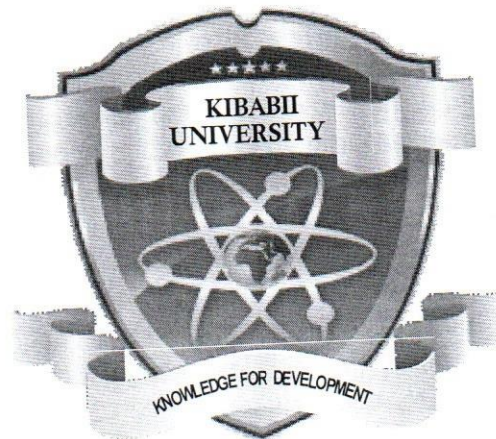


KIBABII UNIVERSITY

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UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

**FOR THE MASTER OF SCIENCE DEGREE IN HUMAN
RESOURCE MANAGEMENT**

COURSE CODE: HRM 804

COURSE TITLE: PERFORMANCE MANAGEMENT REWARD SYSTEM

DATE: 17/01/2018

TIME: 2 – 5PM

INSTRUCTION TO CANDIDATES:

- Answer question **ONE** (compulsory) and any other **THREE** questions
- Question **ONE** attracts **40 marks**
- Time allowed is **THREE** hours
- All other questions attract equal marks (**20 marks**)

INSTRUCTIONS

Answer question one which is compulsory and any other three questions

QUESTION ONE

Read the case study below and answer questions that follow.

You have recently been appointed as HR advisor for Kenya Furniture & Supplies Agency, a provider of stationery and office furniture for businesses throughout the Kenya. Whilst based at their headquarters (HQ) in Nairobi, part of your role is to visit the regional sales offices and to audit their HR processes and practices. The company has experienced sound levels of growth in recent years and has experienced growth in turnover of one-third in the last three years. Prior to your appointment, the HR manager worked alone, apart from an administrative assistant, involved primarily in advising regional managers on recruitment and selection, conducting induction and ensuring that the company's policies (such as health and safety and equal opportunities) complied with legislation. Typically, she would only visit regional offices to attend disciplinary or grievance meetings. Whilst the company has broad guidelines on how each department is managed, the general attitude among senior management at HQ has been that as long as each office is performing adequately, they are happy not to intervene or get too involved at regional level unless directly asked to do so. However, following the recent growth of the firm from a relatively small, tight-knit organisation to a larger, more bureaucratic company, the senior managers are keen to introduce a 'performance culture' into the firm and to formalize and standardize its key HR processes.

As part of an ongoing process of reviewing HR policies and practices at the regional sales offices, you have been asked to compile details of the way in which reward is handled in each office with a view to standardising practices across the firm. Currently, *all basic pay is determined according to what senior management feel is the 'going rate' for sales representatives nationally through a rudimentary benchmarking exercise conducted every two years by the incumbent HR manager.* Pay for the regional manager is established simply by adding a national sum (currently £5000) on the basic pay for the sales reps. Pay for administrative staff in the regional offices is set by the regional manager on the basis of the market hourly-rate for the area in which the office is based. In terms of performance-related pay, each year, regional managers are given a sum of money to distribute to their teams in recognition of performance but how managers do this is left to their discretion. Given the sound financial performance of the firm in the previous year, each manager has been given £3000 this year to pay as bonuses, although this can rise or fall depending on how well the company as a whole has done over the previous year. It is at the discretion of managers how they distribute this money among their sales team. No rating criterion is used by the firm to determine the distribution of this bonus payment. Currently, HQ offers no performance-related pay for regional managers but, at its annual company get-together it has become customary to award one manager with an all-expenses weekend away in recognition of performance. For the last two years this has been awarded to Laban Kipkemboi of the Eldoret office.

