

## **The Total Compensation Strategy: A Case Study of Warid Telecom Bangladesh Ltd.**

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### **Abstract**

*Rapid changes in today's business environment and intense global competition have made it essential for organizations to compensate their human resources appropriately. This research is undertaken in order to highlight the total compensation strategy of Warid Telecom Bangladesh Ltd. The company is very highly spoken of now of these days. The company pays more attention to its customer's delights than to its customer's satisfaction. This company started from scratches and has shown utmost performance in the last seven years. Warid Telecom Bangladesh Ltd owes its success to its employees, believing that providing competitive Compensation & Benefits packages to the employees along with job satisfaction, motivates them to work hard and deliver better results.*

**Key Words:** HRP, Job design, Job evaluation, Internal alignment, External competitiveness, Strategic mapping, PMS, Job description and specification.

### **Introduction**

In recent years, the phrase “compensation and benefits” has given way to “total compensation” which encompasses not only compensation and benefits but also personal and professional growth opportunities and motivating work environment (for example, recognition, valued job design, and work/life balance). Some criteria explain this broader view of compensation. First, stiffer competition in business has made it difficult for cost-conscious organizations to offer higher wages and more benefits each year. The employers have had to find alternative forms of rewards that cost less to implement but still motivate employees to excel. Second, the organizations have become much more strategic in their management of human resources (Barney & Wright, 1998) including integrating their various human resource functional areas. For instance, some companies now treat compensation and training as rewards that must be managed together rather than separately by different HR teams. The “Total Compensation Strategies” chart sheds light on the wide range of strategies that can make up a total rewards program. To implement total compensation strategies successfully, the organizations must follow a disciplined process (Ledford & Mohrman, 1993), which is depicted in “Implementing a Total Rewards Program: Four Phases”. The process starts with assessment. In this phase, the project team gathers data to evaluate the effectiveness of the organization's current the total rewards system. The data guides the design phase, during which the team identifies and analyzes potential reward strategies. In the execution phase, total reward strategies are put into operation. Last, the team evaluates the effectiveness of the strategies that have been executed.

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The firm used a pay model to guide the change effort. First, it laid the foundation for change by educating stakeholders about intervention, clarifying the firm's values, and diagnosing organizational systems relative to the values of the organization. Second, the firm designed, implemented, and evaluated changes in those systems. To evaluate the results of this pay model, the researchers collected attitudinal data at two points in time. The findings suggested that the change initiative had led to increase in job variety, supervisory participation, influence over planning and scheduling, and other positive outcomes.

## **Literature Review**

The study relates to the literature on the Compensation and Benefits structure development of the MNC like Warid Telecom Bangladesh Ltd and as a result on their actions choices, and effect of HR policy on the structure of Compensation & Benefits. We briefly discuss some important studies on these areas. Perry and Zenner (2000) examine the effects of the SEC's enhanced disclosure requirements on executive compensation and the enactment of tax legislation limiting the deductibility of non-performance related compensation over one million dollars (Internal Revenue Code Section 162(m)) in 1993. They document that some firms altered the structure of CEO compensation in response to Section 162(m) by reducing salaries and, on an average, the pay for performance sensitivity increased following the regulations, especially for million-dollar firms. Bushee and Leuz (2003) examine the 1999 application of the 1934 Act to firms trading on over-the-counter bulletin boards, and report increases in liquidity for those firms that adopted the new rules, but find that nearly three-fourths of firms elected to duelist rather than comply. Compensation structure development has been the subject of extensive prior research, and excellent general reviews relatively exist for the interested reader (for example, Murphy [1999]). For research purposes here, researcher will not reproduce this discussion but rather focus on the narrower, but crucial, topic of compensation structure development of an MNC like Warid Telecom Bangladesh Ltd. The researcher concentrates the survey on literature that tests compensation & benefit hypotheses within samples of MNC's in Bangladesh. However, we believe that much of the discussion can be generalized to firms throughout the world. Bushman and Smith (2003) present a broad overview of how differences in country-specific factors lead to different governance and compensation structures that arise endogenously within those environments. In many other countries, investors are not as well protected and widely dispersed ownership is not optimal. In these settings, managers and their families retain much ownership and explicit equity-based compensation may be unnecessary (La Porta, Lopez-De-Silanes, and Shleifer 1999).

