

# House smart furniture company essay sample

[Experience](#), [Responsibility](#)



House Smart Furniture Company has been founded in Sydney in 1986 by a very experienced businessmen, Colin Moreland. It' main business was to design and manufacture self-assembled, compact low cost furniture and it was leading the industry for a long time.

In 2001, Colin decided to open an Sales office in Hong Kong to expand his business growth by borrowing A\$550, 000 and appointed Jane Fleming, who was equipped with a BBA degree and has been staying in Hong Kong during her higher studies, to manage the same. She was delighted with the offer and very confident of taking the challenge by considering her knowledge in sales & Marketing, HR and accounting.

She started the company by hiring 10 university graduates, seven sales executives, a secretary, a receptionist, an accounts clerk, and a sales clerk to fulfill all the positions, as Colin and Jane agreed.

After a successful six months of operation, the Hong Kong office started generating problems mainly due to the lack of HR policies in place and due to the inexperienced HR manager, who was running the company. In addition to the problems in Hong Kong and Singapore, the Australian operation had been affected by its first ever strike and House Mart had lost most of its market share.

As a result, Collin had to face legal charges, go through a terrible financial crisis and finally could be facing bankruptcy.

#### EXECUTIVE SUMMARY

House Smart Furniture Company never believed in practicing a formal HR policies and considered such policies to be bureaucratic nonsense. As a very successful businessman in this industry, Colin always believed to run his company with good relationships, micro management, guidance, loyalty and obedience to make his employees to work hard to maintain the existing leadership in the industry.

When the company was small, operating only in Australia and Singapore, Colin managed to run the company without practicing formal HR policies and proud of his achievements.

The Hong Kong office was started without performing a formal business analysis. Jane, who really did not have any professional experience in sales & marketing, HR policies and accounting, was hired to undertake the same responsibilities in Hong Kong.

It was a very big step forward for Jane and she was very much exited about the new roll. She thought hiring university graduates even for higher salaries would be an advantage. Since she did not have any professional experience in management, she practiced her own methods to run the company, believing she could be successful. On the other hand, Collin's micromanagement, refusal to change the traditional styles and to drop prices to win the competition, and ongoing pay roll problems, further effected the situation to be worst.

Employees of the Hong Kong office lost their faith on the company. Because of Jane's unprofessional activities, the company had to face law suites. The first ever strike in Australia affected the company to lose it's market share.

Colin was very disappointed about the outcome and do not know how to proceed. He has been pressurized by banks to pay the loans. He cannot continue the business due to finance difficulties. He cannot close the Hong Kong office due to possibilities of law suites. He cannot stop the strikers since he cannot fulfill their demands.

#### PROBLEM ANALYSIS AND JUSTIFICATION

Q1. DESCRIBE THE HUMAN RESOURCE MANAGEMENT PRACTICES THAT WERE CONDUCTED AT HOUSE MART. WHAT EVIDENCE IS THERE THAT THE FOUR KEY ROLLS OF AN HUMAN RESOURCE MANAGER WERE APPLIED? WHAT IMPACT DID THIS HAVE ON ORGANIZATIONAL GROWTH AND SURVIVAL?

Mangers of an organization have to achieve the strategic goals with and through people.

According to Raymond J Stone ' Human Resource Management involves acquisition, development, reward and motivation, maintenance and departure of an organizations human resources. Certain key Human Resource Management activities must be undertaken to satisfy these aims; each activity is interrelated and together they represent the core of Human Resource Management. These key HRM activities includes Job analysis, HR planning, Recruitment, Selection, Performance appraisal, HR Development, Career planning and development, Employee motivation, Compensation,

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Benefits, Industrial Relations, Effective health and safety programs,  
Managing diversity

(Stone, 2006, p. 10)

According to the case study House Smart Furniture Company adopted some of the above HR activities even though all are vital to the organization's success.

Collin recruited Jane Fleming and other staff with out no written job descriptions or person specifications. Jane recruited 11 graduates to work in the Hong Kong office.

He has a different style of motivating employees. He treated his employees like a family and placed great emphasis on loyalty and obedience. Initially he had maintained a good industrial relationship with his employees.

There are four key roles of an Human Resources Manager. Namely strategic partner, administrative expert, employee champion and change agent.

