Discussion Questions

1. You are a compensation analyst for Worry-Not Insurance Company, which is located in Hartford, Connecticut. Define the relevant labor market for insurance claims adjusters and for data entry clerks. Describe the rationale for your definitions.

2. Can companies easily develop compensations that are both internally consistent and market competitive? What are some of the challenges to this goal?

3. Which do you believe is most important for a company's competitive advantage: internal consistency or market competitiveness? Explain your answer.

4. Refer to the regression equation presented earlier in this chapter. When $b = 0$, the market pay line is parallel to the x-axis (i.e., job evaluation points). Provide your interpretation.

5. Refer to Table 7-2. Cross out salaries 26–35. Calculate the mean and median for this reduced data set.

CASE

Nutriment's New Hires

With the demand for more nutritional food options growing, Nutriment Biotech is positioned to become a leader in agricultural biotechnology. Nutriment is a start-up biotech company that is working to develop genetically engineered food crops that offer enhanced nutrition along with easier production for farmers. Emily Hart and Harold James established Nutriment as a research organization through national grant funding 5 years ago. Nutriment is one of only a few agricultural biotechnology companies focused on enhancing nutrition in food crops. The company currently has an edge over competitors as their research has led to some scientific discoveries that now position them to grow their company significantly. As a result, Nutriment is ready to start hiring staff to get operations started.

Emily and Harold have hired Jack Stewart, a human resource management consultant, to help them determine how to hire the most talented staff to grow their business. Jack works mostly with start-up technology-based companies and plans to help Nutriment implement a recruiting and hiring plan, and establish their preliminary human resource management practices such as their pay structure.

Nutriment has secured additional funding to allow them to ramp up full operations quickly. An analysis of their projected workload suggests they will need to hire approximately 15 new employees to get started. They will need to hire not only 10 new scientists, but also many administrative staff members including a receptionist, an office manager, a lab manager, a marketing professional, and an accountant.

As an experienced recruiter, Jack is confident that he will be able to quickly identify strong candidates for the administrative staff positions. The current labor market works in Nutriment's favor and therefore, Jack will be able to easily generate a pool of qualified applicants. The scientists, on the other hand, will be challenging to find as they need specific expertise related to agricultural biotechnology and genetic engineering. The number of scientists with this combination of skills is limited, and the scientists are in demand by other competitors. However, Nutriment is located in a geographic area rich with research universities and other biotech firms, so Jack is confident that they can attract a good pool of talent if they are able to offer an opportunity that is attractive to the scientists.

To start the recruiting process, Jack must first establish a pay structure. Before he starts researching market rates, Jack plans to meet with Emily and Harold to establish pay level policies and discuss other strategic aspects of determining the compensation structure for the new employees. Nutriment must offer a pay package that will allow them to attract and retain both the administrative staff members and the scientists. Establishing the right pay practices will help assure the recruitment process allows them to put talent in place to position Nutriment for success.

Questions:

1. What are some strategic considerations in establishing a pay structure at Nutriment?

2. Should Jack suggest a pay policy to lead, lag, or match the market? Explain your recommendation.