The researcher's objective is to synthesize the broad literature on the total compensation strategy of a MNC like Warid Telecom Bangladesh Ltd. There remain many unanswered questions and considerable controversy within some areas of the report with respect to theoretical assumptions and empirical approaches to testing this report, but instead researcher highlight areas in which report could shed light on these issues.

## Objectives of the Study

The main objectives of the study were to:

- Identify the total compensation strategy of the organization.
- Identify the mapping of total compensation strategy of the organization.
- Identify the organizational structure (Organogram) & hierarchy levels.
- Identify the HR policies and functions of the organization.
- Identify the job analysis methods followed by the organization.
- Identify the total performance management systems of the organizations.
- Study the salary structure followed by the organization.

## Methodology

Methodologically, the report is divided into two parts. In its descriptive part the report has highlighted different topics related to compensation strategy. The researcher wants to relate the total compensation strategy of Warid Telecom Bangladesh Ltd with the 'Pay Model'. In this part, different secondary sources have been used. However, in its final part, a 'questionnaire survey' has been operated to collect data from among 30 convenient samples from that organization. Non-random sampling technique is used to choose the sample. Based on the data analysis the researcher finds out the Total Compensation Strategy, strategic map, salary structure and job analysis methods of this organization.

## The Total Compensation

### Cash compensation

**Base salary:** The base salaries given to the worker for work perform.

**Merit payment:** Merit payment was given as an increment to the basic salary based on the past work behavior.

**Cost of living adjustment:** give the same percentage to every one based on individual performance.

### Benefits

**Income protection:** Some income protections are legally required. The employers and the employees should pay into a fund that provides income protection and income replacement for the workers who become disabled or unemployed.

**Work/ life balance:** The program that better integrates work and life responsibility, includes time away from work.

**Allowances:** The most common allowances are transportation allowances, housing allowances and medical allowances.

**Relational returns:** It includes the status, recognition, opportunities to learn and good relationship with management.

## The Pay Model

The Pay Model serves as a framework for examining current pay systems. It contains three basic building blocks:

- the compensation objectives
- the policies that form the foundation of the compensation system, and
- the techniques that make up the compensation system.

## Compensation objectives

The basic objectives include efficiency, fairness and compliance with laws and regulations.

**Efficiency** can be stated more specifically as improving performance, increasing quality, delightful customers and stockholders and controlling labor costs.

**Fairness** is a fundamental objective of the pay systems. The fairness objective calls for fair treatment of all employees by recognizing both employee contribution (e.g., higher pay for greater performance, experience or training) and employee needs (e.g., fair wage as well as fair procedures).

**Compliance** as a pay objective means conforming to federal and state compensation laws and regulations. If they change, pay systems may need to be adjusted to ensure continued compliance.

## Four policies

### a) Internal Alignment:

Comparisons among jobs or skill inside a single organization and pay relationships within an organization affect employee decision to:

- stay with organization,
- become more flexible by investing in additional training, and
- seek greater responsibility.

