

Strategic Compensation in Canada, 7e

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me of the purposes of compensations systems

Help the organization achieve its strategy and objectives, Help to attract, retain, and motivate employees.

For employees, influences their standard of living

For Shareholders, the financial value of the pay system to the organization's bottom line.

Undesireable consequences of poorly designs compensation system

Individual can start to do unspeakable things to achieve goals for better compensation. it has powerful effects on behaviour.

The _____ complex the behaviour and the _____ level of performance required, the _____ complex the compensation system needs to be.

more, more, more.

Precondition to successful compensation design

Understanding why the same compensation system that is successful in one firm fails at another firm.

% of operating budget spent by Canadian Organizations in compensating their employees

40% - 70%

One of the most powerful tools to an employer for shaping employee behaviour and influencing company performance

Compensation System

What can cause new strategies to falter, new organizational structures to collapse, new technologies to malfunction and entire companies to founder

Failure to adapt reward systems to changing circumstances

Why would a firm might never identify their reward system as a major contributor to problems

Sometimes the impact in behaviour is very subtle

Purpose of a Compensation System

To help create a willingness among qualified persons to join the organization and to perform the tasks needed by the organization. At the same time employees should perceive accepting the job will help them satisfy their needs. (economic, security, social interaction, status, achievement, recognition, and growth and development)

Abraham Maslow's Hierarchy of Needs

humans have a hierarchy of needs and they are satisfied through different behaviours. Humans first try to satisfy their basic needs before higher-order needs such as self-actualization.

5 levels of needs in Maslow's Hierarchy

1. Physiological Needs: Food and Shelter

2. Safety and Security Needs: Protection from physical and emotional harm.

3. Social Needs: Affection, belongingness

4. Respect and Self-esteem Needs: Status and recognition.

5. Self-Actualization Needs: Growth and self-fulfillment.

Reward

Anything provided by the organization that satisfies one or more of an employee's needs.

Are the positive consequences of performing behaviour desired by the organization

Types of rewards

Extrinsic and Intrinsic

Extrinsic Rewards

Satisfy basic needs for survival and security, social needs and needs for recognition.

They are related to factors surrounding the job. (Job context)

Intrinsic Rewards

Satisfy higher-level needs for self-esteem, achievement, growth, and development. It derives from the job itself, Job Content.

Rewards and Incentives are _____

Incentives

Promise that a specified reward will be provided if the employee performs a specified behaviour. It induces employees to perform behaviours they might not otherwise perform, or perform at higher levels.

Rewards _____ behaviours, Incentives _____

Recognize , Induce

3 multiple choice options

Reward System

Mix of extrinsic and intrinsic rewards provided by an organization

The compensation system

Deals only with the monetary or economic part of the reward system

The reason why compensation system can not be regarded in isolation from the overall reward system

Behaviour is not only affected by compensation, it is also affected by intrinsic characteristics.

Total Rewards

Practice of looking at the total spectrum of rewards.

First step in the development of its compensation system

Establish a reward strategy