

Hr activities: nestle, pakistan



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Abstract

The research pursues an eminent theme of human resource management, “the costs and benefits of human resource activities in an organization”.

Importance of the HR-activities in an organization can not be underestimated, as the HR-activities directly or indirectly influence the performance of the organization. The following research will study the costs and benefits of HR-activities and its long-term and short-term influence on the performance of Nestlé, Pakistan. The study will be useful in those organizations which prospect an increment in the performance related to the HR-activities. The study will also identify if which activities are beneficial and less cost incurring for the organization, and how managers can make the investment decisions regarding the HR-activities. The positivism along with qualitative method of research have been adopted for the study, data will be collected from primary and as well as secondary resources. Research will be pursuing the objectives of the study and will contribute to the vast subject of human resource management, namely the Human resource activities, the costs and benefits associated and its influence on the performance and management decisions.

1. Introduction:

1. 1. Nestlé: The Case under Discussion

Nestlé headquartered in Switzerland, is a multinational organization carting the human needs and having its substantial presence in more than 86 larger countries of the world. Nestlé has been serving Pakistani consumers since 1988. With market capitalisation increasing yearly at average rate of 28% till 2008, Nestlé Pakistan having great diversity of workforce, employed 2377

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people in 2008, with a net profit of 3005 (PKR) billion, which grew by 94% in 2009, Nestle shared 20.7 % of its profit to its employees in 2009. Nestlé Pakistan has designed a number of programs to develop the human resources activities e-g world-wide training programs, benefit and compensation programs, adoption of new technologies etc. The following research will look into the costs and benefit of HR-activities of Nestlé Pakistan, how these activities are conducted, invested and developed to achieve the objectives of the HR-unit and organization as a whole.

1. 2. Background

Good people produce good customers; is the philosophy of modern era. Efficient and effective human resources are vital for the successful organizations. An organization is said to be exultant if its human resources activities enhance its performance. It is very difficult task to manage the human resources in competitive and challenging environment. Organizations should consider specific proportion of the profit for investment in Human Resources to achieve high returns.

Human resource activities mean the actions performed within all functions of the human resource management. Usually Human Resource activities include Payroll, Benefits, Recruiting, Training, Labour Relations, and Human Resources Information Systems. The reason of the following research is to study the costs and benefits of the HR-activities of Nestlé, Pakistan, to know that how Nestlé develop and use its HR-activities to run its business successfully. What value the HR-activities are adding towards the Nestlé.

1. 3. Rationale

HR activities play key role in the development of organizational performance. So investment in Human Resource activities is an important decision to achieve the various objectives of the organization. However, investing without setting the clear objectives can prove to be disastrous for the business. Cost-benefit analysis should be kept in consideration before making the investment plan for HR-activities. Nestlé has strived to achieve the best results through the strong strategies related to the investment in HR-activities. The intention to conduct this research is to explore the issues related to the costs and benefit of HR-activities at Nestlé, how Nestlé develop its cost-benefit analysis, how it makes its HR related decisions and to what extent these decision are successful.

Nestlé has to evaluate the cost and benefit of an activity before investing in it, e-g should Nestle invest in training of existing employees or recruit new people with the required skills. To know whether to invest in the training program or in the recruitment program, organization must project the costs and possible benefits of the both HR-activities, and then take the relative decision.

The research will probe that how Nestlé decides about the human resource activities, how it considers the costs, benefits, and how it decides that whether the activity will be outsourced or will be performed within the organization. The research will be helpful to the small and large organizations working in the same industry. It may help managers about how to decide about investing the different HR-activities and what could be the

possible choices and ways they can perform these activities, and which activities can be beneficial and less cost incurring.

The research has been divided into five sections, after covering the detailed introduction, the next section will discuss the preliminary review of the literature, and the third section of the research will cover the methods.

Fourth section of the research will consist of the interpretations and findings and fifth section of the research will comprise of the discussion, limitations and recommendations.

1. 4. Research Question

The research will focus on the costs and benefits of the human resource activities at Nestlé, Pakistan. Hence the research question is, “ Why to invest in the HR-activities, the costs and benefits of HR-activities at Nestlé Pakistan”.

1. 5. Aims and Objectives

Besides pursuing the research problem, the research will pursue the following aims and objectives:

To elaborate that which human resource activities are being conducted at Nestlé.

How these activities affect the overall performance of Nestlé.

To investigate that how Nestlé make investment decisions about different HR-activities

To explore that how much human resources costs to Nestlé and how much return the it is getting back from these activities in both monetary and non monetary terms, and which are the activities giving higher return and incurring lower costs at Nestlé

To describe that how Nestlé , Pakistan is deciding about the HR-activity, whether it is out sourcing the activities or performing it within the organization

To discuss the issues related to human resources at Nestlé

To achieve the following objectives, firstly research will study the organization (Nestlé) thoroughly, its HR Unit, and HR-activities will be studied deeply, and related data will be gathered from available resources to achieve research objectives.

