

# Test Bank for Strategic Compensation 11th Martocchio

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***Strategic Compensation: A Human Resource Management Approach, 11e (Martocchio)***  
**Chapter 1 Strategic Compensation: A Component of Human Resource Systems**

1) \_\_\_\_\_ refers to the design and implementation of compensation systems to reinforce the objectives of both HR strategies and competitive business strategies.

- A) Extrinsic compensation
- B) Strategic compensation
- C) Strategic analysis
- D) Intrinsic compensation

Answer: B

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.1: Define strategic compensation.

2) Protection programs are what type of compensation benefits?

- A) External
- B) Non-monetary rewards
- C) Internal
- D) Monetary

Answer: B

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.1: Define strategic compensation.

3) Which of the following is NOT an example of a core compensation?

- A) Medical insurance
- B) End-of-year bonuses
- C) Merit pay
- D) Monetary compensation

Answer: A

Difficulty: Moderate

Skill: Concept

AACSB: Reflective Thinking

LO: 1.1: Define strategic compensation.

4) Since the COVID-19 epidemic restrictions eased and allowed employees to return to work, many companies have been offering higher pay increases. Approximately, how much have pay increases been?

- A) Less than 2%
- B) 2% up to 2.9%
- C) 3% up to 3.8%
- D) 4% or more

Answer: D

Difficulty: Challenging

Skill: Concept

AACSB: Application of Knowledge

LO: 1.1: Define strategic compensation.

5) Employee benefits refer to \_\_\_\_\_.

- A) salary and bonuses
- B) monetary compensation
- C) nonmonetary rewards
- D) effective compensation practices

Answer: C

Difficulty: Easy

Skill: Concept

AACSB: Reflective Thinking

LO: 1.1: Define strategic compensation.

6) Which of the following is a specific tactical HR compensation decision?

- A) Performance appraisal
- B) Seniority pay
- C) Recruitment
- D) Training

Answer: B

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.1: Define strategic compensation.

7) \_\_\_\_\_ compensation refers to the mental state of employees as a result of their performance on the job.

- A) Intrinsic
- B) Extrinsic
- C) Core
- D) Monetary

Answer: A

Difficulty: Moderate

Skill: Concept

AACSB: Reflective Thinking

LO: 1.1: Define strategic compensation.

8) Compensation represents both the intrinsic and extrinsic rewards employees receive for performing their jobs. Briefly describe both types of rewards and indicate the professionals who are responsible for managing them.

Answer: Intrinsic compensation reflects employees' psychological mind-sets that result from performing their jobs. Extrinsic compensation includes both monetary and nonmonetary rewards. Organizational development professionals promote intrinsic compensation through effective job design. Compensation professionals are responsible for extrinsic compensation. Extrinsic compensation includes both monetary and nonmonetary rewards. Compensation professionals establish monetary compensation programs to reward employees according to their job performance levels or for learning job-related knowledge or skills. Nonmonetary rewards include protection programs (e.g., medical insurance), paid time off (e.g., vacations), and services (e.g., day care assistance). Most compensation professionals refer to nonmonetary rewards as employee benefits.

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.1: Define strategic compensation.

9) Which of the following contributed greatly to the need for a strategic approach to compensation?

A) Advances in technology

B) Dramatic increases in CEO compensation

C) Higher productivity per worker

D) Greater inequality in wealth

Answer: A

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.2: Summarize the role of compensation as a strategic business partner.

10) Which of the following shifts in workforce composition makes it necessary to have a strategic approach to compensation issues?

A) Fewer employees are earning college degrees.

B) More women entered the labor force after the pandemic.

C) A leadership gap due to retiring baby boomers.

D) Most younger employees do not have the same work ethic.

Answer: C

Difficulty: Moderate

Skill: Concept

AACSB: Application of Knowledge

LO: 1.2: Summarize the role of compensation as a strategic business partner.

11) In GE's human resource leadership program (HRLP), successful participants will achieve which of the following?

- A) Gain an understanding of the depth of specialization for each (HR) function
- B) Gain an understanding of HR competencies, global leadership skills, and business acumen
- C) Gain an understanding of the width of specialization for each HR function
- D) Gain an understanding of HR from a generalist's perspective

Answer: B

Difficulty: Easy

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.2: Summarize the role of compensation as a strategic business partner.

12) A mass spectrometer in a research lab is an example of which of the following?

- A) Human capital
- B) Financial capital
- C) Capital equipment
- D) Performance enhancers

Answer: C

Difficulty: Moderate

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.2: Summarize the role of compensation as a strategic business partner.

