

**UCLA Anderson School of Management
MBA Program**

**Pay & Rewards in Organizations (Mgt. 254)
Course Syllabus**

Instructor and TA Contact Information

Instructor: David Lewin, Neil H. Jacoby Professor of Management, Human Resources and Organizational Behavior

Course Schedule and Location: Tuesday, 4:10-7:00pm, Room C301, Anderson School

Course Content and Methods

This course provides a systematic treatment of pay (compensation) and rewards in organizations. Emphasis is placed on the design, implementation and outcomes of organizational pay and reward systems and practices. These systems and practices are shaped by strategic, labor market and motivational considerations that we focus on early in the course in order to establish the conceptual foundations for what follows. We then move on to consider such topics as variable compensation (for example, commission, bonus, profit-sharing, stock ownership and stock option plans) and non-compensation rewards; performance-based compensation and rewards; compensation and rewards in entrepreneurial and public organizations; fringe benefits; executive compensation; new legal challenges to compensation practices; international/comparative compensation/reward practices; and the effects of pay/reward practices on organizational performance.

A variety of materials and methods are used in this course. Readings are drawn from academic, professional and business journals and reflect a mix of disciplinary and issue-based perspectives. Several cases, drawn from various industry and organizational settings, are also used in the course. Emphasis will be placed on the application of analytical frameworks and concepts drawn from the readings or presented in class by the instructor to "real world" situations, including those contained in the cases. The major "deliverable" for the course is a paper or project report on a topic of your choice, which may be completed individually or in small groups. In addition, and for the course to work well, you must actively participate in class sessions. From time to time, guest speakers will appear in the course.

Course Materials

There is no textbook for the course. A binder (packet) containing all course readings and cases will be available for purchase prior to the beginning of the Winter Quarter. Readings and cases should be completed prior to the class sessions in which they will be discussed. All other items

and materials will be distributed in class or otherwise provided by the instructor.

Electronic Access to Course Materials

Please note that I place copies of all course materials in files accessible to you on the course web page of the Anderson School. To access the files on this web page, go to the School's homepage, select "My Anderson," select "Mgt. 254, Section 01," select "downloads," then select any of the files contained therein. In addition to the course syllabus and case summaries/study questions, you will find files containing summaries of course readings and analytical frameworks introduced in class by the instructor, sample quiz questions, selected case exhibits and updates, various data sets and sources, and other items. Check these files periodically because I update them from time to time.

Course Requirements

-One individual written case analysis. The procedure for selecting cases is described in a separate document, titled "Case Selection and Write-Up Guidelines, Case Summaries and Study Questions," that accompanies this syllabus and will also be discussed during the first class session. An individual case write up is due on the day that the case will be discussed in class. 20% of grade.

-A mid-term quiz. 20% of grade.

-One individual or small group paper or project. The procedure for selecting paper/project topics is described in a separate document, titled "Guidelines for Paper/Project Topic Selection and Write Up," that accompanies this syllabus and will also be discussed during the first class session. Brief summaries of papers and projects will be presented during the last two class sessions. 40% of grade.

-Class participation. 20% of grade.

A Note on the Quiz

The quiz for this course is open book, open note and will be administered electronically at the end of class on Wednesday, February 12th. The quiz will contain a few objective questions and a few short answer questions that you will have 90 minutes to answer. These answers should be submitted electronically by no later than 5:00pm on Saturday, February 16th. Sample quiz questions will be provided by the instructor during the course.

Readings and Cases

Session 1: Pay/Rewards: Markets & Controversy

January 8

- J. Hope & R. Fraser. 2003. "New Ways of Setting Rewards: The Beyond Budgeting Model." California Management Review, Vol. 45 (Summer): 104-119.
- J.Pfeffer. 1998. "Six Dangerous Myths about Pay." Harvard Business Review, Vol. 76 (May-June): 109-119.
- D. Lewin, J.H. Keefe & T.A. Kochan. 2012. "The New Great Debate about Unionism and Collective Bargaining in U.S. State and Local Governments." Industrial and Labor Relations Review, Vol. 65 (October): 749-778.
- Case #1: Massachusetts Financial Services

Session 2: Pay/Rewards: Strategy & Motivation

January 15

- B. Gerhart & S. L. Rynes. 2003. "Pay Strategy." In Gerhart & Rynes, Eds., Compensation: Theory, Evidences, and Strategic Implications. Thousand Oaks, CA: Sage, pp. 227-256.
- A. Nanda & L. Prusiner. 2004. "Compensation in Professional Services Firms." Note. Boston, MA: Harvard Business School Publishing, 7pp.
- J.A-M. Coyle-Shapiro, P.C. Morrow, R. Richardson & S.R. Dunn. 2002. "Using Profit Sharing to Enhance Employee Attitudes: A Longitudinal Examination of the Effects on Trust and Commitment." Human Resource Management, Vol. 41 (winter): 423-439.
- Case #2: Human Resource Management at Levi-Strauss; Techniques or Strategy?

Session 3: Variable Pay & Non-Pay Rewards

January 22

- D. Lewin & D.J.B. Mitchell. 1995. "Alternative Pay Systems," In Lewin & Mitchell, Human Resource Management: An Economic Approach. 2nd Ed. Cincinnati, OH: South-Western, pp. 207-249.

