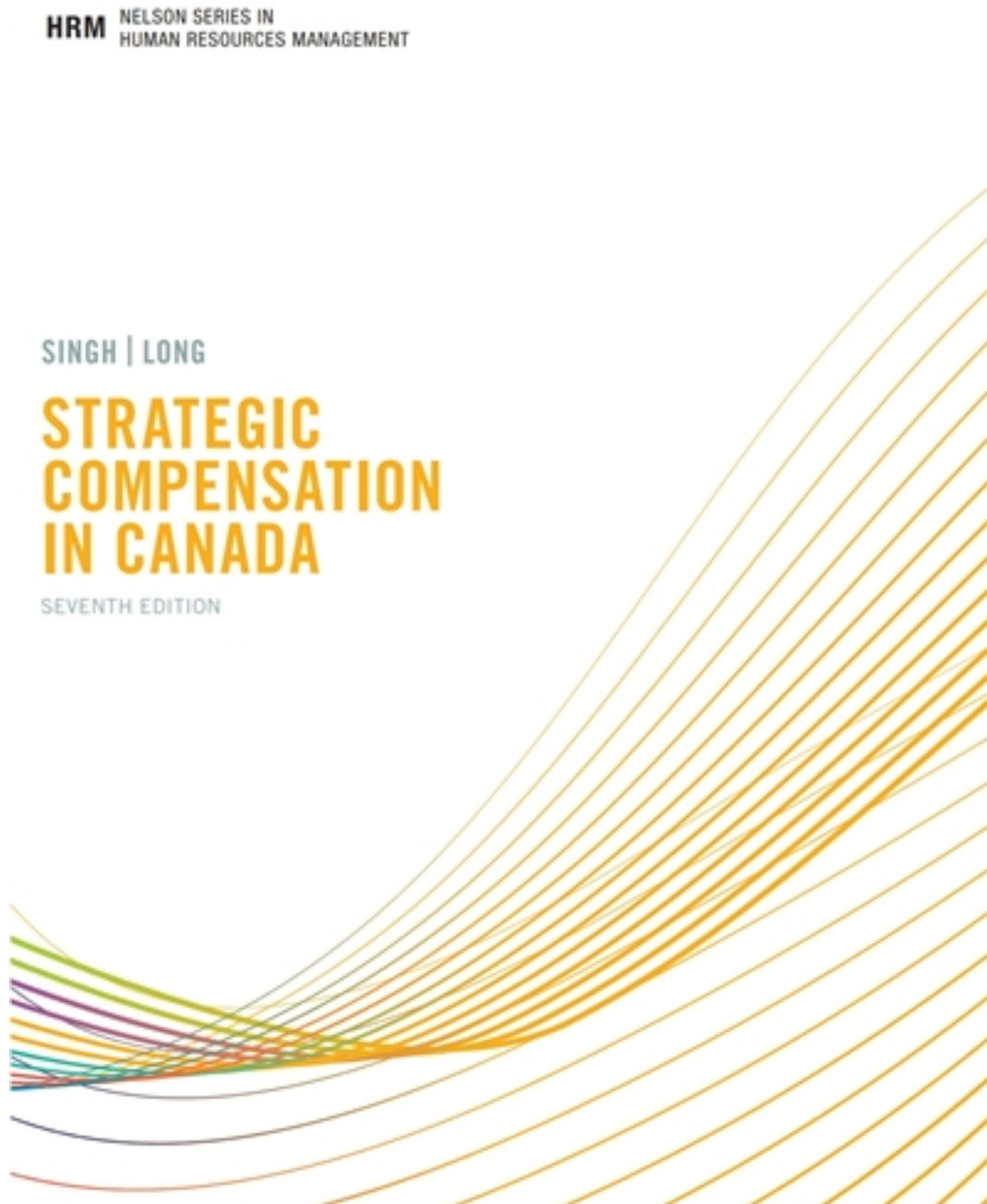


Test Bank for Strategic Compensation in Canada 7th Edition by Singh

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Test Bank

1. Which of the following statements is supported by evidence in the textbook?

- a. Canadian firms spend 50 to 80 percent of their capital budgets on compensation.
- b. Properly designed compensation systems usually promote unproductive behaviour.
- c. Reward systems should be static and rarely reviewed.
- *d. Canadian firms spend 40 to 70 percent of their operating budgets on compensation.

