

The hr department of
royal friesland
campina business
essay



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Royal FrieslandCampina(RFC) is a Dutch Dairy cooperative merger between Campina and Friesland Foods, with roots dating back to 1879. It is a market leader in many markets the Food Industry with an annual revenue of 9 billion Euros and over 19, 000 employees. Royal FrieslandCampina ' s products include dairy-based beverages, infant & toddler nutrition, cheese, butter, cream, desserts and functional dairy-based ingredients. In addition to consumer products Royal FrieslandCampina also supplies professional customers, the food industry and the pharmaceutical sector.

Dutch Lady, a very prominent RFC subsidiary has been in operation since 1963 This Royal FrieslandCampina subsidiary started out producing sweetened, condensed milk and now offers an extended range of products for a variety of target groups. Royal FrieslandCampina has a strong presence in Malaysia. The country is the home base of the operating organization Royal FrieslandCampina Malaysia/Singapore/ Hong Kong, which markets dairy products under a variety of brands, of which Dutch lady is the best known.

It is one of Malaysia's most valuable brands ranking 21 on the list of the top 30 and the second most valuable in the food and beverage industry, behind F&N Corporation

The Situation

RFC faces the challenge of attrition in their Asian markets. Even though they have a generally low outflow, they face the problem of retaining their employees, especially from their commercial positions (for e. g sales manager, operations manager, service manager). They are dynamic, fast moving people and therefore they tend to leave the organization more often. In the Asian markets, retaining employees is an issue on an average base, as it is quite easy for people to find a job. People leave the organization due to salary, bonus and education possibilities.

Table 1 Number of Employees 2008-2011, data

Collected from annual reports

Year

Year Beginning

Year End

% outflow

2008

20774

20568

1%

2009

20568

20034

2. 6%

2010

20034

19484

2. 7%

2011

19484

19036

2. 3%

This also leads to the problem of acquisition of the right employees. RFC face the challenge of getting the right people with the right quality and skills in the organization, to replace the ones leaving. Being in a growing market in

Asia, where every organization is looking for the right people, acquiring the right people is difficult. The attractiveness of the organization is a challenge.

The issues in a nutshell

- poor retention strategies
- poor hiring practices
- improper employee review strategies

Implications

With the outflow of people from vital business positions, RFC could be in potential danger, as there will no longer be the right people with the right skills to perform the jobs. They lack a proper process, with very good intent to identify employee needs for the future growth, identifying potential leaders, identifying skill gaps for those people, establishing a skill developing plan, executing them, and measuring effectiveness.

With a poorly functioning human resources department, RFC, could very well be placed in a very uncompetitive position in the marketplace. An ineffective HR management strategy has very severe long term consequences for an organization. It will affect the performance of a business and the productivity levels of employees.

Proposed Strategy.

RFC has decided on implementing a new proposed strategy, a Skilled-Workforce Management Strategy, to improve their HR management.

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Skilled-Workforce Management is referred to as the process of developing and retaining current workers, or attracting highly skilled workers to work for an organization. It is a rising challenge in the modern day of business and management. It is, put in simple words, an evolution process of finding the right people with the right skill to do the right job at the right time. It involves the acquisition and development of fresh blood (new potential leaders) through various means and opportunities. Many businesses fail to highlight Skilled Workforce Management as a vital issue, and therefore fail to perform at their fullest potential, losing out to competitors who focus on Skilled Workforce Management.

RFC aims to implement a 4 step process of Management, involving

-Attract-recruiting new employees

-Develop- training and developing the different skills of the employees.

-Retain-retention of existing employees

-Assess and Plan- assessing the employees and planning appropriately.

(Appendix- table 1)

STEP 1: Attracting the right employee

Contrary to popular belief, higher pay is not the main reason why people choose one job from another from comparable job opportunities. Challenge, growth, significant development or advancement opportunities, effective leadership are all critical considerations for today's people. The best

employees will want to work for an organization that sets high standards in its employment process

RFC plan on hiring Employee through extensive Strategic Workforce Planning, Employer Branding, Executive Searches, and Introduction Programs. Royal FrieslandCampina hire people from different branches, through their biggest brands, known in that location. (for e. g Dutch Lady is a big product brand in Malaysia, which hires over 1000 people every year.) However, Royal FrieslandCampina aims to be known as a renowned Employer Brand, rather than hiring people through their different branches and brands of products. This is known as Employer branding.

The proposed recruitment process follows the basic steps of Workforce Planning, Searching and recruiting. The organization first forms a workforce plan, usually a written/ drawn out plan. It helps the organization understand their current state, forecast employee gaps, assess its requirements and also helps plan effectively to achieve its objectives and goals, which is to increase their added value and that the quality of their milk products is of the best quality.

