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## Chapter 9 Recognizing Employee Contributions with Pay

### True/False Questions

12-1. A study of individual pay practices at roughly 150 organizations found not only that the largest differences between organizations had to do with how they paid, but that these differences resulted in different levels of productivity.

Ans: F

Difficulty: M

Page 422

LO2

12-2. The statement, “High employee performance followed by a monetary reward will make future high performance more likely,” is based on Thorndike’s Law of Effect.

Ans: T

Difficulty: E

Page 422

LO2

12-3. Compensation systems mainly differ in their impact on the valence of pay outcomes to employees.

Ans: F

Difficulty: M

Page 423

LO3

12-4. According to agency theory, when management spends money on “superfluous” perquisites such as corporate jets, agency costs are incurred.



Ans: T

Difficulty: M

Page 423

LO3

12-5. According to agency theory, risk aversion among agents makes outcome-oriented contracts less likely.

Ans: T

Difficulty: M

Page 424

LO1

12-6. Different pay systems attract different people depending on their personality traits and values.

Ans: T

Difficulty: M

Page 425

LO2

12-7. Merit increases grids display an organization's policy for linking the size and frequency of pay increases to an individual's performance rating and position in the pay range.

Ans: T

Difficulty: E

Page 427

LO1

12-8. Incentive pay refers to linking annual pay increases to performance appraisal ratings.

Ans: F

Difficulty: E

Page 426; Table 12.1

LO1

12-9. Deming argues for the use of merit pay in increasing organization performance levels.

Ans: F

Difficulty: M

Page 428

LO1

12-10. Employee assessments of the fairness of their compensation, which is based on the amount they receive, is referred to as distributive fairness (or distributive justice).

Ans: T

Difficulty: E

Page 429

LO1

12-11. A major criticism of merit pay programs is that high performers are not paid significantly more than mediocre or even poor performers.

Ans: T

Difficulty: M

Page 429

LO2

12-12. Individual incentive pay plans are more commonly found in organizations than merit pay plans.

Ans: F

Difficulty: E

Page 431

LO1

12-13. Employees “exercise” their stock options when they choose to buy stock at a price that has been previously fixed.



Ans: T

Difficulty: M

Page 433

LO1

12-14. Employee Stock Ownership Plans (ESOPs) can carry significant investment risks for employees.

Ans: T

Difficulty: E

Page 434

LO1

12-15. Recent research findings suggest that the positive effects of employee ownership are no larger in organizations where employees have greater participation in decision making than in organizations where employees have less participation.

Ans: F

Difficulty: M

Page 434

LO2

12-16. One significant difference between gainsharing plans and profit-sharing plans is that gainsharing plan payouts are generally distributed more frequently.

Ans: T

Difficulty: E

Page 435

LO1

12-17. Group incentive pay plans tend to use a broader range of performance measures than do team award pay plans.

Ans: F

Difficulty: E

Page 436

LO1

12-18. Gainsharing plans like the Scanlon plan and other pay-for-performance plans include monetary awards only.

Ans: F

Difficulty: M

Page 435

LO1

12-19. One reason for the attention given to executive pay is that in some companies top-executive pay is higher every year regardless of profitability or stock market performance.

Ans: T

Difficulty: E

Page 437

LO1

12-20. A *Business Week* study of over 300 companies found that, on average, a top executive's base salary plus his or her short-term bonuses accounted for more than 50 percent of his or her total compensation.

Ans: F

Difficulty: H

Page 437

LO1

12-21. Recent research suggests that the use of pay-for-performance plans among top- and middle-level managers led to higher levels of profitability.

Ans: T

Difficulty: M

Page 437

LO1

12-22. Employee involvement in the design and implementation of pay policies has been linked to higher pay satisfaction and job satisfaction.

Ans: T

Difficulty: E

Page 439

LO4

12-23. A compensation strategy that would best fit with an organization that follows a prospector strategy would be one in which employees receive relatively low levels of fixed compensation and there is an emphasis on variable pay.

Ans: T

Difficulty: M

Page 442

LO1

12-24. There is strong research evidence that profit sharing plans contribute to organizational performance.

Ans: F

Difficulty: E

Page 432

LO2

12-25. Intrinsic rewards flow from the work itself.

Ans: T

Difficulty: M

Page 423

LO1

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## Multiple Choice Questions

12-26. Which of the following theories emphasizes the importance of a person's actual experience of a reward following a certain behavior?

