**Compensation and benefits management**

**CASE STUDY:-**

The case discusses the compensation management practices at Tata Consultancy Services Ltd. (TCS), one of the leading Indian IT companies. TCS' compensation management system was based on the EVA model. With the implementation of Economic Value Added (EVA)-based compensation, the salary of employees comprised of two parts – fixed and variable. The variable part of the salary was arrived after considering business unit EVA, corporate EVA, and also individual performance EVA. During the fourth quarter of the financial year (FY) 2007-2008, TCS announced its plans to slash 1.5 percent of the variable component of employee salaries since its EVA targets for the third quarter of FY 2007-2008 were not met The announcement came as s jolt not only to TCS employees but also to the entire Indian IT industry. The company came in for severe criticism and it was accused of not being transparent with respect to EVA calculation. However, some analysts felt that the pay cuts were a result of the macroeconomic challenges that the Indian IT companies were facing -- rapid appreciation of the rupee against the US dollar and the recession in the US economy (USA was the largest market for the Indian IT companies)

**Issues:**

» Analyze TCS' HR practices with respect to its policy related to compensation of its employees.

» Discuss various concepts related to compensation management. » Discuss the importance of variable compensation in light of its ability to motivate employees and enhance organizational productivity.

» Discuss the pros and cons of the EVA-based compensation management system and also analyze EVA as a performance measurement tool.

» Understand the rationale behind the cut in the compensation of the employees at TCS.

» Understand how macroeconomic variables could affect a company's HR policies.

» Appreciate the importance of HR goals and strategies in the success of an organization

**VIDEO:-**

<https://www.youtube.com/watch?v=MTtTvsgcEO8>