STRATEGIC WORKFORCE PLANNING

The steps involved in strategic workforce planning are:

Establishing where the organization is heading-having a clear understanding of the business strategy; RFC carries out the action plans with which they want to achieve its Corporate Social Responsibility ambitions. It's CSR strategy foundation involves

a personnel policy aimed at the employee's optimum involvement with the company

a body of agreements, involvement, codes of conduct, policy documents, covenants, reports and certifications that safeguards CSR and sustainability within Royal FrieslandCampina.

an organization comprising the CSR Governance Board, the sustainability coordination team, and four teams responsible for the implementation of CSR throughout the entire organization.

Understanding the future employee demands-the positions required to be filled either internally or externally.

Assessing the current employee inventory-To identify potential candidates in the market to fulfill employee demands

Identifying the employee gaps and strategies to close them- Identifying methods of recruitment, internally or externally.

Implementing the strategies- Carrying out the actions formed from planning.

EXECUTIVE SEARCHES

The organization then performs an Executive Search, mainly for filling positions at boardroom and senior leadership levels. Royal FrieslandCampina will commission an executive search firm to research the availability of suitable candidates in the appropriate field and positions working for related milk product manufacturing companies. This firm matches the requirements

from the workforce plan provided by RFC, and if the candidate is interested in working for the organization, they hold a selection assessment, which involves assessing the potential of the candidate, from resumes and transcripts from previous work experiences. If the candidate is appropriate, he is then hired. RFC aims of being a client of the executive search firm Michael Page.

INDUCTION PROGRAMS

At RFC, the organization holds many Induction programs to welcome the new recruits to the organization and prepare them for their new roles. This is beneficial as provides an introduction to the environment and the atmosphere at the new organization. The induction program involves the introduction to terms and conditions, tours around the organization locations, introductions to members of staff, and specific job training.

ANALYSIS OF RECRUITMENT METHODS

(Performing a force-field analysis on the recruitment methods)

RFC's very extensive recruitment process will enable to identify and recruit the appropriate people for the job. The elaborate workforce planning will help the organization to accurately analyze and identify and forecast skill gaps, and take the necessary steps to close those gaps. It ensures that the organization has the right people in right jobs at the right time to achieve the expected results. It also helps in making more effective business decisions. The use of very prominent executive search firms like Michael Page is very advantageous for RFC as it will improve its brand name across the job

market, attracting the attention of many people, making its name more renowned as an employer brand.

Induction Programs allow the organization to provide accurate information to the new recruits. It helps them to familiarize with the key people of the company. It also instills good working habits. It familiarizes the employee with the work ethics of RFC, and of their ambition to move forward in life with natural dairy nutrition. Good induction programs tend to increase productivity and reduce the short-term turnover of staff. It also aids in creating a friendly environment to work, and the new hire will feel comfortable in working in the new organization. It plays an important role in performance, attitudes and organizational commitment. Good induction programs tend to increase productivity and reduce the short-term turnover of staff. It also aids in creating a friendly environment to work, and the new hire will feel comfortable in working in the new organization. It plays an important role in performance, attitudes and organizational commitment.

However, the process is very costly, costing over €9, 000 per recruit (depending on position), and it is a very time consuming process, with estimated times to take over 3-4 months. Also, a 100% success cannot be guaranteed every time, with a chance of no ideal matches to turn up from the searches.

STEP 2: Developing employee

Skill acquisition and continual learning are not just perks. They are necessities for both the employee and the organization. Satisfying the learning appetite and leveraging employee knowledge to maintain that

competitive edge go hand-in-hand. Businesses must take a much-needed look at the career aspirations of their employee pool as well as assess needed competencies within the organization and respond to them with frequent opportunities for employee development and growth. These can come in the form of continuing education, in-house or external seminars, professional memberships and conferences, and providing coaching or mentoring support.

RFC has its own academy, started in 2005, that provides various forms of training, for example, communication skills training, personal effectiveness, behavioral skills, competence training, etc. It first started in the RFC branch in Netherlands, but has since then been utilized all over the world, in all the branches. Trainers fly in from the main academy office to the specific branch and set up a training camp/workshop of about 4 weeks, where they train and develop the specific attributes of the employees. The academy's main objective is to make sure the training received by the employees, is of high quality.

The Academy is divided into 4 programs, the Royal FrieslandCampina Capability programs, Behavioral capability programs, Management and leadership programs, and the functional capability programs.

Royal FrieslandCampina capability program involves training for

Project & Portfolio Management- the employees are helped in practicing proper discipline of planning, organizing and controlling resources to achieve their goals

Performance Management- training is provided on performing activities which ensure organization goals are consistently met efficiently.

Goodness of Dairy- like in school, the employees are taught about the different products sold at RFC, their ingredients and their chemical compositions, their benefits etc.

