

**Compensation, 13e (Gerhart)**

**Chapter 2 Strategy: The Totality of Decisions**

- 1) A compensation system that focuses on competitors' labor costs is most closely associated with a(n) \_\_\_\_\_ strategy.
  - A) innovator
  - B) customer-focused
  - C) cost-cutter
  - D) differentiated
  
- 2) A compensation system using market-based pay is most likely to be part of a(n) \_\_\_\_\_ strategy.
  - A) innovator
  - B) cost-cutter
  - C) cost leadership
  - D) customer-focused
  
- 3) Flexible–generic job descriptions would most likely be used with a(n) \_\_\_\_\_ strategy.
  - A) innovator
  - B) customer-focused
  - C) differentiated
  - D) cost-cutter
  
- 4) Mich Inc., a hardware store, has a rating system in place that rates employees on their friendliness, usefulness, and product knowledge. Based on the ratings an employee receives, he or she gets an incentive. The compensation strategy followed by Mich is most closely described as a(n):
  - A) customer-focused strategy.
  - B) cost-cutter strategy.
  - C) innovator strategy.
  - D) differentiation strategy.
  
- 5) A compensation system focusing on system control and work specifications is most closely associated with a(n) \_\_\_\_\_ strategy.
  - A) innovator
  - B) customer-focused
  - C) cost-cutter
  - D) differentiated
  
- 6) A compensation system focusing on operational excellence is most closely associated with a(n) \_\_\_\_\_ strategy.
  - A) differentiated
  - B) cost-cutter
  - C) innovator
  - D) customer-focused

- 7) In the formula for predicting performance, the component most closely related to compensation is
- A) A.
  - B) M.
  - C) O.
  - D) C.
- 8) Whole Foods' shared-fate philosophy of limiting executive salaries to no more than 19 times the average pay of full-time employees is an example of which strategic pay decision?
- A) External competitiveness
  - B) Employee contributions
  - C) Corporate responsibility
  - D) Internal alignment
- 9) Comparisons based on the forms of compensation used by other companies are part of
- A) internal alignment.
  - B) external competitiveness.
  - C) employee contributions.
  - D) corporate responsibility.
- 10) The second step in developing a total compensation strategy is to:
- A) implement the strategy.
  - B) assess total compensation implications.
  - C) estimate the cost of the strategy.
  - D) map the strategy.
- 11) Which of the following is the correct order of the steps in formulating a total compensation strategy?
- A) Assess the strategy, implement the strategy, map the strategy, and reassess the strategy.
  - B) Assess the strategy, map the strategy, implement the strategy, and reassess the strategy.
  - C) Map the strategy, implement the strategy, assess the strategy, and reassess the strategy.
  - D) Map the strategy, assess the strategy, implement the strategy, and reassess the strategy.
- 12) Based on the opinions of 10,000 U.S. workers, Hudson found that when given their choice of unconventional benefits, most employees would select
- A) more supplemental insurance.
  - B) more job training.
  - C) a more flexible work schedule.
  - D) more personal days and family leave.
- 13) According to the Hudson survey, which of the following is the single thing that would make 41 percent of U.S. workers happier?
- A) More personal days
  - B) A flexible work schedule
  - C) More money
  - D) Better health insurance

14) \_\_\_\_\_ refers to a wide range of factors, including legal and regulatory requirements, cultural differences, changing workforce demographics, expectations, and the like.

- A) Context
- B) Prominence
- C) Culture
- D) Transparency

15) Union preferences are a major factor in \_\_\_\_\_ a total compensation strategy.

- A) implementing
- B) reassessing
- C) assessing
- D) mapping

16) In mapping a total compensation strategy, the question of how important compensation is in the overall HR strategy is part of

- A) objectives.
- B) internal alignment.
- C) external competitiveness.
- D) corporate responsibility.

17) \_\_\_\_\_ refers to openness and communication about pay.

- A) Transparency
- B) Ownership
- C) Prominence
- D) Centrality

18) \_\_\_\_\_ is the measure of how important total compensation is in the overall HR strategy.

- A) Competitiveness
- B) Prominence
- C) Centrality
- D) Ownership

19) The role non-HR managers play in making pay decisions is called

- A) ownership.
- B) transparency.
- C) technology.
- D) decentralized decision making.

20) Issues of transparency, technology, and choice are most closely associated with the \_\_\_\_\_ aspect of mapping a total compensation strategy.