2. Preliminary Review of the Literature

Human resources are the part and parcel of the management from the day of commencement of the idea of a business; According to Guest (1997) human resources are required to carry the business activities of the organization. In the past, HRM was known as the personnel management. However, with the advent of humanistic movement the concept of personnel management was broadened and it covered many other aspects which were not included previously in the subject. It was the time when HRM was realized as a vital part of the business to sustain. It was the time when researches on recruitment, wages, leave and leisure were revised, Employees and employer's relations were redefined and concepts of monetary benefits for the workers were introduced with social benefits.

Today human resources are considered the most important asset of an organization and the philosophy of having “ good human resources” is vital to ensure the good customers and better performance of the organization.

2. 1. HR Activities:

Human resource activities are the functions and actions performed within the business by the people of the organization. Armstrong (2006) conducted a study; the purpose of the study was to analyse the importance of the activity and suggest the HR-managers to evaluate the benefit of the HR-activity under consideration. Human resources in any organization have to perform some stereo type functions like Payroll, Benefits, Recruiting, Training, Labour Relations, employees planning, selection, interviews, placement, transfers, development and Human Resources Information Systems etc., and a crucial practice is to calculate the benefit of each single activity, because every organization incurs a cost on each HR-activity.

The justification of the existence of the activity must be provided. In the broader perspective it is one of the basic jobs of HR department in the recent era of high competition to justify the existence of a particular activity to interpret the costs incurred and benefits gained out of the activity. Study concluded that without calculating the benefit for a HR-activity, organization may invest or incur cost on a wasteful activity and benefit out of that activity may be less than the cost incurred. Managers should first conduct the cost-benefit of the activity; this way organization minimizes the wastes.

2. 2. Why to invest in HR-activities?

There might be an argument as to why invest in HR-activities, which activities to be invested in and why? Amit and Shoemaker (1936) conducted a study according to which, human resources becomes the invisible tools to promote the organization and develops the core competencies.

According to Becker et al. (2001), the purpose of the study was to know that how investments in HR-functions create value through out the organization. It directs the managers to project that which activity should be invested and why. Managers should clarify their goals before embarking on costing a project to ensure that the return over the investment exceed the cost. The more worthwhile activity according to the authors is “ to calculate the cost-per-hire or to determine the most effective way to increase employee competencies (training) in a certain area”; HR-score card can also help managers to identify the most salient HR achievable(s) and deliverables.

These elements should be primary focus of cost-benefit analysis of the HR-activities; strategic importance, financial significance, widespread impact, links to a business element of considerable variability, focus on a key issue, problem, or decision facing line managers. Study concluded that the HR-activities influence the over all performance of the organization, so when investing in these activities managers should keep in view that how a particular activity will be beneficial for the organizational performance and for its long term and short term objectives.

According to Arthur (1994), the role of HR-activities for the organization is very crucial. This causality may or may not be calculated in term of money

only. The monetary or non-monetary aspect of the correct selection of the activity could lead towards the corresponding performance of the selected activity and the benefit towards the organizational goals. For example, the training cost incurred on an employee can be seen as expenditure but when these employees help the organization to have a competitive advantage, it is not calculable in terms of money only, but it will enhance the performance of the organization may be in terms of higher quality of the product, higher productivity, lower absenteeism, lower turn over or greater satisfaction from the job. So the research concluded that it is necessary to invest into the HR-activities. However; According to Barney (1986), organizations that compare the costs and benefits of these HR activities, Should keep into consideration that the benefits out of the HR-activities will be received into the future.

2. 3. Cost-benefits of HR practices:

All HR practices involve a substantial level of costing but there is a resultant benefit out of the activities for the organization. The realization of the cost of the whole process or any of the practice therefore may easily be identified but the benefits of the whole process and its parts, are not identifiable just in terms of money but there can be some non-monetary benefits as well, (Becker and Gerhart, 1996).

Boudreau (1990) conducted a research; the purpose of the research was to apply the cost-benefit analysis to HRM decisions. Cost-benefit analysis is a technique through which the decisions regarding the human resources activities can be made. The cost and benefit analysis consist of the relevant cost of the activity and the benefit out of it, which assist in decision making. It is widely used to make consistent, organized and accurate decisions.