- a. Reinforcement theory
- b. Expectancy theory
- c. Agency theory
- d. Equity theory

Ans: a

Difficulty: E

Page 422

LO2

12-27. Compensation systems differ according to their impact on the dimensions of expectancy theory, but generally speaking they have their greatest impact on which dimension?

- a. Expectancy
- b. Instrumentality
- c. Valence
- d. Equity

Ans: b

Difficulty: M

Page 423

LO2

12-28. Research shows that owner-controlled and manager-controlled firms differ in which manner?

- a. Owners more readily diversify their investments.
- b. Managers like to maximize their wealth.
- c. Managers prefer relatively little risk in their pay.
- d. Owners pursue more perquisites.

Ans: c

Difficulty: M

Page 423

LO3

12-29. Which of the following is *not* a type of agency cost that arises in managerial compensation?

- a. Management's desire for perquisites
- b. Management's risk aversion
- c. Replacement costs
- d. Different decision-making horizons for principals and agents

Ans: c

Difficulty: M

Page 423

LO3

12-30. Which of the following is *not* a feature of outcome-oriented principal-agent contacts?

- a. When profits are high, compensation goes up.
- b. The principal must invest in monitoring information.
- c. Agents require a compensating wage differential.
- d. Risk is transferred to the agent.

Ans: b

Difficulty: H

Page 424

LO3

12-31. When using agency theory to analyze employee compensation, employees are referred to as the

- a. agents.
- b. principals.
- c. agency costs.
- d. stakeholders.

Ans: a

Difficulty: M

Page 423

LO3

12-32. According to agency theory, when a compensation system aligns the interests of the agent with the principal's own interests, the compensation system should



- a. be behavior oriented.
- b. reduce agency costs.
- c. be outcome oriented.
- d. reduce risks.

Ans: b

Difficulty: M

Page 424

LO3

12-33. Which of the following compensation systems would *not* be classified as an outcome-oriented contracting scheme (using agency theory terminology)?

- a. Stock options
- b. Profit sharing
- c. Commissions
- d. Merit pay

Ans: d

Difficulty: M

Page 424

LO1

12-34. Which of the following factors would support the use of an outcome-oriented contract between principals and agents?

- a. Risk aversion among agents
- b. Outcome uncertainty
- c. Measurable job outcomes
- d. Highly programmable jobs

Ans: c

Difficulty: M

Page 424

LO1

12-35. Which of the following factors would support the use of a behavior-based contract between principals and agents?

- a. A tradition of using outcome-oriented contracts

- b. R&D-oriented jobs
- c. Outcome uncertainty
- d. Risk aversion among agents

Ans: d

Difficulty: M

Page 424

LO1

12-36. In merit pay programs an individual's compa-ratio represents his or her

- a. performance rating.
- b. position in the pay range.
- c. comparable worth versus others.
- d. ratio of pay to benefits.

Ans: b

Difficulty: M

Page 427

LO1

12-37. Many merit increase grids indicate both the size and frequency of pay increases as determined by the individual's performance rating and which of the following?

- a. An individual's compa-ratio
- b. An individual's pay grade
- c. An individual's seniority
- d. An individual's time spent in the current pay grade

Ans: a

Difficulty: M

Page 427

LO1

12-38. Employee A received the highest performance rating, has a compa-ratio of 1.2, and received a pay increase of 10 percent. Employee B received the highest performance rating and has a compa-ratio of .90. Given the way most merit increase grids work, what size pay increase would you expect employee B to receive?

- a. Less than 10 percent

- b. More than 10 percent
- c. 10 percent
- d. There is no relationship between rating and compa-ratio.

Ans: b

Difficulty: M

Page 427

LO1

12-39. Which of the following is *not* a recognized characteristic of merit pay programs?

- a. Annual pay increases are linked to performance appraisal ratings.
- b. Merit pay exists in almost all organizations.
- c. There is a strong relationship between pay and actual performance on the job in organizations that use them.
- d. Many merit pay programs use a merit increase grid.

Ans: c

Difficulty: M

Page 427

LO1

12-40. The following pay-for-performance program that does *not* use a bonus payment as a payment method is

- a. ESOPs.
- b. profit sharing.
- c. a Scanlon plan.
- d. incentive pay.

