Strategic Compensation - A Human Resource Management Approach 11th edition Martocchio Test Bank

SKU: 9780138183738-TEST-BANK

***Strategic Compensation: A Human Resource Management Approach, 11e* (Martocchio)**
Chapter 1 Strategic Compensation: A Component of Human Resource Systems

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

2) Protection programs are what type of compensation benefits?
A) External
B) Non-monetary rewards
C) Internal
D) Monetary
Answer: B
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.1: Define strategic compensation.

3) Which of the following is NOT an example of a core compensation?
A) Medical insurance
B) End-of-year bonuses
C) Merit pay
D) Monetary compensation
Answer: A
Difficulty: Moderate
Skill: Concept
AACSB: Reflective Thinking
LO: 1.1: Define strategic compensation.

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4) Since the COVID-19 epidemic restrictions eased and allowed employees to return to work, many companies have been offering higher pay increases. Approximately, how much have pay increases been?
A) Less than 2%
B) 2% up to 2.9%
C) 3% up to 3.8%
D) 4% or more
Answer: D
Difficulty: Challenging
Skill: Concept
AACSB: Application of Knowledge
LO: 1.1: Define strategic compensation.

5) Employee benefits refer to _____.
A) salary and bonuses
B) monetary compensation
C) nonmonetary rewards
D) effective compensation practices
Answer: C
Difficulty: Easy
Skill: Concept
AACSB: Reflective Thinking
LO: 1.1: Define strategic compensation.

6) Which of the following is a specific tactical HR compensation decision?
A) Performance appraisal
B) Seniority pay
C) Recruitment
D) Training
Answer: B
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.1: Define strategic compensation.

7) _____ compensation refers to the mental state of employees as a result of their performance on the job.
A) Intrinsic
B) Extrinsic
C) Core
D) Monetary
Answer: A
Difficulty: Moderate
Skill: Concept
AACSB: Reflective Thinking
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8) Compensation represents both the intrinsic and extrinsic rewards employees receive for performing their jobs. 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 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
AACSB: Analytical Thinking
LO: 1.1: Define strategic compensation.

9) Which of following contributed greatly to the need for a strategic approach to compensation?
A) Advances in technology
B) Dramatic increases in CEO compensation
C) Higher productivity per worker
D) Greater inequality in wealth
Answer: A
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.2: Summarize the role of compensation as a strategic business partner.

10) Which of the following shifts in workforce composition makes it necessary to have a strategic approach to compensation issues?
A) Fewer employees are earning college degrees.
B) More women entered the labor force after the pandemic.
C) A leadership gap due to retiring baby boomers.
D) Most younger employees do not have the same work ethic.
Answer: C
Difficulty: Moderate
Skill: Concept
AACSB: Application of Knowledge
LO: 1.2: Summarize the role of compensation as a strategic business partner.

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11) In GE'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 (HR) function
B) Gain an understanding of HR competencies, global leadership skills, and business acumen
C) Gain an understanding of the width of specialization for each HR function
D) Gain an understanding of HR from a generalist's perspective
Answer: B
Difficulty: Easy
Skill: Application of Knowledge
AACSB: Application of Knowledge
LO: 1.2: Summarize the role of compensation as a strategic business partner.

12) A mass spectrometer in a research lab is an example of which of the following?
A) Human capital
B) Financial capital
C) Capital equipment
D) Performance enhancers
Answer: C
Difficulty: Moderate
Skill: Application of Knowledge
AACSB: Application of Knowledge
LO: 1.2: Summarize the role of compensation as a strategic business partner.

13) Which of the following tools can compensation professionals use to leverage the value of human capital?
A) Higher minimum wages
B) Skill-based pay programs
C) Compensation based on length of employment
D) Employee unionization support
Answer: B
Difficulty: Challenging
Skill: Concept
AACSB: Analytical Thinking
LO: 1.2: Summarize the role of compensation as a strategic business partner.

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14) Compensation professionals can provide a strategic contribution to a firm when they can answer yes to three distinct questions. Which of the following is NOT one of those questions?
A) Does compensation strategy fit well with the objectives of competitive business and HR strategies?
B) Does the compensation reward all employees based on tenure with the firm?
C) Does the choice and design of compensation practices fit well to support compensation strategy?
D) Does the implementation of compensation practices effectively direct employee behavior to enhance job performance that supports the choice of compensation practices?
Answer: B
Difficulty: Moderate
Skill: Concept
AACSB: Application of Knowledge
LO: 1.3: Explain strategic compensation decisions.

15) Which of the following government provisions gives companies the ability to recoup research and development costs as well as earn profits for a limited period of time?
A) Reverse opportunity
B) Trademarks
C) Patent protection
D) Bankruptcy preference
Answer: C
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
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
AACSB: Application of Knowledge
LO: 1.3: Explain strategic compensation decisions.

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17) IKEA, a furniture manufacturer, sources its products to countries where labor 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
D) Lowest-cost strategy
Answer: D
Difficulty: Moderate
Skill: Application of Knowledge
AACSB: Application of Knowledge
LO: 1.3: Explain strategic compensation decisions.