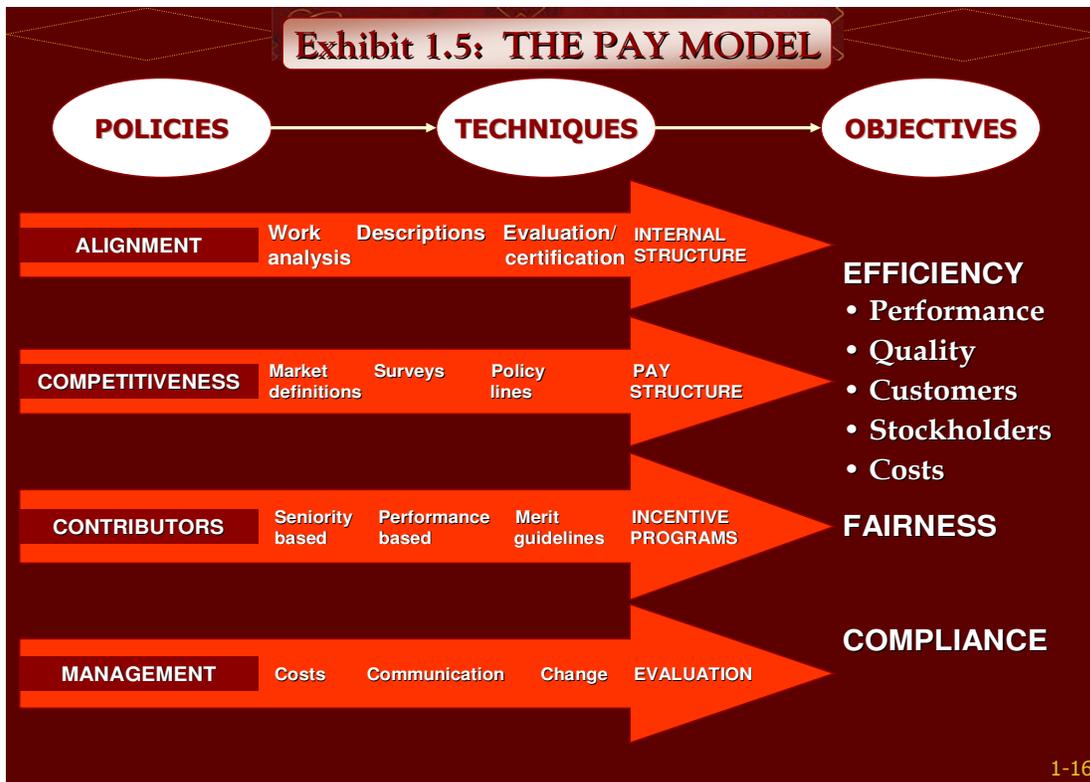
### b) External Competitiveness:

*Focus* - Compensation relationships is external to the organization: comparison with competitors

- Pay is 'market driven';

- Effects of decisions regarding how much and what forms;

- to ensure that pay is sufficient to attract and retain employee; and
- to control labor costs to ensure competitive pricing of products/ services.



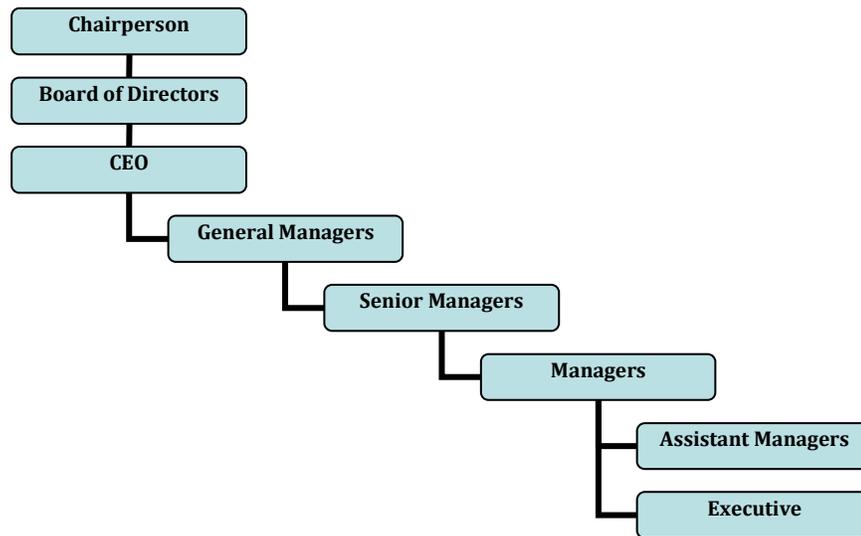
**c) Employee Contribution:**

Relative emphasis is placed on employee performance and performance based pay affects fairness.