Ans: a

Difficulty: E

Page 426; Table 12.1

LO1

12-41. The pay-for-performance program that relies on the organization's performance appraisal system is

- a. incentive pay.
- b. merit pay.
- c. gainsharing.
- d. stock ownership.

Ans: b

Difficulty: E

Page 426; Table 12.1

LO1

12-42. If an organization desires to implement a compensation program that would “lock in” employees, the recommended program is

- a. merit pay.
- b. gainsharing.
- c. profit sharing.
- d. stock options.

Ans: d

Difficulty: M

Page 426; Table 12.1

LO1

12-43. In an organization where there is a culture that supports cooperation and problem solving, the compensation program that would best reinforce that culture is

- a. group incentive pay.
- b. merit pay.
- c. gainsharing.
- d. individual incentive pay.

Ans: c

Difficulty: M

Page 426; Table 12.1

LO1

12-44. The compensation program that would best fit in any company regardless of the organizational structure or the independence of jobs is

- a. profit sharing.
- b. gainsharing.
- c. merit pay.
- d. incentive pay.

Ans: a

Difficulty: M

Page 426; Table 12.1

LO1

12-45. The compensation program that *least* requires a participatory management style is

- a. a Scanlon plan.
- b. incentive pay.
- c. ESOPs.
- d. profit sharing.

Ans: b

Difficulty: E

Page 426; Table 12.1

LO2

12-46. In addition to the compa-ratio, which other factor requires close attention in the administration of merit pay programs in order to control compensation costs?

- a. The number of pay grades in the pay structure
- b. The distribution of performance ratings
- c. Profits
- d. Stock values

Ans: b

Difficulty: E

Page 428

LO1

12-47. In most organizations, what percentage of employees fall into the top two (out of four or five) performance rating categories?

- a. 30 to 40 percent
- b. 40 to 60 percent
- c. 60 to 70 percent
- d. 70 to 80 percent

Ans: c

Difficulty: H

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Page 428

LO1

12-48. Deming's concerns about too much emphasis on individual performance in organizations are based on all of the following *except*

- a. system factors (e.g., co-workers, materials, and equipment) can affect individual performance.
- b. merit pay encourages individualistic behaviors.
- c. performance ratings are essentially "the result of a lottery."
- d. subordinates will discuss their performance ratings with their supervisors.

Ans: d

Difficulty: E

Page 428

LO1

12-49. A characteristic of most merit pay programs is

- a. frequent feedback.
- b. that feedback comes primarily from the supervisor.
- c. linking of pay increases to group performance.
- d. linking of pay increases to output.

Ans: b

Difficulty: M

Page 428

LO1

12-50. When a supervisor gives employees an opportunity to express their views, this is an example of

- a. distributive justice.
- b. procedural fairness.
- c. trust.
- d. autonomy.

Ans: b

Difficulty: M

Page 429

LO4

12-51. Which of the following is *not* a characteristic of individual incentive pay programs?

- a. Payments are not rolled into base pay.
- b. Performance is usually measured as physical output.
- c. Research indicates that monetary incentives increased production output by more than any other motivational device studied.
- d. Individual incentive pay programs are quite common in organizations.

Ans: d

Difficulty: E

Page 431

LO1

12-52. The pay system that motivates performance by measuring physical output is

- a. profit sharing.
- b. a seniority system.
- c. a merit system.
- d. an individual incentive system.

Ans: d

Difficulty: M

Page 430

LO1

12-53. The compensation program that links payments to organizational performance is

- a. profit sharing.
- b. gainsharing.
- c. merit pay.
- d. incentive pay.

Ans: a

Difficulty: E

Page 431

LO1

12-54. Which of the following is not a recognized characteristic of profit sharing programs?

- a. Employers are encouraged to think like owners.
- b. Increased employee citizenship is expected.
- c. Evidence clearly shows a link to better organization performance.
- d. Payments do not become part of base pay.

Ans: c

Difficulty: H

Page 432

LO1

12-55. Of the following pay programs, the weakest link between employees' performance and their earnings is found in

- a. individual incentive plans.
- b. merit pay plans.
- c. profit-sharing plans.
- d. group incentive plans.

Ans: c

Difficulty: M

Page 432

LO1

12-56. In expectancy theory terms, the fundamental drawback of profit sharing in encouraging employee effort occurs because of

- a. weak instrumentality perceptions.
- b. weak valence perceptions.
- c. weak expectancy perceptions.
- d. weak equity perceptions.

