

MBA and M.Sc. Courses

1243.3242.01 – Compensation Strategy

(Prerequisites: Organizational Behavior for Business Administration
or Human Resource Management & Employee Relations)

Second Semester –2016

Section	Day	Hour	Classroom	Exam date	Lecturer	Email	Telephone
01	Tuesday	15:45-18:30 (First half)	TBA	No exam	Prof. Bamberger Peter	peterb@post.tau.ac.il	

Teaching Assistant (TA): TBA

Office Hours: By appointment

Course Units

1 course unit = 4 ECTS units

The ECTS (European Credit Transfer and Accumulation System) is a framework defined by the European Commission to allow for unified recognition of student academic achievements from different countries.

Course Description

The course focuses on theoretical and practical issues in designing compensation systems in contemporary organizations. Applying a systematic approach, students develop a compensation strategy and detailed pay plan for a simulated high tech firm. The following topics will be covered:

- Strategic considerations in designing pay systems
- Internal equity and pay dispersion
- External equity and pay competitiveness
- Pay for performance -- rewarding the contribution of individuals, groups and divisions

Course Objectives

The main objectives of the course are:

- To glean insights from the extensive research on alternative approaches to designing pay systems.
- To recognize the importance of developing compensation systems systematically and with an appreciation for the issue of equity.
- To have students gain an appreciation for the challenges and complexities involved in developing pay systems that contribute to the meeting of attraction, retention and motivation objectives in an efficient and ethical/legal manner.

Evaluation of Student and Composition of Grade

Percentage	Assignment	Date	Group Size
50	Project 1 (Strategy and Internal Equity)	Session 5	4
50	Project 2 (External Competitiveness)	Session 7	4
BONUS	Project 3 (Pay for Performance)	End of Spring Semester	4

* According to University regulations, participation in all classes of a course is mandatory (Article 5).

* Students who absent themselves from classes or do not actively participate in class may be removed from the course at the discretion of the lecturer. (Students remain financially liable for the course even if they are removed.)

Course Assignments

Students are responsible for submitting the first two team-based projects based on the *FASTCAT* case (pdf of the casebook + software will be provided in return for a NIS 20 donation by each student to a charity funding education for Ethiopian kids in Israel). Each project will be summarized in a written report which should not exceed 12 pages in length. Students may submit the third assignment/project for bonus credit.

Students who are unable to complete an assignment or course requirement must notify the TA of the course in advance via email

Grading Policy

In the 2008/9 academic year the Faculty instituted a grading policy for all graduate level courses that aims to maintain a certain level of the final course grade. Accordingly, the final average grade for this course (which is a core course) will be in the range 78-82%. Additional information regarding this policy can be found on the Faculty website - <http://recanati.tau.ac.il/masters/yedion/2015-16/mba-rules-tests>

Evaluation of the Course by Student

Following completion of the course students will participate in a teaching survey to evaluate the instructor and the course, to provide feedback for the benefit of the students, the teachers and the university.

Course Site (Moodle)

The course site will be the primary tool to communicate messages and material to students. You should check the course site regularly for information on classes, assignments and exams, at the end of the course as well.

Course material will be available on the course site.

Please note that topics that are not covered in the course material but are discussed in class are considered integral to the course and may be tested in examinations.

Course Outline*

Week	Date	Topic(s)	Required Reading	Submissions
1		Introduction/ Compensation from a strategic perspective; Overview of Projects 1 & 2	1. MN chapters 1 & 2 2. Shaw, J. D. & Gupta, N. 2007. Pay System Characteristics and Quit Patterns of Good, Average, and Poor Performers. <i>Personnel Psychology</i> , 60(4): 903-923. 3. Belogolovsky, E., & Bamberger, P. (2014). Signaling in secret: Pay for performance and the incentive and sorting effects of pay secrecy. <i>Academy of Management Journal</i> .	
2		Internal Alignment Time will be given for team project consultation – Project 1	1. MN chapters 3 and 5 (skim chapter 4 if you need a “refresher” on job analysis). 2. Shaw, J. D. (2014). Pay dispersion. <i>Annual Rev. of Org. Psych. and Org. Behav.</i> 1(1), 521-544	

Week	Date	Topic(s)	Required Reading	Submissions
3		Internal Alignment Time will be given for team project consultation – Project 1	<ol style="list-style-type: none"> 1. MN chapter 6 2. Murray B. & Gerhart B. (1998) An Empirical Analysis of a Skill-Based Pay Program and Plant performance Outcomes. <i>Academy of Management Journal</i>, 41, 68-78 	
4 & 5		Competitiveness: Managing levels of payment. Taking the labor market and payroll costs into account. Time will be given team project consultation – Project 2	<ol style="list-style-type: none"> 1. MN chapters. 7 & 8 2. Brown, M. P., Sturman, M. C., & Simmering, M. J. (2003). Compensatory policy and organizational performance: The efficiency, operational, and financial implications of pay levels and pay structures. <i>Academy of Management Journal</i>, 46, 752-762. 	<u>PROJECT 1</u> <u>(due by session 5)</u>
6		Contribution of employees: Pay for performance at the individual, group and organizational levels. Time will be given for team project consultation – Project 2	<ol style="list-style-type: none"> 1. MN chapters 9 & 10 (skim chapter 11 if you need a “refresher” on performance appraisal). 2. Gerhart, B., Rynes, S. L., & Smithey Fulmer, I. (2009). Pay and Performance: Individuals, Groups, and Executives. <i>The Academy of Management Annals</i>, 3: 251 – 315. 3. Gerhart, B., & Fang, M. (2014). Pay for (individual) performance: Issues, claims, evidence and the role of sorting effects. <i>Human Resource Management Review</i>, 24(1), 41-52. 	
7		Pay for performance in practice: Case Analysis. If time allows, Employee Benefits – Project 3	Case Study: Performance-based pay at Safelite Auto Glass (Harvard: 9-800-291)	<u>PROJECT 2</u> <u>due in session 7</u>

*Subject to change

Required Reading

TEXT: Milkovich, Newman & Gerhart Compensation, 2010 - 10th edition, Irwin (MN).

Murray B. & Gerhart B. (1998) An Empirical Analysis of a Skill-Based Pay Program and Plant performance Outcomes. Academy of Management Journal, 41, 68-78.

Shaw, J. D. & Gupta, N. 2007. Pay System Characteristics and Quit Patterns of Good, Average, and Poor Performers. Personnel Psychology, 60(4): 903-923.

Shaw, J. D. (2014). Pay dispersion. Annual Review of Organizational Psychology and Organizational Behavior. 1(1), 521-544

Gerhart, B., & Fang, M. (2014). Pay for (individual) performance: Issues, claims, evidence and the role of sorting effects. Human Resource Management Review, 24(1), 41-52.

Brown, M. P., Sturman, M. C., & Simmering, M. J. (2003). Compensatory policy and organizational performance: The efficiency, operational, and financial implications of pay levels and pay structures. Academy of Management Journal, 46, 752-762.

Gerhart, B., Rynes, S. L., & Smithey Fulmer, I. (2009). Pay and Performance: Individuals, Groups, and Executives. The Academy of Management Annals, 3: 251 – 315.

Performance-based pay at Safelite Auto Glass (Harvard case study: 9-800-291).

Belogolovsky, E., & Bamberger, P. (2014). Signaling in secret: Pay for performance and the incentive and sorting effects of pay secrecy. Academy of Management Journal.