The Eldoret office is the largest in the country, employing 10 sales people, one receptionist, an office administrator and a regional manager, Laban Kipkemboi. It is also the company's most profitable office. Laban was brought into the Eldoret office three years ago to improve performance. He is viewed as a rising star in the company having increased sales significantly in his previous role as regional manager for the Kisumu office and as having senior management potential. He is also viewed as

having 'worked his magic' in the London office. His managerial style is assertive and demanding and he has instilled among his sales team a high level of competition between each representative. In lieu of HQ providing Eldoret allowance for those working in the Eldoret office, as many organisations do, Laban has managed to negotiate an additional pot of money with which he has created an additional performance-related pay scheme. Each month, Laban gives £250 to the sales person who has generated the greatest volume of sales. On occasion, however, Laban has felt that all of the team have under-performed and subsequently kept the money back to include in the next month's 'rollover' bonus of £500. This, he tells you, is to 'keep the reps on their toes' and 'stop them getting complacent'. He feels that this system has been instrumental in lifting the performance of the office. Laban takes a similar approach to distributing the annual company-wide bonus pot, regularly giving a substantial proportion to the representative with the highest sales figures, although he also suggests that performance appraisals can sway his decision about distributing the bonus 'if a rep can convince me that they're worth it'.

During the course of your visit you take the opportunity to speak to some members of staff. The office administrator has been at the company for five years but openly admits to be looking for another job, partly due to the lack of recognition she feels she receives for 'running this whole place'. She also grumbles about having to take complaints from prospective customers about 'hard selling' by certain members of the sales team. A member of the sales team that you speak to mentioned that Laban was 'a greater motivator if all you care about is money'. The same representative tells you that whilst the pay offered by HQ was pretty good, the package as a whole didn't compare well to competitors.

QUESTION TWO

- a) Reward practices that you have witnessed in this case study? **(5 marks)**
- b) Explain instances of what you consider to be good and bad reward practices at Kenya Furniture & Supplies Agency **(15 marks)**
- c) Compile a short management report to hand back to the HR manager at Kenya Furniture & Supplies Agency HQ outlining your recommendations about how reward practices should be standardised, highlighting any potential difficulties which you foresee in their implementation **(20 marks)**

QUESTION THREE

- a) As a reward specialist for a medium-sized firm with some 400 professional staff and 80 support staff, you have been asked to do a presentation to the top managers on what should be their current priorities on employee benefits including pensions. They are asking you to respond to their concerns that benefit costs are rising and want you to recommend how to cut the current provisions while maintaining employee morale. You should justify your choices by reference to research, theory and legal requirements and indicate how you propose to review the company's benefits provisions **(10marks)**
- b) You are a reward specialist and work for a large financial sector company. Your directors are concerned that their current reward practices on bonuses will need

substantial changes to comply with the European Union proposals on the capping of bonuses in the finance sector. They are asking you to advise them if they should follow the lead of Barclays Bank and give senior bankers additional fixed monthly salary payments (rather than bonuses) as a response to the cap. You have been asked to write a report reviewing bonus payments for senior and professional staff, some of whom are traders and currently earn bonuses worth ten times their basic salary. Write a set of briefing notes for a meeting with senior managers setting out what you see as the main issues and concerns relating to bonuses, citing research and theory, as well as your understanding of the EU proposals **(10 marks)**

QUESTION FOUR

- a) In which organisational or business circumstances do you consider it is appropriate for organisations to use broad or broader salary bands and in which circumstances do you think that organisations might find it easier to manage narrow bands? Discuss these two approaches referring to theory and examples **(10 marks)**

- b) Describe the core objectives and components of the reward package **(10 marks)**

QUESTION FIVE

- a) Explain how organisations determine the relative value of jobs **(10 marks)**

- b) A small company calls you in as a consultant and asked you to explain to them whether or not they should introduce a job evaluation scheme, and how it should be done **(10 marks)**.

QUESTION SIX

- a) Explain the concept of job evaluation? **(5 marks)**

- b) Identify and describe the **three** different approaches of job evaluation that can be used in Mumias Sugar Company? **(15 marks)**