2. Which of the following statements most accurately describes extrinsic rewards?

- a. They focus on factors inherent in the work itself-the job *content*.
- b. They satisfy higher-order human needs.
- *c. They include monetary and nonmonetary rewards and come from the job *context*.
- d. They involve skill variety, task identity, task significance, autonomy, and feedback.

3. Jackson, a service manager, loves his job. He particularly appreciates the level of autonomy his job provides. From a rewards perspective, which kind of reward appears to be motivating Jackson?

- a. Extrinsic
- b. Incentives
- *c. Intrinsic
- d. Compensation

4. Compensation means different things to different stakeholders. For shareholders, what is an important consideration?

- a. take-home pay of employees
- b. effectiveness of the compensation system in attracting employees
- *c. financial value of the compensation system to the firm's bottom line
- d. fairness of the compensation system

5. As a small business owner committed to the total rewards approach to compensation, what do you need to establish before you start to develop your compensation system?

- a. a reward system
- b. an incentive program
- c. a compensation strategy
- *d. a reward strategy

6. Which item is considered part of a compensation system?

- *a. performance pay
- b. flexible work schedules
- c. positive organizational culture
- d. work/life programs

7. Which of the following best describes the term "reward strategy" ?

- a. the means through which performance bonuses are paid
- *b. the mix of rewards provided to organization members
- c. the means for recognizing outstanding achievement
- d. the means for identifying the key contextual variables for an organization

8. An owner of an enterprise asks you to describe the major components of a compensation system. What would you exclude from your description?

- a. base salary
- b. performance pay
- c. employee benefits
- *d. flexible work schedules and some element of job autonomy

9. Which of the following best explains intrinsic rewards?

- a. Intrinsic rewards focus on increasing an employee's financial position.
- *b. Intrinsic rewards are provided by job content.
- c. Intrinsic rewards provide security and employee services.
- d. Intrinsic rewards relate to bonuses based on performance.

10. The compensation system typically refers to which aspect of the reward system?

- a. the mix of intrinsic and extrinsic rewards
- *b. the economic or monetary part
- c. the entire spectrum of rewards
- d. incentives

11. You have offered your sales associate an all-expenses-paid trip for two to Australia if she doubles her annual sales volume from last year. What type of inducement are you offering?

- a. intrinsic reward
- b. extrinsic reward
- *c. incentive
- d. job enrichment

12. Which of the following would be an example of an extrinsic reward?

- a. interesting and meaningful work
- *b. pay for performance based on the number of units produced per hour
- c. being able to see the company's product being used by a satisfied customer
- d. work that allows for enhanced personal development

13. According to Maslow's theory, what is the most basic need?

- a. safety needs
- b. self-actualization needs
- c. respect and self-esteem needs
- *d. physiological needs

14. Your company has a high turnover and poor work quality. According to exit interviews, a large percentage of employees cite boredom as the primary cause for leaving your company. Almost all of them were satisfied with their compensation packages. Which of the following actions could help you reduce your high turnover rate?

- a. providing a pension option and offering a retirement planning service
- b. introducing pay-for-performance plans
- *c. trying to enrich the jobs to make them more interesting
- d. offering dental and medical coverage

15. Which statement best describes the key aspect of Maslow's theory of needs?

- a. Extrinsic rewards are more important than intrinsic rewards.
- b. Intrinsic rewards are more important than extrinsic rewards.
- *c. Humans tend to first satisfy their basic needs before higher order needs.
- d. Self-esteem needs are more closely tied to rewards than the other needs.

16. Which statement is most accurate regarding the reward strategy?

- a. The reward system is the blueprint for creating the reward strategy.
- b. Intrinsic awards alone will not motivate the needed behaviour.
- c. Determining the mix of rewards to be provided is an easy process.
- *d. Various combinations of intrinsic and extrinsic rewards need to be considered for developing the optimal reward strategy.

17. Which of the following items is a component of the compensation strategy?

- *a. employee benefits
- b. employment security
- c. promotion criteria
- d. job enrichment

18. A group of unionized employees negotiating a new contract is holding out for a better indirect pay plan. What should management offer the group in order to reach an agreement?

- *a. better services and benefits
- b. better training and development opportunities
- c. pay for performance
- d. a more competitive base pay

19. As head of the human resources department for a new company, you have been asked to formulate a compensation strategy. What is the first thing you need to determine?

- *a. the role that compensation will play in the reward system
- b. the correct mix of performance and base pay
- c. the total amount of compensation to be provided
- d. the role the reward system will play in the compensation strategy

20. You are a newly hired director of human resources for a new software company. Your CEO has asked you to provide the board of directors with recommendations relating to the company's yet-to-be-established reward system. What should you tell the board?