Although most of the decision making techniques focus on dollar value but the cost-benefit analysis can be used to improve the decisions and can make usage of the information more effective. Therefore, cost-benefit analysis is a simple method that assists to recognize the positive and as well as the negative outcomes of the decision choices to improve the quality, efficiency and communicability of the decision. The research concluded that the cost-benefit analysis can be used; to justify the expenditure on HR-activities and programs, it can help in improving the quality of the human resources, it can help in decision making regarding the investment in alternative HR-activities (such as training versus selection, or two different compensation systems), it can help in managing the uncertainty and reduces the risk of failure, and it can help in determining that when to invest in human resources and to forecast the outcomes. Further the research concluded that the cost-benefit models are compatible with financial analysis, but they are different from human resource accounting, because it focuses on HR-decisions.

According to Rauschenberger and Schmidt (2005), “ methods that allow estimating the dollar impact of human resource programs are now available to Industrial-Organizational psychologists and other human resource professionals”. These Dollar estimates have been established for numerous recruitment, selection and training programs. But even then the large part of the work has gone unobserved by typical business communities. The human resource professionals and Industrial-Organizational psychologists are unable to communicate their research findings in a clear and credible way to organizational decision makers. The research concluded that Industrial-Organizational psychologists and other technical human resource

professionals should place more emphasis on adequately communicating cost-benefit estimates to managers and other organizational decision makers, to improve the decision making regarding the HR-activities.

Cost-Benefit Analysis can also help in knowing that whether it would be beneficial for an organization the in-house production of its HR-activities or not and what will be the cost-benefit of outsourcing it. Brown and Wilson (2005) have defined the outsourcing as “ the act of obtaining services from an external source”, while elaborating information technology (IT) outsourcing Kern and Willcocks (2000) state that “ outsourcing is the practice of contracting out or selling the organization’s IT assets, people and/or activities to a third party supplier for monetary payments over an agreed time period.”

Patry et al., (1999) conducted a study in Canada to develop and estimate a descriptive model of Human resource outsourcing. Six HR-activities were taken into consideration: Payroll, Benefits, Recruiting, Training, Labour Relations, and Human Resources Information Systems. As per the question that what will determine that whether the organization should outsource the HR-activities are not, the field of the organizational analysis, strategy formulation methods and transaction-cost theory were used. The results of the study indicated that the factors of the outsourcing the HR-activities are specific to each type of activity. Prior experience of the organization with outsourcing the other activities, business stability/instability, and the existing union have a powerful influence over the decision that which activity will be out sourced and which will not be out-sourced. However cost-benefit analysis can also be used to compare the costs of performing the HR-activities in-

house or outsource it, and benefits against the both can be compared to improve the decision.

The previous research has identified many HR-activities but the following research will only discuss the major HR-activities; Payroll, Benefits, Recruiting, Training, Human Resources Information Systems and the costs-benefits of the following HR-activities at Nestlé, Pakistan, in order to achieve the prescribed objectives of the following research.

3. Methodology

It is very significant to plan which data will be useful and how it will be collected to achieve research objectives. The data in the following research follows case study on human Resources. Mostly this research covers qualitative method and will include quantitative, if needed in future to obtain research objective.

3. 1. Data Collection Methods

The following sources are used to collect the data, in order to achieve the objectives of the study.

Primary Research

Secondary Research

3. 1. 1 Primary Research

Primary data will be collected to gather information about the HR-activities and to conduct cost and benefit analysis. The research will assemble the results by the study of Nestlé's website and case studies of Nestlé Pakistan

and will conduct interviews with peoples working in different sections of Nestlé, by online communication, phone calls, emails, instant massaging.

3. 1. 2 Secondary Research

Secondary research will help the researcher to obtain the data which will covers different aspects of the research topics. Following sources will be used to collect the data; online HR journals and articles, newspapers, books, publications of Nestlé, magazines, financial statements, business news letters, articles, annual reports and records.

3. 2. Instruments

The following Instrument will used in the study:

3. 2. 1. Interviews

The research will use online interviews to collect the required data. Following questionnaire will be used to collect latest and effective information about the subject area.

What are the Human Resource activities being conducted at the Nestlé?

What Role the HR- activities play at Nestlé and generally why these activities are important in any organization?

What are, the investment decisions regarding the HR-activities and how they are made?

How costs-benefit analysis is conducted at Nestlé?

What is monetary performance of the organization regarding the HR-activities?

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Which activities are the value additives and less cost incurring?

What are the non-monetary benefits of the HR-activities?

Can these activities be conducted differently? If yes then why?

What innovations can be brought into the ways of conducting the HR-activities?

Does Nestlé need to conduct the activities in a particular fashion according to its operation or it just do it conventionally?

What are the various possible alternatives of the current HR-activities at Nestlé?

Does Nestlé consider the ethical issues regarding its HR-activities?

What is Nestlé's philosophy about the worldly issue “ changing the machines with human beings”?

What are other issues related to the HR activities?

How the issues related to HR-activities are handled at Nestlé, Pakistan?