18) Which of the following tools is used by firms following a differentiation strategy to enhance employee creativity and willingness to take risks?
A) Design thinking
B) Pay-for-performance
C) Short-term incentive pay
D) Machine learning
Answer: A
Difficulty: Easy
Skill: Concept
AACSB: Analytical Thinking
LO: 1.3: Explain strategic compensation decisions.

19) Which of these actions would HR encourage in attempting to create a lowest-cost competitive strategy?
A) High level of service
B) Low customer involvement
C) Cost minimization in operations, marketing, and HR
D) High concern for the quality of output
Answer: C
Difficulty: Challenging
Skill: Concept
AACSB: Analytical Thinking
LO: 1.3: Explain strategic compensation decisions.

20) How do compensation professionals support the company's strategic initiatives?
Answer: Compensation professionals support strategic initiatives through the design and implementation of compensation systems. Compensation professionals make decisions about whether to use (and how to design) pay-for-performance practices, whether to set pay levels that exceed typical market pay rates, and whether to create a pay mix that emphasizes long-term over short-term incentives. The totality of choices should fit the firm's strategy whether it is a cost leadership or a differentiation strategy.
Difficulty: Challenging
Skill: Concept
AACSB: Analytical Thinking
LO: 1.3: Explain strategic compensation decisions.

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21) Explain how differentiation strategies can lead to brand loyalty and why that is important.
Answer: A differentiation strategy can take many forms, including design or brand image, technology, features, customer service, and price. These differences can lead to a competitive advantage through building brand loyalty among devoted consumers who prefer the differentiated offerings. Brand-loyal consumers are probably less sensitive to price increases, which enables companies to invest in research and development initiatives to further differentiate themselves from competing companies.
Difficulty: Challenging
Skill: Concept
AACSB: Analytical Thinking
LO: 1.3: Explain strategic compensation decisions.

22) Give an example of how PepsiCo uses design thinking.
Answer: PepsiCo embraces the importance of design thinking. For example, the company designers created the Pepsi Spire, which is a high-tech beverage dispensing machine with a futuristic design. Former PepsiCo CEO Indra Nooyi had this to say about the company's design approach: "Other companies with dispensing machines have focused on adding a few more buttons and combinations of flavors. Our design guys essentially said that we're talking about a fundamentally different interaction between consumer and machine."
Difficulty: Challenging
Skill: Application of Knowledge
AACSB: Application of Knowledge
LO: 1.3: Explain strategic compensation decisions.

23) What is one work-related change driven by the COVID-19 pandemic?
Answer: About 58% of companies now permit employees to work from home at least part of the week.
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.3: Explain strategic compensation decisions.

24) Which law made it illegal to pay women less for performing equal work as men?
A) Equal Pay Act of 1963
B) Civil Rights Act of 1964
C) Davis-Bacon Act of 1931
D) Fair Labor Standards Act of 1938
Answer: A
Difficulty: Moderate
Skill: Concept
AACSB: Reflective Thinking
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

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25) Which of these factors is considered a compensable factor by compensation professionals?
A) Gender
B) Responsibility
C) Age
D) Geographic region
Answer: B
Difficulty: Challenging
Skill: Concept
AACSB: Reflective Thinking
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

26) Periodic adjustments to pay based on changes in the consumer price index (CPI) are known as _____.
A) seniority pay
B) merit pay
C) COLAs
D) skill-based pay
Answer: C
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

27) Jason works at a call center for an insurance company, and he has been answering calls regarding auto insurance. Recently, he started to attend a training program about home insurance. What type of pay system would reward Jason for completion of this training?
A) Incentive pay
B) Merit pay
C) Seniority pay
D) Pay-for-knowledge
Answer: D
Difficulty: Moderate
Skill: Application of Knowledge
AACSB: Application of Knowledge
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

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28) Seniority pay systems reward employees with periodic increases in base pay according to their length of service. What theory is used to justify this compensation practice?
A) COLA theory
B) Human capital theory
C) Discretionary benefit theory
D) Consistency theory
Answer: B
Difficulty: Moderate
Skill: Application of Knowledge
AACSB: Application of Knowledge
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

29) 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
AACSB: Analytical Thinking
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

30) Which type of compensation system helps to attract and retain the most qualified employees and is 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
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31) Compensation professionals use _____ to group jobs based on similar compensable factors.
A) competitive pay systems
B) incentive pay
C) retention pay
D) pay grades
Answer: D
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

32) 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 company. This ordered set of jobs represents the job structure or hierarchy. 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.
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.
Difficulty: Challenging
Skill: Concept
AACSB: Analytical Thinking
LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

33) Programs that provide income to individuals in retirement are called _____.
A) employee relationship agreements
B) collective bargaining agreements
C) joint employment agreements
D) pension programs
Answer: D
Difficulty: Easy
Skill: Concept
AACSB: Analytical Thinking
LO: 1.5: Describe the fit of the compensation function in organizations.