- A) objectives
- B) management
- C) employee contributions
- D) internal alignment

- 21) Career growth, hierarchy, and flexible design are most closely associated with the \_\_\_\_\_ aspect of mapping a total compensation strategy.
- A) objectives
  - B) internal alignment
  - C) external competitiveness
  - D) employee contributions
- 22) Work/life balance is most closely associated with the \_\_\_\_\_ aspect of mapping a total compensation strategy.
- A) external competitiveness
  - B) objectives
  - C) internal alignment
  - D) employee contributions
- 23) \_\_\_\_\_ is the key to attracting, retaining, and motivating employees with the abilities necessary to execute the business strategy and handle greater decision-making responsibilities.
- A) Transparency
  - B) Compensation
  - C) Prominence
  - D) Culture
- 24) Which of the following tests of competitive advantage is probably the easiest test to pass?
- A) The alignment test
  - B) The differentiation test
  - C) The integration test
  - D) The value-addition test
- 25) The alignment test:
- A) is difficult to imitate.
  - B) is the most difficult test.
  - C) helps ensure passing the differentiation test.
  - D) becomes difficult if the differentiation test is not clear.
- 26) Trying to measure an ROI for any compensation strategy implies that:
- A) it is possible to align and differentiate the compensation strategy and still fail to add value.
  - B) people are "human capital," similar to other factors of production.
  - C) adding value is the most difficult test.
  - D) value created as a result of costs is difficult to specify.
- 27) Which of the following is a fundamental strategic choice at the corporate level?
- A) What business should we be in?
  - B) How do we gain and sustain competitive advantage in this business?
  - C) Which dimension of the pay strategy should we focus on?
  - D) How should total compensation help this business gain and sustain competitive advantage?

- 28) Research investigating high-performance workplaces found that performance-based pay \_\_\_\_\_ when combined with other high-performance practices.
- A) improves attitudes and behaviors
  - B) increases the number of middle men required
  - C) reduces labor costs
  - D) has little effect on quality
- 29) When organization performance declines:
- A) a virtuous circle may be created.
  - B) performance-based pay plans do not pay off.
  - C) managers must avoid changing pay practices.
  - D) the employee attrition rate declines considerably.
- 30) Research shows that \_\_\_\_\_ will effectively shift an organization in a downward performance spiral into an upward one.
- A) reinforcing performance-based pay
  - B) implementing team-based pay
  - C) improving work/life balance
  - D) it is unclear what compensation practices
- 31) Embedding compensation strategy within the broader HR strategy affects results.
- 32) Strategy refers to the fundamental direction that an organization chooses.
- 33) An organization defines its strategy through the trade-offs it makes in choosing what to do and what not to do.
- 34) Compensation strategy, HR strategy, and business strategy ultimately seek to decrease costs or increase revenues, relative to competitors.
- 35) Customer-focused pay strategies are most likely to use market-based pay.
- 36) Compensation systems focusing on competitors' labor costs typically follow a cost-cutter strategy.
- 37) The innovator business strategy stresses on delighting customers and bases employee pay on how well they do this.
- 38) Most firms do not have generic strategies but use a blend of cost and innovation.
- 39) Whole Foods' shared-fate philosophy means that executive salaries are at least 19 times the average pay of full-time employees.
- 40) How an organization positions its total compensation against its competitors is part of external competitiveness strategic choices.

- 41) All organizations that pay their employees have a compensation strategy even though it may not be stated or written.
- 42) A compensation strategy should reflect an organization's values.
- 43) A major challenge in the design of future pay systems is how to better satisfy individual needs and preferences.
- 44) Providing unlimited compensation choices to employees would meet with disapproval from the U.S. Internal Revenue Service.
- 45) Since unions represent such a small fraction of the labor force, their influence on pay decisions is insignificant.
- 46) An organization whose profits or market share is increasing is able to pay larger bonuses and stock awards.
- 47) In a high-performance system, pay strategy always plays a lead role.
- 48) Compensation is often a company's largest controllable expense.
- 49) Declining organization performance increases the risks facing employees—risks of still smaller bonuses, demotions, wage cuts, and even layoffs.
- 50) In a virtuous circle, a pay-for-performance strategy results in the improvement of performance.
- 51) Define defenders and prospectors as referred to by Miles and Snow.
- 52) Compensation systems can be tailored to general business strategies. List and explain these strategies.
- 53) Explain AMO theory.
- 54) What are the aspects of the alignment of pay strategy?
- 55) Write short notes on virtuous and vicious circles.