**d) Management:**

Policies ensuring the right people get the right pay for achieving the right objectives is the right way.

### Hierarchy Levels of Warid Telecom Bangladesh Ltd



#### **Chief HR Policies & Practices:**

- Equal Employment Opportunity and a Safe Workplace
- HR Planning and Recruiting
- Selecting Employees & Orientation
- Training & Development of Employees
- Job Design & Job Evaluation
- Customer Services & Problem Solving
- Compensation and Benefits & Salary Structure
- Performance Appraisal & Employees Conduct and Ethics

#### **Equal Employment Opportunity and a Safe Workplace**

Warid Telecom Bangladesh Ltd is providing equal opportunity to its employees. They will extend equal opportunity to all individuals without regard for race, religion, color, gender, creed, national origin, age, disability or handicap status so that all the employees working in Warid telecom work with full confidence.

#### **HR Planning & Recruiting**

There is no specific number of per year vacancies in Warid Telecom Bangladesh Ltd. It depends upon the number of employees needed per year. The company plans and hires the employees itself. It does not take services from any other recruitment firm. The company forecast the demand for labor every year. During forecasting, they include measures of the economy, actions of competitors, and change in technology and trends in the composition of labor force. Moreover

they also conduct an analysis as to how many people are currently working on different jobs and have relevant skills according to their jobs. Warid Telecom Bangladesh Ltd has long-term goals. The two main sources by which the company recruits the Human Resources are given below:

**Internal Source:** In this source, any employee, within the company who will be able to do the high post job, is selected. The information about the post or vacancy is pasted on bulletin boards; on co-operate intranets and anywhere else.

**External Source:** In this source, the advertisement is published in newspapers. The candidates are selected from the applicants by conducting interviews. In this case, people also use some references to gain the jobs. This source is used more.

### **Selecting Employees**

Like every multinational company, Warid Telecom Bangladesh Ltd has also a specialized procedure for selecting the employees. The selection process is described as follows:

- Requisition raised by concern department.
- HR Department processes this requisition.
- Publish the advertisement in the newspapers.
- Screening the application forms and resumes.
- Interviewing Candidates.
- Checking References.
- Select the person.

### **Training and Development**

HR team of training and development makes a performance evaluation of all the employees and the see where the gap occurs between actual performance and desired performance. Then training is designed for area which needs to be improved. On the job and off the job both the trainings are given according to the need of the employee.

There are two types of training given to the employees. The types and their durations are given below:

For Local Trainings (maximum 1 week)

For Foreign Trainings (maximum 2-4 weeks)

In Warid Telecom Bangladesh Ltd, they use all training methods e.g. audio/visual, practical, workshop, presentations, hands-on etc.

### **Job Design**

The HR Department designs the jobs in which they define how work will be performed and what task will be required in a given job. The four phenomena of job practiced in Warid Telecom Bangladesh Ltd are given below:

Job enlargement: to some extent at managerial level.

Job extension: many times.

Job rotation: how to some extent in Inter-department.

Job enrichment: many times.

### **Job Evaluation**

Each job evaluation is assigned with a grade, which has a particular salary associated with it. This range is applicable to all positions assigned to that grade. Every salary range associated with a grade, has a minimum and a maximum level.

### **Compensation & Benefits**

Warid Telecom Bangladesh Ltd follows the performance base pay structure and pays for their performance and work output.

Compensation is the total returns, which an employee gets against his or her work.

It maybe:

Base Wages & Salaries

Group Life Insurance.

Hospitalization.

Out Patient Medical Practice.

Dental Treatment.

Preventive Measures.

Cellular Phone Policy.

Car Policy.