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34) Which of these is NOT one of the four major themes of federal legislation related to compensation?
A) Pay discrimination
B) Prevailing wage laws
C) Employee relocation
D) Disability accommodations and medical care
Answer: C
Difficulty: Easy
Skill: Concept
AACSB: Analytical Thinking
LO: 1.5: Describe the fit of the compensation function in organizations.

35) Which of these methods do companies use to trim their payroll responsibilities by encouraging higher-paid workers with more seniority to voluntarily leave the company sooner than previously planned?
A) Resignation plans
B) Severance plans
C) Early retirement programs
D) Employee expenditure plans
Answer: C
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.5: Describe the fit of the compensation function in organizations.

36) _____ are employees who are directly involved in producing a companies' products or delivering their services.
A) Line employees
B) Staff employees
C) C-suite employees
D) HR employees
Answer: A
Difficulty: Easy
Skill: Concept
AACSB: Application of Knowledge
LO: 1.5: Describe the fit of the compensation function in organizations.

37) Which of the following is NOT an HR practice?
A) Employment termination
B) Recruitment
C) Career development
D) Supervision of all employees
Answer: D
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.5: Describe the fit of the compensation function in organizations.

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38) How does the U.S. federal government deal with relocating employees?
Answer: An agency may pay a relocation incentive to a current career executive who must relocate to accept a position in a different geographic area if the agency determines that the position is likely to be difficult to fill in the absence of an incentive. A relocation incentive may be paid only when the executive's rating of record under an official performance appraisal or evaluation system is at least "fully successful" or equivalent. A relocation incentive may not exceed 25% of the executive's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period (not to exceed 4 years).
Difficulty: Easy
Skill: Concept
AACSB: Reflective Thinking
LO: 1.5: Describe the fit of the compensation function in organizations.

39) Explain the importance of performance appraisals for employers using merit pay systems.
Answer: 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.
Difficulty: Moderate
Skill: Application of Knowledge
AACSB: Application of Knowledge
LO: 1.5: Describe the fit of the compensation function in organizations.

40) Which of these stakeholder groups is NOT from within the company?
A) Staff employees
B) Line employees
C) Unions
D) Executives
Answer: C
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

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41) The success of HR departments depends on how well they serve the interests of which of the following stakeholder groups?
A) Employees, line managers, executives, unions, and the U.S. government
B) Unions, exporters, and the U.S. government
C) Executives, bondholders, and shareholders
D) Employees, transportation employees, and line managers
Answer: A
Difficulty: Moderate
Skill: Concept
AACSB: Analytical Thinking
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

42) Which of the following groups is a stakeholder within a company?
A) Equal Employment Opportunity Commission
B) Department of Labor
C) Prospective employees
D) Line managers
Answer: D
Difficulty: Easy
Skill: Concept
AACSB: Analytical Thinking
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

43) What is a stakeholder?
Answer: Stakeholders are constituent groups that have distinct sets of expectations with regard to HR activities.
Difficulty: Easy
Skill: Concept
AACSB: Analytical Thinking
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

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44) Explain the relationship between successful pay-for-knowledge programs and the human resources department.
Answer: Successful pay-for-knowledge programs depend on a company's ability to develop and implement systematic training programs. Compensation professionals must educate employees about their training options and how successful training outcomes will lead to increased pay and advancement opportunities within the company. These professionals should not assume that employees will necessarily recognize these opportunities unless they are clearly communicated. Written memos and informational meetings conducted by compensation professionals and HR representatives are effective communication media.
Difficulty: Challenging
Skill: Concept
AACSB: Analytical Thinking
LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

45) Which of the following is the use of oral, written, and nonverbal skills for multiple purposes?
A) Ethics
B) Data literacy
C) Information technology
D) Communication
Answer: D
Difficulty: Easy
Skill: Concept
AACSB: Reflective Thinking
LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

46) Which of the following is used to define and solve problems and to make decisions or form judgments related to a situation or set of circumstances?
A) Collaboration
B) Critical thinking
C) Information technology application
D) Communication
Answer: B
Difficulty: Easy
Skill: Concept
AACSB: Reflective Thinking
LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

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47) When your professor assigns you a project that requires group work, they are focusing on developing your _____ skills.
A) collaboration
B) data literacy
C) social responsibility
D) critical thinking
Answer: A
Difficulty: Easy
Skill: Concept
AACSB: Reflective Thinking
LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

48) _____ focuses on the possible future impact of an organization on society, including social welfare, the economy, and the environment.
A) Business ethics
B) Data literacy
C) Corporate sustainability
D) Communication
Answer: C
Difficulty: Easy
Skill: Concept
AACSB: Reflective Thinking
LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

49) Define critical thinking skills.
Answer: Critical thinking involves purposeful and goal-directed thinking used to define and solve problems and to make decisions or form judgments related to a situation or set of circumstances.
Difficulty: Easy
Skill: Concept
AACSB: Reflective Thinking
LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

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