Does Nestlé consider the cultural constraints, demographics, geographic, various labour laws, environmental constraints, while making policies related to HR-activities?

What cultural, environmental and geographical constraints might affect the HR-activities at Nestlé?

How these constraints are handled?

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3. 2. 1. 1. Interviews’ framework

The interviews have been scheduled as follows, to complete the primary research and to collect maximum information possible related to the following research.

Table: 3. 1. Interview Framework

No.

Interview Date

Interview Time

Interviewee Name

Designation of Interviewee

1

22, September, 2010

12: 00 pm

Raymond Franke

Chief Financial Officer

2

24, September, 2010

3: 00 pm

Uzma Qaiser Butt

Head of Human Resources

3

25, September, 2010

3: 00 pm

Ali Sadozai

Head of Legal Affairs

No.

Interviewee Name

Responsibilities

Discussion Topics

1

Raymond Franke

Manages the finance department, facilitate the investment decisions, sets the profit goals, financial goals, finance the business operations etc.

Investment decisions regarding the HR-activities; how they are made?

How costs-benefit analysis is conducted at Nestlé?

Monetary performance regarding the HR-activities

Value additives and less cost incurring activities

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2

Uzma Qaiser Butt

Head of Human resource department handles all the issues related to the human resources, plan, career development, organizational development, people development, compensation and benefit programs and all HR-functions are handled under her supervision.

What are the Human Resource activities?

Role of HR- activities at Nestle

Non-monetary benefits of the HR-activities

Can these activities be conducted differently? If yes then why &how?

What innovations can be brought into the ways of conducting the HR-activities?

Does Nestlé need to conduct the activities in a particular fashion according to its operation or it just do it conventionally?

What are the various possible alternatives of the current HR-activities at Nestlé?

What is Nestlé's philosophy about the worldly issue “ changing the machines with human beings”?

3

Ali Sadozai

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Looks after and handles all the legal affairs of the company, related to all departments including finance, HR and marketing.

Does Nestlé consider the ethical issues regarding its HR-activities?

What are other issues related to the HR activities?

How the issues related to HR-activities are handled at Nestlé, Pakistan?

Does Nestlé consider the cultural constraints, demographics, geographic, various labour laws, environmental constraints, while making policies related to HR-activities?

What cultural, environmental and geographical constraints might affect the HR-activities at Nestlé?

How these constraints are handled?

3. 2. 2. Other instruments

Required data will also be collected from:

Calculated costs and benefits from HR-score cards (last 5 years)

ROI(s)

Financial statements (2005-2010)

Published Business news letters

Articles

Annual reports and records

3. 3. Sample of the study

As the research is about the case of Nestlé, related to the costs and benefits of its HR-activities, hence the sample of the study is “ Nestlé Pakistan”.

3. 4. Techniques of the Analysis

Due to the most up-to-date information primary research data is considered more reliable and significant. To check the validity of the data, contents of the data will be checked through face- validity technique which involves an expert opinion and the expert opinion will be taken from Nestlé’s Head of Legal Affairs; Mr. Ali Sadozai, after taking the notes from the interview.

3. 5. Strengths of the Methodology

The strength of the research methodology depends upon the relevance with the topic and objectives of the study. The following methodology provides all the relevance provided; the requisite data is retrieved from the quarter concern. As the data is to be gathered from the internal sources of the organization, it is therefore supposed that management and the staff will facilitate with the required data, the best results may be achieved, as the source of the data is quite reliable.

3. 6. Ethical Considerations

As the research focuses on role of HRM in multinational, no ethical issues is involved in the study apparently, however, if during the course of the study any ethical issue arises, then it will be dealt in accordance with the best practices available.

3. 7. Project plan

The research has been planned as follows, and will be completed with the given objectives and concerns. The time schedule will be strictly followed, in order to conduct the research successfully.

S. #

Month(Days)

Task

1.

August 25-30

Introduction

2.

September 01-15

Literature review

3.

September 21-29

Methodology

4.

October 01 -15

Data collection, Analysis

5.

October 18 -28

Conclusion and Finalizing

6.

November 01-15

Proof reading

4. Analysis

Data collected through primary research is usually considered as important because of the high reliable source of the data, besides it also provides up-to-dated information. So secondary data will be used to support the research objectives and primary data will be collected to deeply analyse the issues. The following research will cover the in depth analysis of the issues raised into the research, using primary and secondary sources of data to fulfil the various objectives of the research effectively.

5. Conclusion

The following research will analyse the issues regarding the HR-activities at Nestlé, Costs-Benefits of these activities for Nestlé and for other organizations in general, and will probe that what are the issues which the other organizations working on same level and in same industry might face. The research will then provide the various recommendations and suggestions and limitations of the following research to help the future researcher to increase the effort in the following subject area.