

MGT 501
Spring Semester 2009
Assignment # 01

Please read the following instructions carefully before attempting the Assignment.

- Read the given case carefully & then answer the case related questions at the end of the case.
- The case questions are in the form of MCQs, each carrying 2 marks.
- **Due date** for assignment submission is **Friday, June 12, 2009**.
- Read the case & questions carefully and select the most appropriate answer for each question.
- Avoid selecting two choices for one question. The double options will be marked **zero**.
- All instructions will be considered while marking, so be careful while solving the assignment.
- **Use only MICRO SOFT EXCEL FILE (.xls file format). Its link is given on LMS announcement page.**
- Do not submit your assignment as a PDF, image, HTML, Notepad, WordPad or MS-Word file; it will be marked as **ZERO**.
- In the “*Correct Option*” column, write down only the **option number** (e-g A, B, C, D) against each question number which you consider is the correct one.
- Upload only the answer sheet in **EXCEL FILE** on VULMS. Don't upload the whole assignment.
- Cheating or copying of solution is strictly prohibited; **No credit will be given to copied material.**
- **Once you upload the quiz on LMS, it will not be replaced in any case after the due date.**
- In case of any failure with system, you can send your solution file via email at mgt501@vu.edu.pk within due time. No email from personal e-mail accounts (e.g. Yahoo, Hotmail, Gmail etc.) will be accepted.

Case study:

Nearly 10yrs ago Ali & Usman opened a small chocolate shop named as 'Royal Chocolates'. Royal Chocolates manufactured high quality chocolates for all special occasions. All the chocolates were manufactured & sold on the premises of the two owners (Ali, Usman). Mr. Ali was responsible for the production & finances while Mr. Usman took care of sales & advertising. At first, both were the only full-time employees & part-time help was used during peak business seasons. However, the demand for their chocolates grew & the business soon became successful beyond their optimistic expectations.

As the firm grew, Ali & Usman expanded their retail & manufacturing facilities & hired 15 full-time employees. All employees, except the proprietors, were paid on an hourly basis slightly above the federal minimum wage rate. Despite the low wages, the firm was able to attract dedicated employees who enjoyed working in 'Royal Chocolates' small & cohesive environment. Part-time employees were still used to help the full-time employees when needed. However, some of the part-time employees were lacking in aggressiveness & initiative that a small, but growing business required. As Ali put it, some of the workers in the production area seemed to be lacking in performance. Often shelf inventories of chocolates that were especially popular with the customers would be depleted. In addition, some of his sales persons' help would fail to report for work or would call in sick. Turnover among part-time help was high & both Ali & Usman felt that the firm's pay policy might be contributing to their personnel problems.

Ali decided to institute a 'piece-rate' plan whereby production workers would be paid a bonus for packing more than 75boxes of chocolates per hour. In order to ensure quality, production workers were penalized for every box containing smashed or imperfect chocolates that the quality control workers rejected. He hoped that this incentive system would help maintain inventory levels without sacrificing quality. Unfortunately, the plan was a failure because nearly all the production workers complained that the incentive system was too demanding & making extra money was difficult. Royal Chocolates' problems were compounded when its sales personnel complained that they were forced to accept a straight hourly wage with no chance for any incentive bonus. The production workers, in turn, claimed that they were not compensated fairly relative to the sales workers because sales personnel worked in pleasant surroundings whereas; production workers had to endure heat, noise, & greater safety hazards. A number of workers also claimed that wages in other companies in the community were much higher than those at Royal Chocolates.

Royal Chocolates recently received a visit from a state labor department's representative who threatened the company owners for violating the wage & hourly wage law. It appears that Royal Chocolates had failed to pay overtime to employees who worked over 40 hours during the week during peak seasons. Between the employee about pay, the legal problems, & the paper work that Ali is required to fill out for the state & federal government, he is beginning to wonder whether being a small business owner is worth the headaches. His headache became even worse when he began trying to figure out how the Reform Tax Act was going to affect his business & its tax situation.

Questions:

- Q1.** Which of the following method was adopted by the Royal Chocolates to achieve optimum production level in order to meet customers' order during peak seasons?
- A. Training to existing workers to enhance their performance
 - B. Hiring the part-time workers to share the work burden
 - C. Installing high-tech manufacturing machines for efficient completion of orders
 - D. Outsourcing the orders to local bakery to fulfill customer orders timely
- Q2.** Royal Chocolates was succeeded to develop the taste for its chocolates & candies among the masses and hence planned to expand its business; which of the following tactic was adopted by the company owners to expand their business?
- A. Opened an international outlet abroad
 - B. Borrowed bank loan to install the manufacturing machinery
 - C. Developed an alliance with one of the local bakeries
 - D. Hired full-time workers to meet the increased amount of customers' orders
- Q3.** What kind of compensation policy was offered by Mr.Ali & Mr.Usman, the company proprietors to their full-time workers?
- A. Market match policy
 - B. Market lag policy
 - C. Market lead policy
 - D. Minimum wage rate policy
- Q4.** According to the mentioned case which of the following employee category was not given their full potential to the company?
- A. Contingent workers
 - B. Full-time workers
 - C. Production head
 - D. Sales & Advertising head
- Q5.** How did part-time workers respond to the company's pay policy of hourly wage rate?
- A. It boosted up them to show better performance
 - B. It raised the intense competitive environment among part-time & full-time workers
 - C. It lowered down their performance as considered inappropriate by the workers
 - D. It had failed to show any significant change in the workers' performance
- Q6.** Which of the following best reflects the workers' reaction towards the newly set performance targets by Mr.Ali?
- A. Widely appreciated by all the company workers
 - B. Created chaos & displeasure among workers
 - C. Free-riders got scared as it might indicate their low performance
 - D. Failed to get any sort of response from the workers

- Q7.** Why Mr.Ali had introduced a ‘piece-rate pay plan’ & offered a bonus for ‘zero-defect’ packaging of 75 boxes of chocolate?
- A. To identify free-riders among all the workers of the company
 - B. To fulfill the customer orders timely in order to improve company image
 - C. To beat company’s competitors by being more efficient
 - D. To change existing employees regarding the current pay plans
- Q8.** How did the newly instituted ‘piece-rate’ pay plan affect the employees’ performance?
- A. Enhanced the workers’ performance as perceived by the company’s proprietors
 - B. Created a chaos among the low performers as they would be the only ones in the loss
 - C. Developed the perception that it is impossible to get bonuses due to unattainable targets
 - D. Resulted in multiple pay rates that has increased burden on finance personnel
- Q9.** As per the given situation how the standard ‘hourly wage rate’ was evaluated by the workers of both production & sales departments?
- A. Ensured equity by equally paying all the workers irrespective to the departments
 - B. Unjustifiable to pay all employees in the same manner due to different working conditions of the departments
 - C. Equal pay rates provided a cushion to free-riders to hide their low performance
 - D. Created a competitive environment that ultimately resulted in boosting the employees’ performance
- Q10.** What sort of violations had been made by Mr.Ali that were pin pointed by the government representative of labor department during his visit to the Royal Chocolates?
- A. Their compensation package was not fair enough to accurately reward employees’ working hours
 - B. Organization was unable to ensure affirmative action enforced by the government
 - C. Number of employees’ harassment cases had increased to an alarming extent
 - D. No measures had been taken to ensure workplace safety that led to increased number of workplace accidents
- Q11.** How the already set performance target, discussed in this scenario, can be redefined to improve workers’ efficiency?
- A. The existing target is an appropriate one; workers are making lame excuses just to refrain from putting efforts
 - B. Reward the employees only on ‘zero-defect’ packaging of chocolate boxes
 - C. Quantity of manufactured chocolates should be the parameter of assigning bonuses to workers
 - D. Bonuses should be allocated on the successful production as well as accurate packaging of chocolates & candies

- Q12.** In order to effectively motivate the sales persons of the Royal chocolates, which could serve as the best pay plan?
- A. 'Commission' allocated on each sold chocolate box to motivate sales people
 - B. 'Piece-work' pay plan to sell more boxes of company's chocolates
 - C. 'Plant-wide' incentives to reward all the sales personnel for enhanced profits
 - D. 'Competency-based' plan to appreciate the sales persons' knowledge of product & market
- Q13.** What measures can be adopted by the Royal's entrepreneurs to make the 'piece-rate' plan more effective for the workers?
- A. Minimize the set target from 75 boxes to 30 boxes of chocolates which is easily attainable by all the employees
 - B. Increase the targets from wrapping 75 boxes to 100 boxes of chocolates to get optimum performance level of employees
 - C. Shrink employees' lunch breaks to half an hour in order to increase the working hours of the production department
 - D. Keep the performance records of each individual to indicate his/her output level on regular basis
- Q14.** In the light of given case, which could be the most effective pay plan for production workers?
- A. 'Piece-rate' pay plan to ensure 'zero-defect' manufacturing of chocolates
 - B. 'Seniority-based' pay plan to more experienced & senior employees for serving the Royal Chocolates
 - C. 'Profit-sharing' pay plan by equally distributing company's profits among all the workers
 - D. 'Commission' allocated to the production workers as their produced items got sold
- Q15.** What do you suggest to the Royal's owners in order to compensating employees of both production & sales departments, fairly?
- A. Paying more to production workers as they are directly involved in creating product's image
 - B. More profits can be generated through excessive sales, therefore, pay more to sales personnel
 - C. Thoroughly conduct job analysis for both the departments & then assign rewards in accordance to the task complexity & job worth
 - D. Equally pay to all the workers as it will result in workers' satisfaction

BEST OF LUCK