Ans: a

Difficulty: M

Page 432

LO2

12-57. Because most profit-sharing plans are of the deferred type, their motivational impact is reduced. This argument is most consistent with

- a. agency theory.



- b. equity theory.
- c. efficiency wage theory.
- d. reinforcement theory.

Ans: d

Difficulty: E

Page 432

LO2

12-58. In the past, stock options have typically been granted to

- a. all employees.
- b. all exempt employees.
- c. low- and middle-level managers.
- d. executives.

Ans: d

Difficulty: M

Page 434

LO1

12-59. What feature of some organization's profit-sharing plans may actually be contributing to higher labor costs?

- a. deferred type profit-sharing plans.
- b. plans with upside, but no downside risks.
- c. lump sum payments.
- d. semiannual or annual payouts

Ans: b

Difficulty: E

Page 433

LO1

12-60. In which way are employee ownership plans different from profit-sharing plans?

- a. The focus on the success of the organization as a whole
- b. Relatively weak link perceived between pay and performance
- c. Relates costs to the organization's ability to pay
- d. Deferred payouts are common

Ans: c

Difficulty: M

Page 433

LO3

12-61. When employees react negatively to profit-sharing plans during business downturns because they are not willing to assume increased risk, this behavior is most consistent with

- a. agency theory.
- b. equity theory.
- c. reinforcement theory.
- d. efficiency wage theory.

Ans: a

Difficulty: M

Page 433

LO2

12-62. Employee stock ownership plans (ESOPs) are the most common form of employee ownership; the number of U.S. employees in such plans in 1992 was approximately

- a. 100,000.
- b. 4 million.
- c. 11 million.
- d. 50 million.

Ans: c

Difficulty: H

Page 434

LO1

12-63. By law, what percent of assets must an ESOP invest in its company's stock?

- a. 10 percent.
- b. 51 percent.
- c. 80 percent.
- d. 100 percent.

Ans: b

Difficulty: M  
Page 434  
LO1

12-64. ESOPs are attractive to organizations for all of the following reasons *except*

- a. their lack of investment risk to employees.
- b. their tax advantages.
- c. their financing advantage.
- d. their use as a takeover defense.

Ans: a  
Difficulty: E  
Page 434  
LO2

12-65. Gainsharing plans differ from profit-sharing plans in that they

- a. distribute payouts more frequently.
- b. encourage employee pursuit of organizational goals.
- c. pay lump sum payments
- d. can be attached to all types of jobs in the organization.

Ans: a  
Difficulty: M  
Page 435  
LO1

12-66. The Scanlon plan is an example of

- a. profit sharing.
- b. gainsharing.
- c. a merit pay plan.
- d. an individual incentive plan.

Ans: b  
Difficulty: E  
Page 435  
LO1

12-67. Organizations using gainsharing plans most frequently report

- a. improved performance of employees.
- b. better product quality.
- c. clear employee perceptions of the performance-reward connection.
- d. heightened employee sense of ownership.

Ans: a

Difficulty: M

Page 435

LO3

12-68. Which of the following is *not* one of the organization conditions that have been recommended as organizational requirements for gainsharing to be successful?

- a. Management commitment
- b. A strong sense of employee ownership of the organization
- c. Employment security
- d. Information sharing on productivity and costs

Ans: b

Difficulty: E

Page 435

LO3

12-69. Group incentive pay programs differ from team awards pay programs in that they

- a. typically are plantwide programs.
- b. encourage competition between employee groups.
- c. measure performance in terms of physical output.
- d. de-emphasize the standard-setting process.

Ans: c

Difficulty: M

Page 436

LO1

12-70. Which of the following factors does not encourage employee self-monitoring and peer

monitoring of workplace behavior?

- a. An atmosphere that fosters trust
- b. Supervisory performance appraisal systems
- c. Monetary incentives
- d. Group cohesiveness

Ans: b

Difficulty: H

Page 440

LO4

12-71. Research suggests that increasing the amount of bonus as a percentage of manager's pay

- a. improved the organization's return on assets.
- b. had no impact on the organization's return on assets.
- c. actually decreased return on assets.
- d. made managers risk adverse.

Ans: a

Difficulty: H

Page 438; Table 12.8

LO2

12-72. An example of extrinsic motivation is

- a. challenging work
- b. variety of work
- c. promotion
- d. social interaction.