“ Strategic partner refers to HR Managers being an essential part of the management team running an organization and contributing to the achievement of the organization's objectives by translating business strategy into action.’ (Stone, 2006, p. 9) In the case study Colin managed to satisfy these criteria before the expansion by practicing the ability to react quickly to market trends, leading the market with intense competition with

European imports, proper guidelines, winning competitions, satisfying the demand and industry expertise.

By considering the fact that Colin being the HR manager as well, he has performed the Strategic Partner because he managed to run the company very successfully. When the company was small he managed to perform well. The company was successful because of both its ability to react quickly to market trends and reliability of its hard working employees

“ Administrative expert refers to the efficiency of HR Managers and the effective management of HR activities such as selection, so that they create value.” (Stone, 2006, p. 9) Colin managed to satisfy these criteria before the expansion by selecting the right people to do the work, selecting the people with good attitude and selecting hard working people.

“ Employee champion requires the HR manager to be the employees’ voice in management decisions.” (Stone, 2006, p. 10) Colin maintained a family environment in the work area to discuss employees ideas and requirements to make management decisions accordingly. Also Colin managed to make his own decisions, though it resulted unfair and contradictory decisions.

“ Change agent refers to the person who acts as catalyst for change.” (Stone, 2006, p. 10) Colin couldn’t manage the change because he didn’t want to develop a strategic business plan.

House Smart didn’t have a HR department and Colin didn’t introduce any formal HR policies. Therefore there weren’t any Job analysis, HR planning, Selection process, Performance appraisal, HR Development, Career

planning and development, Compensation, Benefits, Effective health and safety programs and Managing diversity, because of that he couldn't grow the expand the company further and they would have missed quite a lot of business opportunities.

Q2. ANALYSE THE LIFE CYCLE OF THE ORGANIZATION AND COMPARE IT WITH THE HR PLANNING AND FORECASTING NEEDS TO ENCOURAGE GROWTH AND SUSTAINABILITY. WHAT INFLUENCE WOULD EFFECTIVE HR PLANNING HAVE HAD ON HOUSE SMART'S LATEST EXPANSION STRATEGY ?

An organization's life cycle consists of six stages. Namely birth, childhood, adolescence, adulthood, maturity and renewal. It can be considered that House Smart is in its adolescence stage. The adolescence stage refers to where an organization expands the scope of its actions, and learning as it goes. House Smart has expanded its operations to Hong Kong in order to take advantage of the company's strong market position and to increase growth opportunities. That is House Smart has made an attempt to experiment and take on a more difficult challenge which is an essential element of the adolescence stage. Also they are willing to try out and learn from the Hong Kong Experience. Therefore when considering the above details it is evident that House Smart is in its adolescence stage.

Human resource planning and forecasting is essential for House Smart to reach the next level of its life cycle. Human resource planning refers to " the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required knowledge , skills and abilities are available when needed." (Stone, 2006, p. 45)

Initially when planning managers should consider about the scarcity of talent as the future value and success of the company will depend on the quality of its people and their intellectual ability. Also they should concentrate on long term human resource requirements rather than on short term requirements.

With regards to HR forecasting, succession planning is a vital. Succession planning refers to " a systematic long term career development activity that focuses on preparing high potential employees to fill key professional and management positions so that the organization can achieve its strategic objectives." (Stone, 2006, p. 56)

Here Jane had made a common mistake as the HR manager as she concentrated on short term replacement needs rather than on long term HR requirements. If she had employed skilled staff with previous experience, specially in this situation where they are trying to capture a new global market, they would have been able to meet its strategic business objectives. The crisis of House Smart was mainly due to the fact that there were no proper HR skills. Therefore the outcome would have been better if Colin had done international outsourcing or offshoring where the outside company is specialized and efficient at doing that kind of work.

Q3. WAS THE PURPOSE OF COLIN'S PLAN EVIDENT? HOW DID THEY FIT WITH HIS ' STRATEGIC INTENT'? WHAT MUST HOUSE SMART DO TO IMPLEMENT MORE EFFECTIVE STRATEGIC MANAGEMENT?



Purpose of the Colins plan was evident. Because in order to take advantage of the company's strong market position and to increase growth opportunities.

His plans didn't fit with his strategic intent because he didn't use the proper HR skills or activities, such as Job analysis, HR planning, Recruitment, Selection, Performance appraisal, HR Development, Career planning and development, Employee motivation, Compensation, Benefits, Industrial Relations, Effective health and safety programs, Managing diversity.