There are others like (Employee Leave, Employee Retirement Income Security Act, Executive Compensation, Maternity and Paternity Benefits, and Pension and Retirement Plans.

Group life insurance coverage is provided to all employees. In case of an employee's death, the beneficiaries of the employee shall receive the insurance benefits. The amount would be doubled in case of accidental death. All employees, their spouses and children up to the age of 25 (no limits for the unmarried daughters and dependent parents) are eligible for hospitalization. The employees are eligible to claim their medical out patient expenses up to a maximum of one month's gross salary each year. The following are covered under out patient treatment:

1. Consultation
2. Prescribed medicines
3. Pathological/clinical tests and x rays.

The Company will reimburse the cost of vaccinations for employees and their dependents. Such as Small Poxes, Cholera, Polio, Typhoid, Whooping cough (infants and children), Tetanus, BCG for children only, Diphtheria, Gamma Globulin and Hepatitis.

Warid Telecom provides all eligible employees (except GMs) with the corresponding car allowance to compensate them for official commute, business and personal use. Pool vehicles & Department Vehicles and necessary maintenance and provisioning of Pool/Department vehicles are the responsibility of Admin Service department.

All regular employees are entitled to one monthly gross salary per year of service, as gratuity after completion of one year of service. Gratuity amount is based on pay rate at the end of employment. All regular employees are entitled to contributory provident fund.

### **Individual Salary Fixation**

The Warid Telecom Bangladesh Ltd seeks the market trend, tries to compete with market for individual salary fixation but also analyzes their own financial positions, and budgeting, though it varies from department to department.



After every two years Warid Telecom Bangladesh Ltd gives an amount of Tk. 6000 to lower level employees if they want to purchase a new mobile and this limit increases as grade increases. At each stage, the amount is different.

### **Food Subsidy**

S.E, Exe, M.T so on Tk. 65-95. Company A.M and above Tk. 160.

### **Increments**

The increments are totally based on the performance of the employees and their seniority level. If the scale is Tk. 15000-20000 then the increment is 20% of the base pay, but if any employee shows better performance, then this may increase up to 35% to 50%.

### **Recognition of the Work**

The employees who have been working in Warid Telecom Bangladesh Ltd for seven years or more then seven years get cash rewards, trophy, badges and other things.

### **Leave fair assistance**

1 year	20 holidays	1 Gross salary
	40 leaves	2LFA's

### **Permanent Employees**

Number of employees: Around 1000 – 1500 (Approximately)

Minimum scale starts from 15000 – 20000 (Approximately)

Maximum C.E.O (Not disclosed by the organization)

Warid Telecom Bangladesh Ltd focuses on providing a large amount of compensation and benefits to its employees in the form of the following categories:

Minimum wage: The minimum salary for “Drivers” is Tk.7000, for “Tea Boys” it is Tk.6500, for Administrative Staff like HR, Finance, Marketing, etc it is Tk.20000 and for Engineers it is Tk.20000 to 25000.

**Medical Allowance:** One gross salary per year is given to each employee; half is given in mid of the year and remaining half is given at the end of the year.

**Health Insurance:** Like all other cellular companies, Warid Telecom Bangladesh Ltd also provides health insurance policy to its employees.

**Loan Insurance:** At Warid Telecom Bangladesh Ltd, loan insurance policy is also provided to their employees through banks.

**Transport allowance:** Tk. 2500 is given to female employees only, if they travel on local transport.

**House Rent:** 10% of the basic salary is given to each senior/ executive level employee.

**Overtime:** All employees are entitled to overtime for more than 130 hours per month. For overtime Warid Telecom Bangladesh Ltd has a specific formula that applies to the employees' gross salary, due to which every employee has a different per hour overtime rate.

**Children education allowance:** 1 gross salary per year.

**Provident Fund:** All permanent and confirmed employees are eligible for membership of Warid Telecom Bangladesh Ltd Employee Provident Fund Scheme. An employee contributes 8.33% of his monthly basic salary in a year and the employer contributes an equivalent amount.