Ans: c

Difficulty: M

Page 423

LO1

12-73. Which of the following pay strategy dimensions best fits with a "defender" business unit strategy?

- a. High variable pay
- b. Below-market short-run pay level

- c. Above-market benefits level
- d. Decentralization of pay decisions

Ans: c

Difficulty: M

Page 442; Table 12.11

LO1

12-74. Which of the following pay strategy dimensions best fits with a Prospector” business unit strategy?

- a. High variable pay
- b. Above-market short-term pay level
- c. Above-market benefits level
- d. Short-term time orientation

Ans: a

Difficulty: M

Page 442; Table 12.11

LO1

12-75. An example of intrinsic motivation is

- a. interesting work
- b. pay increase
- c. benefits
- d. promotion.

Ans: a

Difficulty: M

Page 423

LO1

## Essay Questions

12-76. Describe agency theory as it applies to managerial compensation. Differentiate between outcome-based contracting schemes and behavior-based schemes.

Ans: Differentiate between outcome-based contracting schemes and behavior-based schemes.

—Agency theory focuses on the divergent interests and goals of the organization’s stakeholders (the “principals”) and the organization’s management (the “agents”). The theory describes the ways that managerial compensation can be used to align these interests and goals. Because of the separation of ownership and management, most stakeholders are far removed from the day-to-day operation of companies. This creates agency costs since the interest of the owners and managers may no longer converge.

—Three types of agency costs arise in managerial compensation. First, although stakeholders like to maximize their wealth, management may spend money on things like perquisites or “empire building.” Second, managers are more risk averse than stakeholders. Third, managers may have shorter decision-making time frames than owners.

—To reduce agency costs, the theory says that the principal should choose a contracting scheme that helps align the interests of the agents with the principal’s own interests. These contracts are classified as either behavior-oriented (e.g., merit pay) or outcome-oriented (e.g., stock, options, profit sharing). Outcome-oriented contracts increase the risk borne by the agent. Because agents are averse to risk, they may require higher pay to make up for it. Behavior-based contracts do not transfer risk to the agent and thus do not require a compensating wage differential. However, the principal must either invest in monitoring information on what the agent has done or structure the contract so that pay is linked at least partly to outcomes.

Difficulty: H

Page 423-24

LO3

12-77. Describe several reasons why merit pay programs may not help organizations increase their overall productivity.

Ans: 1. Many factors that affect productivity (e.g., co-workers, the job, materials, equipment, customers, management, supervision, and environmental conditions) are outside of the worker’s control and therefore cannot be influenced under a pay system that rewards individual behavior.

2. The individual focus of merit pay discourages teamwork, and, as a result, individual goals are pursued at the expense of organizational goals.

3. If the measurement of performance is not perceived as being fair and accurate, the entire system can break down. Since most rely exclusively on the supervisor for providing performance ratings, and supervisors are not often the best people to be making these evaluations, the system is not always effective.

4. If past pay increases for good performance were not perceived to be a large enough reward for past behavior, then subsequent performance may have been negatively affected. Research has shown that high performers are not paid significantly more than mediocre or even poor performers in most cases.

Research has also shown that 60 to 70 percent of employees fall into the top two (out of 4 or 5) performance rating categories.

5. Employees frequently do not get good or frequent-enough feedback from supervisors on performance problems, nor are they often given enough input. This can affect their motivation to perform. If employees do not see the process of administering merit pay as fair, then they are not motivated to perform.

Difficulty: M

Page 42-429

LO2

12-78. Discuss the differences in pay strategies when using business unit strategies such as defenders and prospectors.

Ans: Defender strategies require low risk taking, short-term orientation, and above market benefit and pay level (both short and long-term).

Prospector strategies require high risk taking, long-term orientation, skill emphasis, above long-term market pay, and below short-term market pay and benefit level.

Difficulty: M

Page 441-42; Table 12.12

LO1

12-79. How do employee stock ownership plans (ESOPs) differ from stock option plans?

Ans: Both encourage employees to focus on the success of the organization as a whole. However, stock option plans give employees (usually only upper management) the opportunity to buy stock at a price that has been previously fixed. The employee stands to obtain a financial gain if the stock price has gone up since the price was fixed. ESOPs are more common and usually have broader eligibility to a larger group of employees. But they carry more risk for employees since an ESOP must invest at least 51 percent of assets in the company's stock, therefore allowing less diversification of the risk to the employee who must purchase the stock at cost with no guarantee of how the stock will perform in the future.

