor job performance, insubordination, violation of work rules, reduced business activity due to sluggish economic conditions, and plant closings. Discharge represents involuntary termination for poor job performance, insubordination, or gross violation of work rules. Involuntary layoff describes termination under sluggish economic conditions or because of plant closings. In the case of involuntary layoffs, HRM professionals typically provide outplacement counselling to help employees find work elsewhere. Companies may choose to award severance pay which usually amounts to several months' pay following involuntary termination and, in some cases, continued coverage under the employer's medical insurance plan. Employees often rely on severance pay to meet financial obligations while they search for employment. In the past, companies commonly offered a year or more of severance pay. Severance benefits today tend to be less generous. Employees initiate voluntary terminations, most often to work for other companies or to retire. In the case of retirement, companies sponsor pension programs. Pension programs provide income to individuals throughout their retirement. Companies sometimes use early retirement programs to reduce workforce size and trim compensation expenditures. Early retirement programs contain incentives designed to encourage highly paid employees with substantial seniority to retire earlier than they had planned. These incentives expedite senior employees' retirement eligibility and increase their retirement income. Difficulty: Challenging Skill: Concept

LO: 1.5: Describe the fit of the compensation function in organizations.

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