



The Leon Recanati Graduate School of Business Administration

1243.3242.01 – Compensation Strategy

Prerequisites: 1231.2212 or 1243.3424 or similar

Second Semester Part B – 2022

Course Section Details

Day	Hour	Classroom	Lecturer	Email	Office
Tuesday	15:45 to 18:30		Bamberger	peterb@post.tau.ac.il	343

Teaching Assistant (TA): TBD

Office Hours: By appointment

E-mail (preferred way of communication): ayazeiger@mail.tau.ac.il

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
100	Project 1 (Strategy, Internal Equity, and External Competitiveness)	Session 7 (31 May, 2022)	3-4 per group
BONUS	Project 2 (Pay for Performance)	End of Spring Semester	TBD based on needs

* Participation in all classes of a course is mandatory.

* 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 team-based projects based on the *FASTCAT* case (pdf of the casebook + software is provided on the course website with the authors requesting that students make a donation of NIS 25 to Leket (<https://www.leket.org/>) or similar hunger-oriented charity). The project will be submitted in a written report which should not exceed 16 pages in length. Students may submit the bonus project for additional credit, but it should not exceed 8 pages.

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.

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, as well as on dropbox.

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	5/4	Introduction/ Compensation from a strategic perspective; Overview of Projects 1 & 2	<ol style="list-style-type: none"> 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. Bamberger, P. (2021). Pay Transparency: Conceptualization and Implications for Employees, Employers and Society as a Whole. <i>Oxford Research Encyclopedia of Business and Management</i>. 	
2	12/4	Internal Alignment Time will be given for team project consultation – Complete strategy	<ol style="list-style-type: none"> 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 3. Case Study: With video – Gravity Payments (https://cb.hbsp.harvard.edu/cbmp/product/816010-PDF-ENG); https://www.youtube.com/watch?v=XiE4WnlqzX4 	Nothing to submit, but MUST read case before class.
3	26/4	Internal Alignment Time will be given for team project consultation – Internal Structure	<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	10/5 & 17/5	Competitiveness: Managing levels of payment. Taking the labor market and payroll costs into account.	<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 	

		Time will be given team project consultation – External Competitiveness	structures. <i>Academy of Management Journal</i> , 46, 752-762.	
6	24/5	Contribution of employees: Pay for performance at the individual, group and organizational levels. Time will be given for team project consultation – External competitiveness	<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>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	31/5	Pay for performance in practice: Case Analysis. If time allows, Employee Benefits	Case Study: Performance-based pay at Safelite Auto Glass (Harvard: 9-800-291)	<u>PROJECT 1 due in session 7</u>

*Subject to change

Required Reading

TEXT: Milkovich, Newman & Gerhart Compensation, 2020 - 13th 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).

Bamberger, P. (2021). Pay Transparency: Conceptualization and Implications for Employees, Employers and Society as a Whole. *Oxford Research Encyclopedia of Business and Management*.