13) Which of the following tools can compensation professionals use to leverage the value of human capital?

- A) Higher minimum wages
- B) Skill-based pay programs
- C) Compensation based on length of employment
- D) Employee unionization support

Answer: B

Difficulty: Challenging

Skill: Concept

AACSB: Analytical Thinking

LO: 1.2: Summarize the role of compensation as a strategic business partner.

- 14) Compensation professionals can provide a strategic contribution to a firm when they can answer yes to three distinct questions. Which of the following is NOT one of those questions?
- A) Does compensation strategy fit well with the objectives of competitive business and HR strategies?
  - B) Does the compensation reward all employees based on tenure with the firm?
  - C) Does the choice and design of compensation practices fit well to support compensation strategy?
  - D) Does the implementation of compensation practices effectively direct employee behavior to enhance job performance that supports the choice of compensation practices?

Answer: B

Difficulty: Moderate

Skill: Concept

AACSB: Application of Knowledge

LO: 1.3: Explain strategic compensation decisions.

- 15) Which of the following government provisions gives companies the ability to recoup research and development costs as well as earn profits for a limited period of time?

- A) Reverse opportunity
- B) Trademarks
- C) Patent protection
- D) Bankruptcy preference

Answer: C

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.3: Explain strategic compensation decisions.

- 16) Which of the following competitive strategies does Apple Computer use?

- A) Lowest-cost strategy
- B) Differentiation strategy
- C) Total quality management strategy
- D) Human capital strategy

Answer: B

Difficulty: Moderate

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.3: Explain strategic compensation decisions.

17) IKEA, a furniture manufacturer, sources its products to countries where labor is cheaper and provides a low level of service. Which of the following competitive strategies does IKEA use?

- A) Differentiation strategy
- B) High-quality strategy
- C) Brand notoriety
- D) Lowest-cost strategy

Answer: D

Difficulty: Moderate

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.3: Explain strategic compensation decisions.

18) Which of the following tools is used by firms following a differentiation strategy to enhance employee creativity and willingness to take risks?

- A) Design thinking
- B) Pay-for-performance
- C) Short-term incentive pay
- D) Machine learning

Answer: A

Difficulty: Easy

Skill: Concept

AACSB: Analytical Thinking

LO: 1.3: Explain strategic compensation decisions.

19) Which of these actions would HR encourage in attempting to create a lowest-cost competitive strategy?

- A) High level of service
- B) Low customer involvement
- C) Cost minimization in operations, marketing, and HR
- D) High concern for the quality of output

Answer: C

Difficulty: Challenging

Skill: Concept

AACSB: Analytical Thinking

LO: 1.3: Explain strategic compensation decisions.

20) How do compensation professionals support the company's strategic initiatives?

Answer: Compensation professionals support strategic initiatives through the design and implementation of compensation systems. Compensation professionals make decisions about whether to use (and how to design) pay-for-performance practices, whether to set pay levels that exceed typical market pay rates, and whether to create a pay mix that emphasizes long-term over short-term incentives. The totality of choices should fit the firm's strategy whether it is a cost leadership or a differentiation strategy.

Difficulty: Challenging

Skill: Concept

AACSB: Analytical Thinking

LO: 1.3: Explain strategic compensation decisions.

21) Explain how differentiation strategies can lead to brand loyalty and why that is important.

Answer: A differentiation strategy can take many forms, including design or brand image, technology, features, customer service, and price. These differences can lead to a competitive advantage through building brand loyalty among devoted consumers who prefer the differentiated offerings. Brand-loyal consumers are probably less sensitive to price increases, which enables companies to invest in research and development initiatives to further differentiate themselves from competing companies.

Difficulty: Challenging

Skill: Concept

AACSB: Analytical Thinking

LO: 1.3: Explain strategic compensation decisions.

22) Give an example of how PepsiCo uses design thinking.

Answer: PepsiCo embraces the importance of design thinking. For example, the company designers created the Pepsi Spire, which is a high-tech beverage dispensing machine with a futuristic design. Former PepsiCo CEO Indra Nooyi had this to say about the company's design approach: "Other companies with dispensing machines have focused on adding a few more buttons and combinations of flavors. Our design guys essentially said that we're talking about a fundamentally different interaction between consumer and machine."

Difficulty: Challenging

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.3: Explain strategic compensation decisions.

23) What is one work-related change driven by the COVID-19 pandemic?

Answer: About 58% of companies now permit employees to work from home at least part of the week.

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.3: Explain strategic compensation decisions.

24) Which law made it illegal to pay women less for performing equal work as men?