**Travel Policy:** Revised and categorized different levels such as the senior level, the middle level and the junior level staff enjoy travel benefits.

**Meal deduction Claims:** Meal books are to be maintained by each employee. The names of the issuer and the issued, employee number, designation, signature and number of books and date at which it is issued are written in it. The reason for maintaining the record is that the company pays 60% of the expenses over food while 40% is deducted from the employee's salary.

**Expense Claim:** The expense claims are the expenses which an employee makes on behalf of the company e.g. fuel used for business travel, overnight stays on a business tour etc. Such claims are made while returning back to the office. After the whole process the HR pays them back in the next month along with their salary.

**Overtime Claim:** If an employee has worked for more than regular time, he claims overtime payment in addition to his salary, which he receives in the next month. Overtime claim has to be approved by HR department.

**Medical Claim:** Different medical facilities are provided to employees at different levels of hierarchy. So if any employee makes use of this facility, he will submit bill along with the hospital receipts and then the HR department will check and clear the bills/claims.

**Mobile deduction Claim:** If an employee makes long duration calls for official purposes and thereby exceeds the limit given to him then he can make a claim by attaching a copy of the mobile bill. It will be checked and if found valid, then the HR department will approve it and pay the employee his claim along with his monthly salary in the following month.

**Dispatching Salary Slips:** The vendor prepares the salary slips and dispatches the same to the HR department. Then the HR head office sends them to the regional HR departments. They either pay their employees in cash or transfer the amount to their accounts.

## Salary Structure and Surveys

Warid Telecom Bangladesh Ltd conducts its own market survey and matches its standards with other telecommunication companies specifically with Grameenphone, Banglalink and Axiata (Robi). The company's salary structure consists of salary grades and salary ranges. It is based on the relative value of each job. The company takes note of job evaluation process and competitive market practices. The existence of structure allows differences in performance and rewards at different salary levels. Every year the company reviews its salary range in accordance with the results of a market survey to maintain the competitiveness of the salary structure. It depends on

how competitive the companies are in the whole market. The criterion, which is used by the company for deciding the salary of an employee, includes the following:

- the employees' related skills, knowledge and experience;
- the employee's trend of performance over time versus the current year;
- internal and external pay equity; and
- pay relationships in which the employee's base pay relative to others performing similar work within the department is considered.

Warid Telecom Bangladesh Ltd's philosophy is to "Pay or Performance", by comparing primarily with other Telecom companies and with multi-national consumer product companies. They position their pay structure at 80th percentile of market and their benefits are at market average. If an employee does not work for a full month, his/her salary for that month will be prorated.

All employees will be paid around 30/31<sup>st</sup> of each month. If the payday happened to be a holiday, the day before will be used as payday.

### **Job Evaluation Method**

The job evaluation method of Warid Telecom Bangladesh Ltd is lined to appraisal system. Whenever the appraisal report of any employee is generated, he is being paid according to his performance. The job is evaluated based on appraisal reports. If any post is vacant, the past performance in that post is evaluated and the market conditions are observed and then the job is finally evaluated. The value of the job is concerned along with the performance report. The value of any job can be increased if the employee in certain post has performed very well and his appraisal report is very outstanding. The HR department of Warid Telecom Bangladesh Ltd carries out this process. Moreover, the job evaluation is linked with the merit. Any person who is employed on merit and is performing very well will be given salary based on his performance and merit.

### **Steps of Job Analysis**

The following steps are taken by Warid Telecom Bangladesh Ltd:

Step 1: Obtain Documentary information such as procedure manuals and written instruction.

Step 2: Ask about more general aspect such as the job purposes, the main activities.

Step 3: Ask the jobholders about the job.

Step 4: Observe the jobholders to see what they actually do.