- T. Butler & J. Waldrop. 1999. "Job Sculpting: The Art of Retaining Your Best People," Harvard Business Review, Vol. 77 (September-October): 144-152.
- P. Berg, A.L. Kalleberg & E. Appelbaum. 2003. "Balancing Work and Family: The Role of High Commitment Environments." Industrial Relations, Vol. 42 (April): 168-188.
- Case #3: Willamette Industries "No Pay at Risk" Compensation Practices

Session 4: Pay/Rewards for Performance: Theory & Evidence

January 29

- M.C. Sturman. 2006. "Using Your Pay System to Improve Employees' Performance." Center for Hospitality (CHR) Reports, Vol. 6 (October): 4-18. Ithaca, NY: Cornell University School of Hotel Administration.
- J. Schuster, P. Weatherhead & P. Zingheim. 2006. "Pay for Performance Works: The United States Postal Service Presents a Powerful Business Case." WorldatWork Journal, Vol. 15 (first quarter): 24-31.
- D.J. Mesch & P.M. Rooney. 2005. "Determinants of Compensation for Fundraising Professionals: A Study of Pay, Performance, and Gender Differences." Paper presented at the ARNOVA Conference, Washington, D.C., November, 27 pp.
- Case #4: Harrah's Entertainment, Inc.: Rewarding Our People

Session 5: Pay/Rewards in Entrepreneurial & Public Organizations

February 5

- J.S. Tibbets, Jr. & E.T. Donovan. 1989. "Compensation and Benefits for Startup Companies." Harvard Business Review, (January-February): 2-6.
- L.R. Gomez-Mejia, M. Larraza-Kintana & M. Makri. 2003. "The Determinants of Executive Compensation in Family-Controlled Public Corporations." Academy of Management Journal, Vol. 46 (April): 226-237.
- D. Lewin. 2003. "Incentive Compensation in the Public Sector: Evidence and Potential." Journal of Labor Research, Vol. 24 (Fall): 597-619.
- Case #5: Performance Pay for MGOA Physicians (A)

Session 6: Fringe Benefits: Concepts & Practice

February 12

- E.F. Lazear. 1990. "Pensions and Deferred Benefits as Strategic Compensation." Industrial Relations, Vol. 29 (Spring): 263-280.
- K. Dychtwald, T.J. Erickson & R. Morison. 2007. "Flexible Compensation and Benefits," in K. Dychtwald, T.J. Erickson & R. Morison, Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent. Boston, MA: Harvard Business School Press., 1-28.
- M. Kisilevitz, S. Debgupta & D. Metz. 2006. "Improving Employee Benefits Behavior Through Effective Communication." WorldatWork Journal, Vol. 15 (first quarter): 52-61.
- Case #6: The Ottawa Voyageurs

Session 7: Executive Compensation

February 19

- W.J. Heisler. 2007. "Ethical Choices in the Design and Administration of Executive Compensation Programs." Business Horizons, 50: 277-290.
- J.G. Combs & M.S. Skill. 2003. "Managerialist and Human Capital Explanations for Key Executive Pay Premiums: A Contingency Perspective: The Academy of Management Journal, Vol. 46 (February): 63-73.
- C.M. Daily, S.T. Certo & D.R. Dalton. 2002. "Executive Stock Option Repricing: Retention and Performance Reconsidered." California Management Review, Vol. 44 (Summer): 8-23.
- Case #7: Attention Shoppers: Executive Compensation at Kroger, Safeway, Costco and Whole Foods

Session 8: International Pay/Reward Practices

February 26

- K.B. Lowe, J. Milliman, H. De Cieri & P. Dowling. 2002. "International Compensation Practices: A Ten-Country Comparative Analysis." Human Resource Management, 41 (spring): 45-66.
- M. Firth, P.M.Y. Yung & O.M. Rui. 2006. "Corporate Performance and CEO

Compensation in China.” Journal of Corporate Finance, Vol. 12: 693-714.

- D.P. Hastings. 1999. “Lincoln Electric’s Harsh Lessons from International Expansion.” Harvard Business Review, Vol. 77 (May-June): 3-11.
- Case #8: Lincoln Electric: Venturing Abroad

Session 9: New Legal Challenges to Pay Practices

March 5

- K. Hagopian. 2006. “Point of View: Expensing Employee Stock Options is Improper Accounting.” California Management Review, 48 (summer): 136-156.
- D.R. Dalton & C.M. Dalton. 2008. “Corporate Governance in the Post Sarbanes-Oxley Period: Compensation Disclosure and Analysis (CD&A).” Business Horizons, 51: 85-92.
- D. Levine & D. Lewin. 2006. “The New ‘Managerial Misclassification’ Challenge to Old Wage and Hour Law; Or, What is Managerial Work?” In D. Lewin (Ed.), Contemporary Issues in Employment Relations. Ithaca, NY: Cornell University Press: 189-222.
- Student Paper/Project Presentation Summaries

Session 10: Pay/Rewards & Organizational Performance

March 12

- W. G. Sanders. 2001. “Incentive Alignment, CEO Pay Level, and Firm Performance: A Case of Heads I Win, Tails You Lose?” Human Resource Management, Vol. 40 (Summer): 159-170.
- D. Lewin. 2002. “HRM and Business Performance Research: Empiricism in Search of Theory.” Paper presented to the Academy of Management 62nd Annual Meeting, Denver, CO (August), 33pp.
- Student Paper/Project Presentation Summaries

Note: Completed papers/project reports are due by Tuesday, March 19

End of Course