House Smart should implement a proper HR policies to obtain more effective strategic management. They should get qualified and experienced HR managers to practice the same.

Q4. APPLYING A SWOT ANALYSIS, CONSIDER WHAT ASPECTS OF THE INTERNAL AND EXTERNAL ENVIRONMENT WERE CONSIDERED WHEN HOUSE SMART PLANNED FOR ITS HUMAN RESOURCES. WHAT TECHNIQUES WOULD HAVE ASSISTED COLIN AND JANE WHEN FORECASTING HUMAN RESOURCE NEEDS?

SWOT analysis is ' review of an organizations strengths and weaknesses and the opportunities and threats in its environment.' (Stone, 2006, p. 17)

Strength

-Superior quality products

-Financial Strengths

-Recognition

-Strong market position

Weaknesses

-Lack of market analysis (HR Skills)

-No clear directions

-No judgment

-Lack of planning

-Lack of information

Opportunities

-New market in Asia

-High growth potential

Threats

-New culture

-New laws

-Lack of language skills

-Competitors

-Different tax system

Colin and Jane could have practiced professional HR policies when forecasting human resource needs by analyzing the SWOT's.

Q5. WHAT ASSUMPTIONS DID JANE MAKE ABOUT HOUSE SMART'S RECENTLY ESTABLISHED HRIS? WHAT PROCESSES DID SHE IGNORE?

House Smart did not maintain a written official HRIS process. As a result, when Jane had to establish the new office in Hong Kong, she did not have any documented information to study the company or to see the job descriptions of the current employees to perform a study on how to run a similar company in a remote location. At the same time, since she has not been asked to maintain a formal HRIS plan and since she did not have any prior experience in building the same, she also assumed that it was not necessary to create and maintain the same. As a result, she had to assume scenarios to establish a HRIS for House Smart, which was not again documented or planned to satisfy the formal HR practices. The following are her assumptions.

Hiring Graduate Students :

Jane initially sought applicants, who were enthusiastic and ambitious, had sales and marketing background, and were fluent in English and Cantonese. But when she realized that the Hong Kong labor market was weak, she assumed that hiring graduate students would be worth since they should fulfill all her job criteria, and decided to hire graduates students even by paying a slightly higher salaries.

Language proficiency:

She assumed that the graduate students are proficient in English and Cantonese.

Dependency on intranet:

Jane assumed that the Hong Kong office could maintain effective communication with head office via the company's intranet without having to document the same.

Trust the employees:

Jane assumed that there is no need of documenting the job descriptions or company policies, and assumed that the employees should use their common sense to figure the same at work.

Believing the awareness of Hong Kong labor laws:

Jane assumed that it was not necessary to maintain or document employees rights, requirements or obligations and did not have any information on the Hong Kong labor laws to protect the company against the same.

Over confident over the Business environment in Hong Kong :

Jane assumed that the business ethics and the environment are the same as in Sydney and did not worry about protecting the company against possible treats or active competitions. She has neglected the fact that she has not been exposed to these criteria during her stay in Hong Kong with her parents.

Over confident over her abilities :

Jane assumed that she was an expert of managing Sales, Marketing, HR and Accounting fields since she has studied these subjects in her BBA degree.

Although Hong Kong office performed well for a very short period of time, it started collapsing soon due to not maintaining a company HR process. Jane has ignored almost all the standard HR practices, while she was establishing the HRIS for House Smart company.

### Job analysis

Jane didn't define jobs in terms of specific tasks and responsibilities. She did not identify the abilities, skills and qualifications of the candidates to perform the job successfully.

### Human resource planning or employment planning

Jane did not do a valid study of the company background to define the right number of qualified people in the right jobs at the right time.

### Recruitment

Jane did not go through the process of seeking and attracting a pool of applicants from which qualified candidates for job vacancies within an organization can be selected.

### Selection

Jane did not choose the individual predicted to be the most likely to perform successfully in the job from the available candidates.

### Performance appraisal

Jane did not perform a appraisal of performance to determine how well employees are doing their job, communicating that information to the employees and establishing a plan for performance improvement.

### Human resource development

Jane did not focus on the acquisition of the attitudes, skills and knowledge required for employees to learn how to perform their jobs, improve their performance, prepare themselves for more senior positions and achieve their carrier goals.

