



11064 Human Resource Management (ST 2012)

RETAKE Final Exam

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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 feedback 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 *only* two (2) problems from Problems 2-4! That is, all together you should solve three (3) problems!
8. Make sure that you turn in this problem set as well as the exam paper at the end of the exam.
9. You are welcome to use a dictionary and a 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. For an incorrect answer or not answering a question (not checking anything) you will get zero (0) points for that particular question.

i. When it comes to property rights, the four basic types of rights are:

- I the right to use an asset
- II the right to sell an asset
- III the right to take earnings from an asset
- IV the right to use and change an asset

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

ii. XYZ International employs 40 marketing associates. It is expected that within a year, one of the marketing associates will be promoted to the rank of a senior associate. The job responsibilities of the senior associate are exactly the same as those of marketing associates. However, a senior associate has a 25% larger cubical than other marketing people, she also receives a 25% greater base salary, a 25% bigger desk and even her chair is 25% bigger. In this firm workers are paid straight salaries; the only reward for good performance is promotion to the senior associate level. Suppose the worker with the most sales by January 31 is promoted. The incentive effect of this tournament are the greatest when:

- I The employees consider the 25% increase in wage and benefits large.
- II All marketing associates believe that their ability is about the same as the ability of their colleagues.
- III A typical sale is relatively small so that each marketing associate works on hundreds of unrelated sales every year.
- IV A typical sale is relatively large so that each marketing associate works only on few unrelated sales every year, i.e. a lucky employee can strike the deal of her life.

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

iii. Which of the following statements on decision right assignment is correct?

- a) If the firm is facing a payoff structure with small upside and small downside, then a hierarchical decision making structure should be used.
- b) In the case of a payoff structure with large upside and small downside, flat decision making structure is an optimal choice.
- c) If the payoff structure is symmetric, then hierarchical decision making structure is recommended.
- d) None of the above statements is true.

iv. Employees are more likely to demand power in an organization, if:

- I they have acquired a lot of human capital.
- II there are no unions.
- III they experience upward sloping incentive contracts (age-earnings profiles).

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

v. 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.

Please, solve *only 2* out of the following 3 problems:

Problem 2: Hiring the right people (max. 30 points)

You must decide whether to hire another secretary, whose output is easily measured or merely to install Voice Processor, which is new and extremely reliable voice recognition software, and employ existing secretaries. A secretary costs 800€ per month and Voice Processor, which can only be rented, costs 500€ per month. Voice Processor yields 6,000 pages of output per year. The firm is only planning to be in business for one more year.

- a) If a new secretary produces twice as much output (correctly typed pages) as Voice Processor, should the firm hire the secretary or rent Voice Processor? Please show your calculations.
- b) Suppose you find out that the single dealer renting Voice Processor happens to be your roommate from college. As your former roommate is highly interested in renting out as many of the Voice Processors as possible, you are offered a special deal of 450€ rental costs per month. Will you take the offer or will you renegotiate? How high can the rental costs maximally be so that you rent Voice Processor instead of hiring a secretary?
- c) Now suppose that half of the secretaries are twice as productive as Voice Processor, but the other half are only equally productive. Productivity can be ascertained only after a four-month period. Neither firms nor secretaries know the productivity before work occurs. Describe what the firm should do now!

Problem 3: Job definition (max. 30 points)

- a) Which tasks should be grouped together into a job? Name and explain three general rules.
- b) Which impact do the following factors have on the decision of either fitting the job to the person or the person to the job:
- Identification of skills before hiring is impossible
  - General or task-specific skills of workers
  - Variety of jobs in the firm (variety of positions is available)?

Problem 4: Agency Relationships (max. 30 points)

In Human Resource Management most decisions are interactive.

- a) Explain what is meant by an agency relationship.
- b) Given the economic assumptions on human behavior, highlight the fundamental problem underlying this relationship and name and explain the behavioral risk(s) that might result from this problem.
- c) In the context of Human Resource Management, how can these risks be overcome in reality?