A) Equal Pay Act of 1963

B) Civil Rights Act of 1964

C) Davis-Bacon Act of 1931

D) Fair Labor Standards Act of 1938

Answer: A

Difficulty: Moderate

Skill: Concept

AACSB: Reflective Thinking

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.



25) Which of these factors is considered a compensable factor by compensation professionals?

- A) Gender
- B) Responsibility
- C) Age
- D) Geographic region

Answer: B

Difficulty: Challenging

Skill: Concept

AACSB: Reflective Thinking

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

26) Periodic adjustments to pay based on changes in the consumer price index (CPI) are known as \_\_\_\_\_.

- A) seniority pay
- B) merit pay
- C) COLAs
- D) skill-based pay

Answer: C

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

27) Jason works at a call center for an insurance company, and he has been answering calls regarding auto insurance. Recently, he started to attend a training program about home insurance. What type of pay system would reward Jason for completion of this training?

- A) Incentive pay
- B) Merit pay
- C) Seniority pay
- D) Pay-for-knowledge

Answer: D

Difficulty: Moderate

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

28) Seniority pay systems reward employees with periodic increases in base pay according to their length of service. What theory is used to justify this compensation practice?

- A) COLA theory
- B) Human capital theory
- C) Discretionary benefit theory
- D) Consistency theory

Answer: B

Difficulty: Moderate

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

29) What do compensation managers use to recognize differences in the relative worth of jobs and to establish pay differentials based upon management priorities?

- A) Job evaluation
- B) Internal consistency
- C) Job analysis
- D) Strategic analysis

Answer: A

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

30) Which type of compensation system helps to attract and retain the most qualified employees and is based upon market and compensation surveys?

- A) Internally consistent compensation systems
- B) Market-competitive pay systems
- C) Job evaluation compensation systems
- D) Externally consistent compensation systems

Answer: B

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

31) Compensation professionals use \_\_\_\_\_ to group jobs based on similar compensable factors.

- A) competitive pay systems
- B) incentive pay
- C) retention pay
- D) pay grades

Answer: D

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

32) What are the three goals of compensation professionals?

Answer: Compensation professionals promote effective compensation systems by meeting three important goals: internal consistency, market competitiveness, and recognition of individual contributions.

Internally consistent compensation systems clearly define the relative value of each job among all jobs within a company. This ordered set of jobs represents the job structure or hierarchy. Employees in jobs that require greater qualifications, more responsibilities, and more complex job duties should be paid more than employees whose jobs require lesser qualifications, fewer responsibilities, and less-complex job duties.

Market-competitive pay systems play a significant role in attracting and retaining the most qualified employees. Compensation professionals build market-competitive compensation systems based on the results of market surveys and compensation surveys.

Recognizing individual contributions are captured in pay structures, which represent pay rate differences for jobs of unequal worth and the framework for recognizing differences in employee contributions. No two employees possess identical credentials or perform the same job equally well. Companies recognize these differences by paying individuals according to their credentials, knowledge, or job performance.

Difficulty: Challenging

Skill: Concept

AACSB: Analytical Thinking

LO: 1.4: Identify and discuss the building blocks and structural elements of strategic compensation systems.

33) Programs that provide income to individuals in retirement are called \_\_\_\_\_.

- A) employee relationship agreements
- B) collective bargaining agreements
- C) joint employment agreements
- D) pension programs

Answer: D

Difficulty: Easy

Skill: Concept

AACSB: Analytical Thinking

LO: 1.5: Describe the fit of the compensation function in organizations.

34) Which of these is NOT one of the four major themes of federal legislation related to compensation?

- A) Pay discrimination
- B) Prevailing wage laws
- C) Employee relocation
- D) Disability accommodations and medical care

Answer: C

Difficulty: Easy

Skill: Concept

AACSB: Analytical Thinking

LO: 1.5: Describe the fit of the compensation function in organizations.

35) Which of these methods do companies use to trim their payroll responsibilities by encouraging higher-paid workers with more seniority to voluntarily leave the company sooner than previously planned?

- A) Resignation plans
- B) Severance plans
- C) Early retirement programs
- D) Employee expenditure plans

Answer: C

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.5: Describe the fit of the compensation function in organizations.

36) \_\_\_\_\_ are employees who are directly involved in producing a companies' products or delivering their services.

- A) Line employees
- B) Staff employees
- C) C-suite employees
- D) HR employees

Answer: A

Difficulty: Easy

Skill: Concept

AACSB: Application of Knowledge

LO: 1.5: Describe the fit of the compensation function in organizations.