### Carrier planning and development

Jane did not concentrate or identify employee carrier goals, possible future job opportunities and personal improvements requirements.

### Employee motivation

Jane did not motivate the employees professionally to get the maximum performance from them.

### Compensation

There is no facts to prove that Jane has compensated her employees with cash rewards for their hard work in addition to paying their base salary.

### benefits

There is no facts to prove that Jane has given her employees any non cash benefits to reinforce the attractiveness of the organization.

#### Industrial relations

There is no facts to prove that Jane has encouraged her employees to maintain relationships between the organization and its employees or their attitudes and behavior towards the same.

#### Health and safety programs

There is no facts to prove that Jane has concentrated on priding a guaranteed place for her employees in physical and mental wellbeing.

#### Manage diversity

Jane has failed to manage diversity among her employees to maximize the contribution of them.

Q6. WHAT ARE SOME ISSUES THAT HOUSE SMART SHOULD HAVE CONSIDERED WHEN AUSTRALIAN EMPLOYMENT LAW TO OFFSHORE LOCATIONS? WHAT CONSEQUENCES SHOULD COLIN HAVE FORESEEN?

House Smart should have considered the following issues when Australian employment law to offshore locations.

Market Analysis to judge the business opportunities.

The new location should have a demand for the product. Need to analyze the completion and the market price.

Opportunities and threats of establishing a foreign company.

The new location might enforce different laws to foreign investors doing business locally. They may require the new company to obey certain rules and regulations and may restrict certain activities to favor the local entity. The existing players may not welcome foreign entities to establish new businesses locally.

Market trends analysis

The market may have different trends in the styles and quality. It's important to see how the local players are playing in the market and how they win the customer satisfaction.

Labor laws analysis

It is very essential to analyze the labor market strengths, weaknesses and the average salary in this business. At the same time, it is essential to be aware of the laws, protecting the laborers from employee harassments.

Business Development

It is vital to perform a thorough business analysis and come up with a potential sales revenue targets with Gross Profit targets after analyzing all the expected expenses such as employee cash and non cash benefits, taxations, fix and variable asset and day-to-day expenses . This has to cover at least five years from the start to measure the potential opportunities and strengths.



Collin has not gone through the above facts in detailed before he established the new office in Hong Kong and should have foreseen the following consequences.

Instability of the company.

Lack of business, compare to the expectations.

Higher expenses compared to the budgeted.

Employee dissatisfaction due to uncertainty, lack of rewards, lack of training, lack of motivation, lack of benefits (cash and non cash) and etc.

Law suites.

Low income, compared to the expectations.

Dissatisfied customers due to the quality of the products, designs, price, delivery time and after sales.

Unorganized activities

No written work performance records to develop new strategies.

No future plan.

Q7. DEVELOP AN HRM RECOVERY PLAN FOR HOUSE SMART.

Have a staff meeting and explain to all the staff members the company's current situation. Request everybody's support and cooperation to overcome the situation. Try to retain the people, who have performed well and

contributed to the company. Try to terminate the people, who have not performed well and not contributed to the company, by even giving them with a compensation package to satisfy them not to take any legal actions against the company. Get the staff to go through a low salary scheme till the company come out of it's crisis situation and promise them with a reward scheme.

Hire a very experience HR manager and start following the professional HR practices immediately. If it is necessary, hire experienced people with a low salary scheme to fulfill the essential vacancies. File bankruptcy (Chapter 13) to stop paying the interests and to acquire time to payoff the loans. If its absolutely necessary for the survival of the company, liquidate some of its fixed assets.

#### ALTERNATIVE SOLUTIONS

Find a possible buyer to sell the business.

Merge with another company to develop the business.

Close down the company and sell all the fixed asserts to pay the required employee compensations and settle the existing bank loans.

#### CONCLUSION

By looking at the status of the House Smart Furniture Company today, it is obvious that the main reason for it's failure is the lack of professional HR policies operating within the company. The company did not maintain any documents to cover the actions such as employee rights, company policies,

job descriptions, hiring policies, business analysis, disaster recovery systems and etc. They did not have professional HR managers to analyze the company strengths and weaknesses, or to seek the employee concerns to take precautions.

As a conclusion, it is vital to have a proper professional HR policies within a company to it's long term success.