- *a. The various combinations of intrinsic and extrinsic rewards need to be considered.
- b. The optimal strategy is the least expensive.
- c. Like most companies in Canada, we should adopt a total compensation approach.
- d. The plan for creating the compensation system is the most important aspect of the strategy.

21. Which of the following would be the best choice for a compensation system?

- a. A competitive base pay and incentives are offered.
- b. Employees share in the organization's profits.
- c. Compensation is linked to knowledge.
- *d. The system is cost effective and achieves company goals.

22. Which statement most accurately describes the optimal reward system?

- *a. It adds the most value to the organization after considering all its costs.
- b. It maximizes opportunities for learning and development.
- c. It identifies best practices.
- d. It provides whatever will satisfy the employee's needs.

23. According to the textbook, what is a key argument about compensation systems in Canada?

- a. Organizations should keep wages low.
- b. There is one best compensation system that can be applied to organizations.
- c. Compensation systems are more important than all other management systems in organizations.
- *d. An equitable compensation system offers a competitive advantage for organizations.

24. You have been given the responsibility to develop an effective compensation system for your company. Which of the following should serve as your first focus?

- *a. understanding your organization and your people
- b. formulating and determining budgets
- c. designing your performance pay and indirect pay plans
- d. implementing, managing, evaluating, and adapting the system

25. Which statement best describes current compensation practices and expectations related to the key criteria for evaluating the success of a compensation system?

- a. It is realistic to expect that a reward system will achieve all eight of the effectiveness criteria.
- *b. Organizations must constantly assess the effectiveness of their reward and compensation systems.
- c. Successful organizations all have equitable reward systems.
- d. Most firms have found the right answers to the compensation puzzle.

26. What is the last step to effective compensation according to the "Road Map to Effective Compensation"?

- a. developing new job descriptions and performance evaluation criteria
- *b. implementing, managing, and evaluating the compensation system as circumstances change
- c. securing senior management approval and implementing the compensation system
- d. determining the compensation mix to be used in the compensation system

27. According to the textbook, what is the primary reason for organizations' increased use of compensation consultants?

- a. Corporations are contracting out most human resource functions.
- b. Given greater standardization associated with compensation systems, it makes sense to use dedicated outside consultants.
- *c. The level of complexity of compensation systems has increased.
- d. It is often cheaper to use to use consultants.

28. Which statement best describes the context of compensation management within a firm?

- a. All organizations need a human resources department to deal with compensation issues.
- *b. The larger the firm, the greater the need for compensation specialists.
- c. In smaller organizations, compensation consulting firms are responsible for compensation strategy.
- d. Within a large firm, all managers require extensive knowledge of compensation.

29. In small organizations, who is typically responsible for compensation strategy?

- a. Vice-President of Human Resources
- *b. owner or chief executive officer
- c. Board of Directors
- d. government

30. After graduation, you were offered a position as a job analyst with a local bank. Which of the following would best describe your new job?

- a. designing and implementing compensation policies
- b. formulating compensation strategy and ensuring congruency with corporate objectives
- c. evaluating market data from organizations of similar size and scope
- *d. developing job descriptions and conducting job evaluations

31. There is no one best compensation system that fits all firms.

- *a. True
- b. False

32. An effective compensation system is important to most organizations because it can mean the difference between company success and failure.

- *a. True
- b. False

33. The main similarity between extrinsic rewards and intrinsic rewards is that they both satisfy so-called higher order needs such as survival and security.

- a. True
- *b. False

34. A reward strategy is the plan for the mix of rewards to be provided to organization members along with the means through which they will be provided.

- *a. True
- b. False

35. Compensation strategy includes the *how* and *how much* in terms of compensation to be paid.

- *a. True
- b. False

36. The main difference between a reward system and a compensation system is that a reward system rewards only good performance while a compensation system provides pay to all employees.

- a. True
- *b. False

37. A compensation system has two components: base pay and performance pay.

- a. True
- *b. False

38. The optimal compensation system is one that adds the most value to the organization, after considering all its costs.

- *a. True
- b. False

39. There is often one so-called best compensation system that applies to a broad spectrum of organizations.

- a. True
- *b. False

40. According to the "Road Map to Effective Compensation," the first step is formulating your reward and compensation strategy.

- a. True
- *b. False