37) Which of the following is NOT an HR practice?

- A) Employment termination
- B) Recruitment
- C) Career development
- D) Supervision of all employees

Answer: D

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.5: Describe the fit of the compensation function in organizations.

38) How does the U.S. federal government deal with relocating employees?

Answer: An agency may pay a relocation incentive to a current career executive who must relocate to accept a position in a different geographic area if the agency determines that the position is likely to be difficult to fill in the absence of an incentive. A relocation incentive may be paid only when the executive's rating of record under an official performance appraisal or evaluation system is at least "fully successful" or equivalent. A relocation incentive may not exceed 25% of the executive's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period (not to exceed 4 years).

Difficulty: Easy

Skill: Concept

AACSB: Reflective Thinking

LO: 1.5: Describe the fit of the compensation function in organizations.

39) Explain the importance of performance appraisals for employers using merit pay systems.

Answer: Accurate performance appraisals are integral to effective merit pay programs. For merit pay programs to succeed, employees must know that their efforts toward meeting production quotas or quality standards will lead to pay raises. Job requirements must be realistic, and employees must be prepared to meet job goals with respect to their skills and abilities. Moreover, employees must perceive a strong relationship between attaining performance standards and receiving pay increases.

Difficulty: Moderate

Skill: Application of Knowledge

AACSB: Application of Knowledge

LO: 1.5: Describe the fit of the compensation function in organizations.

40) Which of these stakeholder groups is NOT from within the company?

A) Staff employees

B) Line employees

C) Unions

D) Executives

Answer: C

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

41) The success of HR departments depends on how well they serve the interests of which of the following stakeholder groups?

- A) Employees, line managers, executives, unions, and the U.S. government
- B) Unions, exporters, and the U.S. government
- C) Executives, bondholders, and shareholders
- D) Employees, transportation employees, and line managers

Answer: A

Difficulty: Moderate

Skill: Concept

AACSB: Analytical Thinking

LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

42) Which of the following groups is a stakeholder within a company?

- A) Equal Employment Opportunity Commission
- B) Department of Labor
- C) Prospective employees
- D) Line managers

Answer: D

Difficulty: Easy

Skill: Concept

AACSB: Analytical Thinking

LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

43) What is a stakeholder?

Answer: Stakeholders are constituent groups that have distinct sets of expectations with regard to HR activities.

Difficulty: Easy

Skill: Concept

AACSB: Analytical Thinking

LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

44) Explain the relationship between successful pay-for-knowledge programs and the human resources department.

Answer: Successful pay-for-knowledge programs depend on a company's ability to develop and implement systematic training programs. Compensation professionals must educate employees about their training options and how successful training outcomes will lead to increased pay and advancement opportunities within the company. These professionals should not assume that employees will necessarily recognize these opportunities unless they are clearly communicated. Written memos and informational meetings conducted by compensation professionals and HR representatives are effective communication media.

Difficulty: Challenging

Skill: Concept

AACSB: Analytical Thinking

LO: 1.6: Identify the stakeholders of the compensation function and summarize their stakes in the work compensation professionals perform.

45) Which of the following is the use of oral, written, and nonverbal skills for multiple purposes?

A) Ethics

B) Data literacy

C) Information technology

D) Communication

Answer: D

Difficulty: Easy

Skill: Concept

AACSB: Reflective Thinking

LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

46) Which of the following is used to define and solve problems and to make decisions or form judgments related to a situation or set of circumstances?

A) Collaboration

B) Critical thinking

C) Information technology application

D) Communication

Answer: B

Difficulty: Easy

Skill: Concept

AACSB: Reflective Thinking

LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

47) When your professor assigns you a project that requires group work, they are focusing on developing your \_\_\_\_\_ skills.

- A) collaboration
- B) data literacy
- C) social responsibility
- D) critical thinking

Answer: A

Difficulty: Easy

Skill: Concept

AACSB: Reflective Thinking

LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

48) \_\_\_\_\_ focuses on the possible future impact of an organization on society, including social welfare, the economy, and the environment.

- A) Business ethics
- B) Data literacy
- C) Corporate sustainability
- D) Communication

Answer: C

Difficulty: Easy

Skill: Concept

AACSB: Reflective Thinking

LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.

49) Define critical thinking skills.

Answer: Critical thinking involves purposeful and goal-directed thinking used to define and solve problems and to make decisions or form judgments related to a situation or set of circumstances.

Difficulty: Easy

Skill: Concept

AACSB: Reflective Thinking

LO: 1.7: Explore essential skills for developing your career in compensation or any other career path.