### **Performance Management System**

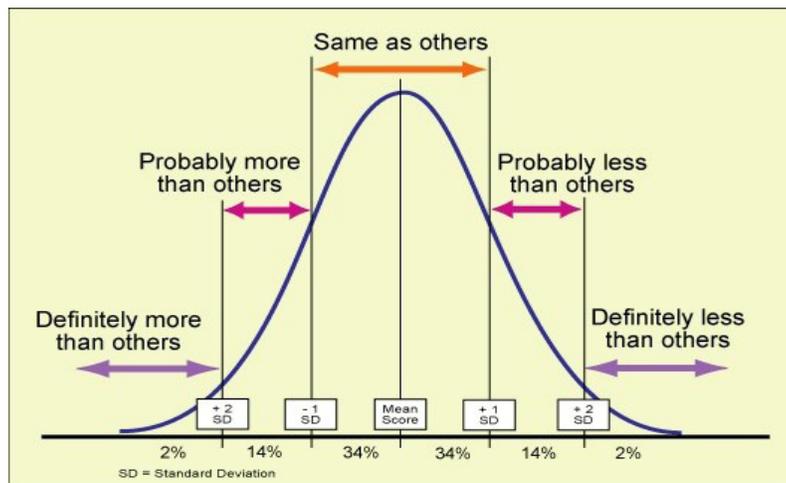
The Performance appraisal system used by Warid Telecom Bangladesh Ltd for reviewing the performance status of its employee starts with identifying specific appraisal goals set by each group for each cadre. After this, a detail job analysis is done taking into account the job expectation and then matching the actual performance with the desired performance.

### Rewards Related to Performance

There is also a reward related to performance of the employees. For “Customer Facilitation Agents,” their 50% pay is based on their performance, which is assessed every month by their managers. For other employees in administration, engineering, finance, marketing, etc. their performance is assessed after every six months and they are often given Tk.5000 in their salary as a reward. In each case the employee has to show consistent performance to win reward next time.

Performance appraisal:	180°
Behavior	20%
Results	80%
Total	100 %

Total 500 Marks	
Best	>400
Good	>300



A bell shaped distribution comes out to show Performance.

### Data Analysis

The researcher surveyed 30 questionnaires (Graphic rating scale method) on the WTBL. Each questionnaire contains 10 questions.

### Perceptions towards Compensation strategies

Perceptions	StD	D	SID	SIA	A	StA
1. Organization's compensation Structure support business mission and goal.	0%	3.6%	6.0%	10.7%	39.3%	39.3%
2. This organization is a pretty good place for work.	0%	2.4%	2.4%	8.3%	39.3%	45.2%
3. Recruitment and selection procedures of this company are quite equitable.	0%	2.4%	8.3%	32.1%	40.5%	15.5%
4. The company support performance driven culture.	0%	6.0%	8.3%	26.2%	41.7%	16.7%
5. Compensation packages is competitive compare than others.	1.2%	1.2%	11.9%	29.8%	40.5%	14.3%
6. Centralized administration with transparent management policy.	0%	0%	6.66%	6.66%	40%	40%
7. Bonus and awards based on individual performance.	0%	6.66%	6.66%	20%	46.66%	13.33%
8. Does your organization flexible enough for growth and development	0%	6.66%	0%	26.66%	40%	0%
9. Internal alignment procedures are flexible enough compare than others.	6.66%	0%	6.66%	13.33%	53.33%	13.33%
10. Supports modern technology.	0%	6.66%	6.66%	20.0%	40%	13.33%

**Indicators: StD – Strongly disagree, D – Disagree, SID – Slightly disagree, SIA –Slightly agree, A – Agree, and StA – Strongly agree.**

The above discussion highlights the total compensation strategy and sketches the strategic mapping of Warid Telecom Bangladesh Ltd.

