

11064 Human Resource Management (ST 2010)

Final Exam

Examiner: Dr. Fan Wu

Name: _____
 Student ID: _____
 Study Program: _____

You will find the problems for the exam below. Before you start answering the questions, please consider the following general advice:

1. Use the theoretical tools and terminology you have learned in class and from the textbook.
2. When answering essay type questions, make sure there is a clear structure in your argument.
3. Use the time you have! If you are ready much earlier than we planned you should ask yourself whether you forgot something.
4. Remember: people have to be able to decipher what you write.
5. Leave a margin for our comments, so we can give you a more detailed feed-back than just the number of points.
6. You have **1 hour to reach a maximum of 80 points**.
7. You should solve Problem 1 and select two problems from Problems 2 – 4. That is, all together you should solve **three** problems.
8. Make sure that you turn in this problem set as well as the exam paper at the end of the exam.

You are welcome to use a non-programmable calculator.

Good Luck!

Problem 1: Multiple Choice (max. 20 points)

Please check only **one** answer per question. You will get four (4) points for a correct answer. In case you check a wrong answer two (2) points are deducted. For not answering a question (not checking anything) you will get zero (0) points for that particular question. That means: consider your answers carefully.

- i. Which of the following general evaluation policies might not foster co-operation among employees?
 - a) 360-degree evaluations.
 - b) Including teamwork as a detention in evaluation forms.
 - c) Making team output a part of individual evaluation.
 - d) Evaluation by a supervisor.

- ii. You are the personnel manager of Best Plumbers GmbH and are looking for new plumbers. The pool of plumbers available is described by the table below. Plumbers in the pool differ in terms of productivity. Assume further that each plumber is paid a straight salary of 20,000 € a year. What is the maximum you should be willing to spend on screening for each applicant in this pool of plumbers?

| Plumber-Type | A | B | C | D | E |
|---|-----|----------|--------|---------|---------|
| Share of Plumber-Type in the Population | 0.1 | 0.2 | 0.3 | 0.3 | 0.1 |
| Average Annual Output of respective Plumber-Type in € | 0 | -160,000 | 50,000 | 200,000 | 150,000 |

- a) 32,000 €
- b) 36,000 €
- c) 38,000 €
- d) 42,000 €

iii. Job authority structures have an influence on the probability of α and β errors. Which of the following statements is true?

- a) Flat structure minimizes the probability of α errors.
 b) Hierarchical structure minimizes the probability of β errors.
 c) Flat structure minimizes the probability of β errors.
 d) Second opinion structure minimizes the probability of β errors.

vi. Codetermination provides the employees the following rights:

- I veto rights if decisions at stake have no direct impact on workers.
 II decision rights if decisions at stake have direct impact on workers.
 III veto rights if decisions at stake have direct impact on workers.
 IV information rights if decisions at stake have no direct impact on workers.

- a) I + II
 b) I + III
 c) II + III
 d) III + IV

v. Assuming a mandatory retirement age of 67 years and an interest rate of 5% p.a., calculate whether the following investment is beneficial for the firm: Ed is 63 ($t=0$) and is planned to take part in a one-year training program. Due to the rather firm specific human capital he accumulated over the years, he has no outside options. The training would incur costs of € 2000 for the firm. After the one-year training, Ed's yearly productivity is supposed to increase by € 1000 over his remaining work life. Should the firm send Ed to the training program?

- a) Yes. The value of the training is € 3000, which is greater than the training cost.
 b) Yes. The value of the training is € 2723, which is greater than the training cost.
 c) No. The value of the training is € 1937, which is smaller than the training cost.
 d) No. The value of the training is € 2697, which is greater than the training cost.

Solve 2 out of the following 3 problems:

2. Tournaments (max. 30 points)

Describe the logic which is underlying the tournament model and explain how this model is applied to promotions in a firm. What does noise/luck mean in this context and how does it influence the worker's level of effort? Explain. What are possible remedies for the firm if luck/noise is an important factor? You are welcome to use your own examples.

3. Buyout Plans (max. 30 points)

Assume that due to a bad economic situation, your customers change their buying behavior; they simply do not bring in as much revenue as before. You will need to downsize your firm's labor pool in order to decrease the labor costs. The older employees of your organization seem to be the least productive ones and you will therefore offer these employees a buyout plan which will induce them to leave the firm voluntarily. The following data is available for you:

| Age | Present value of decreased productivity PV(V) | Present value of wages P (W) | Present value of alternatives PV(A) |
|-----|---|------------------------------|-------------------------------------|
| 60 | 58500 | 60000 | 57000 |
| 61 | 57000 | 58200 | 56250 |
| 62 | 54000 | 56100 | 54300 |
| 63 | 51000 | 54600 | 51750 |
| 64 | 48000 | 52800 | 49500 |

- a) Explain which variables determine a firm's buyout offer and when such an offer will be accepted by employees.
 b) Apply these general conditions to the given case. Calculate how the buyout offers for each specific age group would look like and show what would happen accordingly.

4. International HRM: Staffing Policies (max. 30 points)

Name and explain the three possible international staffing policies. Explain when and why each policy might be chosen. Discuss also the typical components of international (expatriate) compensation packages.