Difficulty: M

Page 433-34

LO1

12-80. Gainsharing plans often encompass more than just a monetary component. Describe some of the employment or organization conditions that are recommended to be in place for gainsharing to be



successful.

Ans: 1. There is a strong emphasis on taking advantage of employee know-how to improve the production process under gainsharing plans. This knowledge exchange often occurs through the use of regular meetings, teams, and suggestion systems.

2. Management must be committed to the gainsharing plan and process.

3. A need to change or a strong commitment to continuous improvement is made from all involved parties.

4. Management accepts and encourages employee input.

5. There are high levels of cooperation and interaction.

6. There is employment security.

7. There is information sharing on productivity and costs.

8. There is goal setting.

9. There is agreement on a performance standard and calculation that is understandable, seen as fair, and closely related to management objectives.

Difficulty: E

Page 434-36

LO3

12-81. Why is it useful to organizations to think in terms of designing a mix of programs rather than choosing one program? Give examples.

Ans: Every pay program has its advantages and disadvantages. For example, relying exclusively on merit pay or individual incentives may result in high levels of individual motivation but unacceptable levels of individualistic and competitive behavior at the expense of broader or organizational goals. Relying too heavily on profitsharing and gainsharing plans may improve the degree of cooperation and concern for organizational goals, but may also reduce individual work motivation levels. However, a particular mix of programs that fits the situation at hand could contribute to acceptable performance on a broader range of performance dimensions.

Difficulty: E

Page 436

LO3

12-82. What are some issues of procedural justice that might arise in administering merit pay?

Ans: —In any situation where rewards are distributed, employees appear to assess fairness on two dimensions: distributive (based on how much they receive) and procedural (what process was used to decide how much). —Some of the most important aspects of procedural fairness or justice include:

1. The supervisor was honest and ethical in dealing with the employee.

2. The supervisor gave the employee an opportunity to express his or her side.
3. Consistent standards were used in evaluating employee performance.
4. The supervisor considered the employee's view regarding his or her Performance.
5. The supervisor gave feedback that helped the employee learn how well he or she was doing.
6. The supervisor was completely candid and frank.
7. The supervisor showed a real interest in trying to be fair.
8. The supervisor became thoroughly familiar with the employee's performance.
9. The supervisor took into account factors beyond the employee's control.

Difficulty: M

Page 429; Table 12.4

LO4

12-83. What are some potential consequences of employee involvement in compensation decision making on employee attitudes and behaviors?

Ans: —Involvement in the design and implementation of pay policies has been linked to higher pay satisfaction and job satisfaction, presumably because employees have a better understanding of, and greater commitment to, the policy when they are involved.

—Agency theory suggests that the delegation of decision making by a principal to an agent creates agency costs, because employees may not act in the best interests of top management. In addition, the more agents there are, the higher the monitoring costs. On the other hand, agency theory also suggests that monitoring would be less costly and more effective if performed by employees because they have knowledge about the workplace and behavior of fellow employees that managers do not have. As such, employee involvement in decision making might encourage self-monitoring and peer monitoring and thereby reduce monitoring costs.

Difficulty: M

Page 439-40

LO4

12-84. Communication of compensation issues is argued to represent a strategic opportunity for an organization to distinguish itself from its competition. Why is this so?

Ans: Significant differences exist across and between organizations on how compensation issues are communicated to employees. This suggests that organizations have considerable discretion in this aspect of compensation management, and therefore it represents a strategic opportunity for organizations to distinguish themselves. Rumor and assumptions based on poor or incomplete information are always an issue in administering compensation, partly because of its importance to employee economic security and well-being. Therefore, in making any changes, it is strategically important to determine how best to communicate reasons for the changes to employees in order to



minimize potentially negative effects of miscommunication on employee attitudes and behaviors. A well-communicated program may increase the positive effects that the compensation programs are believed to influence.

Difficulty: E

Page 441

LO4

12-85. Discuss the balanced scorecard approach.

Ans: Balanced scorecard approach can be used to motivate employees by determining a balanced set of key business targets. Incentives would be attached to the employee reaching certain performance targets.

Difficulty: M

Page 436

LO3