The Behavioral capability program is responsible for personal skills and characters. It involves the training for

Time management- Employees are provided training in planning and exercising control over the amount of time spent on specific activities(production, Research and Development, sales etc) so as to increase efficiency

High Quality Team Work- training, along with activities are provided to increase the quality of the workforce working together to meet objectives.

Personal Effectiveness- involves on improving self-help and self-motivation to achieve goals.

Problem Solving & Decision making- the employees are trained on increasing their ability to assess problems and make the right decisions accordingly.

Stakeholder Engagement- training is provided on improving processes of involving the people who will be affected by the decisions take at RFC

Creativity & Innovation- the employees are aided in expanding their creative framework and imagination.

Influencing- training is delivered to employees to help them influences their co-workers better.

Customer orientation- helping the employees improve their ability to adapt to changing customer needs and priorities.

Communication- training in improving communication skills and language, listening, speaking reading and writing.

The Management/ Leadership capability program is for the select few employees who are chosen as potential leaders for the organization. They undergo different forms of training:-

Leading Business operation- The employees are educated on how to handle and lead a group of workers to perform business operations and achieve objectives.

Leading People- The employees are schooled on how to perform better as a leader, and better their skills at motivating and leading their subordinates.

Leading Self- The employees are guided on improving themselves as better people and characters, to be fit to lead an organization.

The Functional Capability programs focus on training the sales aspect of RFC. They provide training for

Customer and Trade Marketing- the employees are educated on increasing the demand at wholesaler and retailer level, rather than consumer level

B2B Sales- employees are instructed on how to conduct B2B sales, sales directly to other businesses

Continuous improvement- employees are instructed on how to increase efficiency and improve their production and sales.

Procurement- The employees are coached on how to acquire their goods and services accordingly.

ANALYSIS OF DEVELOPMENT STRATEGIES AND RFC ACADEMY

RFC academy has a vast range of training programs, which cover training from basic communication skills and knowledge of milk products and ingredients, to customer orientation, sales and marketing stakeholder engagement etc. It provides adequate help for development, improving the skill-set of the people. This will be very beneficial for the company in the long run, as a developed and skilled workforce will provide efficient work output. The different development programs also serve as a form of motivation for the employees.

STEP 3: Retaining the employee

Organization should try to ensure that they are creating an environment that will encourage valuable employee to stay. Too many organizations, once their candidates are hired, do little to implement retention strategies right away. Implementing effective motivation methods and theories are beneficial for the retention of employees, especially of those who get demotivated easily. RFC follow the McGregor Theory X and Theory Y human motivation, where Theory X assumes that people are generally lazy and are

motivated by money and pay, and Theory Y assumes workers are self motivated and are motivated by the satisfaction of performing well. In the Asian region, especially Malaysia, Singapore, Hong Kong, the employees are thought of as Theory X , who are mainly motivated by money. RFC therefore perform a Salary Benchmarking every 3-4 months.

Salary Benchmarking is a process of assessing the salaries of employees in a organization. It involves comparing salaries for similar positions in other organizations and companies. Usually within the same geographical location, level of experience, skill level, organization size and responsibilities. They compare to check whether the salary rates are within the range of salary for the same position in the other organization, forming a salary range. This is done to see whether they are paying their employees as much as competitors, so that their employees do not leave.

ANALYSIS OF RETENTION METHODS

Although RFC has a low outflow rate, their usage of McGregor motivation theory can be criticized upon, as it requires a lot of assumptions. With Theory X, the theory assumes that a satisfied need no longer motivates the employees. They assume that employees are lazy and lack ambition, they dislike responsibility. And are indifferent towards the goals of the organization. The motivation required therefore is usually monetary, fulfilled by Salary Benchmarking. However, (following Maslow's Hierarchy of needs), only the lower-level needs are met through the money, and the higher level needs are met outside the company, through leisure time. This will mean that productivity will not be very high, even after providing the right wages.

The motivation theory is very insufficient in understanding the employee's personal needs, and does not succeed in recognizing potential, unlike Maslow's Hierarchy of Needs (motivation theory) which aims to satisfy employee needs at more personal levels, for e. g self actualization and self esteem needs, unlike McGregor's Theories, which focus on satisfying only monetary and safety needs

. STEP 4: Assessing the Employee

Employees have the greatest impact on a business. Without them, the organization will not exist. They are considered the most valuable asset and resource, and therefore it is very important to assess the employees, to find out what motivates them, what employee skills they possess, what skills they may lack and the training they may require. This assessment is done to identify management competency, to perform more efficiently. It is also done to identify potential future leadership roles.

