UTILITY ANALYSIS OF SELECTION PROCEDURES

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Part A

1. U = 250*.35*12,400*.64 – 250*(25/.33)
   U = 694,400 – 18,939
   U = +$675,461
   Junk is beautiful will experience a 675,461 dollar gain in productivity from using this method.

2. U = 250*(.35 - .12) *12,400*.64 – 250*([25-10]/.33)
   U = 250*.23*12,400*.64 – 250*45.45
   U = 456,320 – 11,362.50
   U = +$444,957.50
   Junk is beautiful will experience a 444.957.50 dollar gain in productivity as a result of the math test and customer service work sample implementation.

3. Ns (.23*12,400*.64) = Ns ([25-10]/.33) + 2,500
   Ns 1,825.28 = Ns 45.45 +2,500
   Ns 1,825.28 – Ns45.45 = Ns 45.45 – Ns 45.45 +2,500
   Ns 1,779.83 = 2,500/1,779.83
   Ns = 1.40
   The hiring of lead hands would have to drop to 1.4 hires per year before it no longer pays to implement the programe

4. U = 250*.55*12,400*.64 = 100,000
   U = 1,091,200 – 100,000
   U = +$991,200
   Productivity gain = 991,200 – 675,461 = 315,793
   Junk is beautiful will experience a 315,793 dollar gain in productivity using the management firm's selection procedure

5. 250/.33 = 757.60 applicants + 350 = 1,107.60
   250/1,107.60 = .23

   U = 250*.23*12,400*.90 – 250*([25-10]/.23) + 7,500
   U = 641,700 – 23,804.35
   U = +$617,895.65
   Junk is beautiful should spend the additional money on recruitment as it is worthwhile because it has a positive utility. Thee first equation was compared to the random selection method which is not realistic.

Part B

1. U = 50*.45*9,600*1.5 – 50*(3,000/.2)
   U = 324,000 – 750,000
   U = -$426,000
   Junk is beautiful will experience a $426,000 dollar loss if they use this method.

2. U = (50*5)*.45*9,600*1.5 – (50*[3,000/.2])
   U = 1,620,000 – 750,000
   U = +$870,000
   Junk is beautiful will experience a 870,000 dollar gain in productivity over 5 years using the implementation of the assessment centre

3. T=C/B
   T = 750,000/324,000
   T = 2.3
   It will take 2.3 years to break even on assessment centre investment for the 50 employees.