### Total Compensation Strategy of Warid Telecom Bangladesh Ltd

#### Objectives

- Support the business objectives.
- Support recruiting motivation and is an Equal Opportunity Employer. They will extend equal opportunity to all without regard to race, religion, color, gender, creed, national origin, age, disability or handicap status.
- All line managers should keep record of employee's attendance.
- Preserve Warid telecom's core objectives.
- Warid has provided the most state of the art network that encompasses many characteristics.

**Internal Alignment**

- Integral part of Warid's corporate culture.
- Support performance driven culture
- Sophisticated and technology based organization design structure.

**Externally Competitiveness**

- Pay according to market rate but competitiveness and salary structure are revised each year.
- Philosophy is to "Pay or Performance",
- Meet base pay and bonus.
- All regular employees are entitled to contributory provident fund. The provident fund shall be deducted at a rate of 9% of basic salary per month after successful completion of 90 days probationary period.

**Employee Contribution**

- Bonus and salary increase is based on the current employee performance and current position.

**Management**

- Always open, transparent and honest
- Centralized administration.
- Modern technology supported



- Employee relations (wages, rates of pay, hours of work, conditions of employment, negotiation, contract interpretation and administration, grievance handling, allocation of overtime).
- Benefits and Services (insurance programs, transportation facility, sick leave pay plans, loan funds, LFA salary, yearly bonus programs along with special bonuses for achieving high targets).

### **Principal Fault Lines**

- The manager of HR expressed his thoughts about the employees who are hired by third party and are working in organization on contractual basis, “we don’t want them, so we are not bound to compensate them equally in comparison with our permanent employees”.
- From our point of view, we see the organization size figures that show there are more than 2000 employees on contractual basis. They make more than 55% of the overall size of the organization. Moreover, not all those employees are much satisfied because of these criteria but they are also a big part of the organization, they are stressed with their job because they are getting only salary, not benefits or any other compensation tools against their work. This thing shows that there is a lack of motivational factor among the contractual employees which may cause increase in turnover rate. These things increase the cost of new hiring and training of new employees. We observed another important point from the prospective of Human Resource practices that in the organization the concept of relational return is not very satisfactory, though this matter a lot in organizations like Warid Telecom Bangladesh Ltd.
- Third setback is that they have some problems with their pay roll; the organization size is more than 1000 employees but they have only four executives who are working for the pay roll and on the compensation. So there are many troubles to run the pay roll accurately and to compensate every one fairly based on their performance.

### **Conclusion**

The levels of compensation in all countries have been rising dramatically over the past few decades. Not only is it rising in absolute terms, but also in relative terms. After observing the total compensation strategy and strategic mapping of Warid Telecom Bangladesh Limited, the researcher brings to a close that their compensation strategies are quite up to date and satisfactory. They endow with an adequate amount of consideration to reduce the turnover rate because of the contractual employees and they can motivate their worker and lead Warid to be a high productive company. So far the researcher has justified all the nooks and corners of compensation structures of Warid Telecom Bangladesh Limited, has identified their Pay structure and total compensation strategy, their employment hierarchy, their mission, vision and values, etc. Some problems are found in that company but by the proposed recommendations, the researcher hopes that the company can very well develop its compensation structures in highly standard form.

## Recommendations

- Warid Telecom Bangladesh Ltd should focus on the contractual employees, needs to motivate them by compensating fairly and make them understand that what they are getting is fair enough.
- They have to provide them some necessary benefits, bonuses and incentives according to their J.D.
- Warid Telecom Bangladesh Ltd should have to start some career development programs to attract and retain most valuable employees. If the employees feel that they have some career growth in the organization then they will be motivated and remain loyal to the organization.
- The HR Department must also forecast long-term Human Resource needs.
- It is also found that no referral bonus was given to contractual employees who were competent, skilled and knowledgeable candidates. The HR Department must convince the higher management to give such bonus, which will not only motivate the employees but also the organization can in this way get competent, skilled and experienced worker. They will, in return, contribute to the success of the organization.
- The HR Department of Warid Telecom Bangladesh Ltd must clearly communicate its promotion policy to all the employees.

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