RFC aims to assess their employees in order to-

Make informed training and development decisions

Make more effective promotion decisions

Put people in positions to use their abilities to their highest capacity

RFC's Proposed Employee Review process aims to assess their employees and indentify their over achievers, average workers, and the under achievers.

EMPLOYEE REVIEW

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An employee review is when senior executives meet to discuss employees and take decisions on individuals and the overall organizations. It is very effective as it is very fact based, comprehensive and forward looking.

PURPOSE

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RF will hold Talent Identification methods to assess their different types of employees. For example, a Talent Management Matrix, a tool used to assess employees based on their level of performance and potential. This can also be shown using a position map.

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From the Employee Review, the organization can decide its actions towards the employees in each position on the map.

PROPOSED RESULTING ACTIONS

Motivate the employees- For employees with low performance but high potential, the organization can motivate them to work more efficiently. A motivated employee is a productive employee, and a productive employee is a profitable employee. To stay in business, the organization must have motivated staff. RFC provides employee motivation to retain them. The organization first identifies the problem and acts accordingly. If they have an ability problem, they are provided with the appropriate help from the Academy to enhance these abilities. This will also give the employee a sense of respect and belonging. If the problem lies in finances and low salaries, the

organization performs a salary benchmarking. However, if the organization is unable to resolve the issues and problems, the employee will be made redundant.

Developing the employee- For employees with high performance but low potential, the organization must train and enhance the employee's abilities. As the abilities increase, there is high potential that the organization's performance will increase. Trained employees are more motivated. It also increases the employee's ability to make more effective decisions. Employees that require development are sent for the training workshop where their lacking skills are augmented.

Replacing employees- An employee with low skill and low motivation is considered a bad hire, and needs to be replaced. It is essential for the organization to identify and replace their bad hires quickly as it is very costly. Studies have shown that 69% of employers report that their companies have been adversely affected by a bad hire in the year 2012, with costs of the bad hires estimating around \$25000.

Identifying the future leaders.- Employees with high potential and high performance, the organization may look to consider them as potential leaders of the organization. At RFC, this is a very extensive research done to select the best choices. There are criterions required to be fulfilled for the candidate to be selected. These include an outstanding employee review, age, experience, achievements, and International mobility, incase the candidate has to be sent to another branch of the organization. Once these criterions are met, the organization begins succession planning.

Succession Planning is the identification and development of potential leaders to succeed in higher levels of management and lead the subordinates. It involves the analysis of the candidate, where his current strengths and skill levels and the skill level required for the higher level position are compared. From this, the organization can identify the areas for improvement and development required for the candidate. A Training Plan is formulated, and accordingly, the candidate is sent to the RFC academy for training and development. The board analyzing the candidate will set a development time period, for the candidate to fully develop into a new leader. He/she is assigned a coach to monitor the progress of the candidate. After the Development Time Period, the candidate is tested by being provided with projects to manage. The board reviews the effectiveness of the candidate by the results obtained from the projects undertaken by the candidate.

SWOT ANALYSIS

Performing a SWOT analysis on the use of Skilled Workforce Management Strategies,

Performing the SWOT analysis, we can identify that the use of the Skill-Workforce Management Strategies will benefit RFC, significantly improving the quality of their HR Management, and in turn, their revenue, with estimates of over 11, 000 million Euros over the years 2012 and 2013.

Year

Revenue (in millions of Euros)

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2007

9008

2008

9454

2009

8160

2010

8972

2011

9626

2012-2013(estimates)

Over 11000

From the SWOT analysis, we can see that the use of the strategies will provide RFC the ability to identify their potential leaders and their low achievers and can therefore act accordingly very quickly. The use of extensive recruitment process will allow RFC to identify and assess potential candidates more effectively, and therefore lead to better recruitment decisions. The Strategies also provide RFC the opportunity to identify the skill gaps in the workforce and find the appropriate strategies to bridge the

gaps. However, with costs of recruiting over €9, 000 per recruit, and over €30, 000 in Employee Development programs per head, the proposed strategies are very expensive. The proposed recruitment and development programs are expected to take over 3-4 months and approximately, making the strategies potentially very time consuming. A potential threat also lies with the use of these strategies, the skilled employees are subject to poaching by other firms in the same industry. RFC could lose their employees to better job offers from rivaling companies. Also, a highly skilled employee can have very high demands and their maintenance can be very costly.

CONCLUSION

Even with the weaknesses and threats of the proposed strategies, RFC should go forth and implement these Skilled-Workforce Management Strategies as it forecasts very effective and favorable results. The strategies will significantly improve their HR management, especially the recruiting and assessing methods of RFC. It will provide a more structured functioning of the department, with a clearer vision of targets and goals. The Strategies can potentially be an invaluable asset in leading RFC and its product lines to be one of the most distinguished brands in the food and beverages industry.