

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma in Business
Advanced Level

HUMAN RESOURCE MANAGEMENT

5175/01

Optional Module

October 2005

2 hours 15 minutes

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

The time allocated for this examination includes 15 minutes reading time.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Attempt **all** tasks.
Start each task on a new piece of paper.
Please leave a margin on the right and left hand side of each new page.
At the end of the examination, fasten all your work securely together, in the correct order.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **4** printed pages.

You must read the case study below and attempt ALL the tasks that follow.

[The following case study is fictitious]

Bikz Ltd

Bikz Ltd had at one time been the major producer of bicycles outside of Europe. They had been major exporters to China and had in excess of 10 000 employees working at five different sites. In 2001 the company had made the decision to diversify into motorised bicycles in the form of small motorbikes and scooters.

The decision to diversify also led to changes in how the business was organised.

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Each of the five factory sites has been adapted to specialise either in scooters, motorbikes or bicycles. This was a strategic decision made by Head Office, which also made all the strategic human resource decisions. Each factory site was then expected to run at a profit and make its own decisions within the framework given by Head Office. This meant that the Human Resource (HR) specialists at each factory made all operational HR decisions, with further delegation to particular line managers for specific issues.

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It is now October 2005 and Factory One has just received the following memo from Head Office. The instructions are to post it on the staff notice board and after two days to call a meeting to explain what will happen next.

Memo - 1 October 2005

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Due to a sudden and large decrease in the sale of bicycles, the following changes are to be made at this factory – Factory One.

- *All bicycle production will be replaced by scooter production within three months.*
- *All operational HR matters will be transferred to Head Office.*
- *The workforce will be cut by 20% but those remaining will be retrained to produce scooters.*
- *The permanent contract that everyone has will be replaced by a temporary 1-year contract that will be reviewed at the end of each year.*
- *Shift and flexitime working with casual work will replace Day work.*
- *All staff will be paid on a piece rate basis with a bonus for production targets instead of the present fixed salaries. Sick pay will no longer be payable.*
- *All fringe benefits such as subsidised meals and reduced rates for the company's products will be stopped.*
- *Communication in future will only be via a company notice board. All formal consultation and negotiation systems such as the workers council and workers directors will be stopped until further notice.*

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The trade unions are obviously extremely annoyed by this memo and the workforce is frightened of losing their jobs. The 'Guild of Bicycle Manufacturers' and the 'Local Management Consortium' (a group of local business people) are also concerned about these proposals.

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The unions believe that the workers have a number of rights and cannot be treated in this way. In addition, the skills required for the production of scooters are not available in the area. There is a high percentage of unskilled labour predominantly in the age range of 50 to 60. The unions believe that the best way forward for Bikz Ltd is to gradually phase out the bicycle production while retraining the workers to give them the skills to produce scooters. This general transition, if backed by an open system of communication and a formal consultation and negotiation system, should avoid any bad feeling or loss of jobs, thus maximising the company's production and minimising their costs. 40

You must attempt ALL of the following tasks

- 1 (a) Describe Head Office's original centralised Human Resources policy and explain how this changed in 2001. [10]
- (b) Explain the effect that the change to the management of HR in 2005 may have on Bikz Ltd. [10]
[Total: 20]
- 2 (a) Explain the influence that the 'legal environment' is likely to have on the most recent (2005) proposals of Bikz Ltd. [10]
- (b) Explain the effects that the local labour market and external organisations might have on the plans of Bikz Ltd. [10]
[Total: 20]
- 3 (a) Explain the alternative approaches Bikz Ltd. might take to reduce the number of workers at Factory One. [10]
- (b) Explain the proposals that Bikz Ltd. have made for different employment contracts at Factory One. [10]
[Total: 20]
- 4 (a) Discuss the effect of removing the information, consultation and negotiation systems at Factory One. [10]
- (b) Explain the potential impact of changing the working patterns at Factory One. [10]
[Total: 20]
- 5 (a) Explain the proposals made in the 2005 memo to change the methods of payment and reward. [10]
- (b) Analyse the effects that all of the proposed changes by Bikz Ltd. might have on the motivation of the workers at Factory One. [10]
[Total: 20]

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