

# Contemporary issues in hr assignment

[Business](#), [Management](#)



EXECUTIVE SUMMARY “ To manage people well, companies should elevate HR to a position of power and primacy in the organization, and make sure HR people have the special qualities to help managers build leaders and careers. ” (Jack Welch 2005: 98) Surviving in this era of globalization, organizations face varying degree of challenges to remain relevant and to obtain that ‘ extra’ competitive edge. In doing so, HR managers play a vital role in ensuring that strategies adopted by the organization are fully supported.

The challenges faced by HR managers in the current global trend, which includes the key issues pertinent to the company in question, Asiatic, are low morale and underperforming staff, high labor turnover, absenteeism and lack of training and development. The nature of these challenges and how Asiatic may address those situations are elaborated further in this report. Based on the external and internal analysis done, it recommended that Asiatic adopt several strategic HR initiatives to combat the above prevalent issues.

These recommendations include having a clear HR policy in terms of career path and corporate culture as well as disciplinary procedures, to introduce a mix of a performance based compensation system with the existing remuneration system and to adopt a Learning and Development approach across Asiatic. Upon embarking on the recommendations provided, through empirical evidences provided, the challenges faced will be tackled gradually and boost Asiatic to a new level of competitiveness in its industry.

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INTRODUCTION The recent emphasis among practitioners and academicians on human capital as a source of competitive advantage has focused increasing interest on the science and practice of Human Resource Management (HRM). It would appear that the field of HRM is reaching an advance stage of development in today's increasingly competitive business world.

It is also argued that the practice of strategic HRM has outpaced the academic work on this topic. Yet, data on how firms actually manage people to provide a source of competitive edge are scarce. While empirical literature linking better HRM with firm performance has consistently found that a more effective HRM is associated with superior financial performance, what is more of importance is understanding which HRM strategy to adopt that suits the different needs and challenges that's arises in an organization. In the

case study presented, Asiatic faces numerous issues in light of the prevailing and changing external and internal influences.

Based on the information given, these issues will be elaborated and structured to clearly identify the root issues and its surrounding symptoms. Once the root cause is identified, only then it makes sense to prescribe a HRM strategy recommendation methods and ways to address the issues. The recommended HRM strategies will be based theoretical models as well as HR best practices that have been adopted and proven successful in similar situations. For ease of understanding, this report will be structured into key areas by providing the company background, an analysis of the challenges facing the company and subsequently the recommendations to be adopted. An overall conclusion will be formed at the end of this report. 2.

**ORGANISATIONAL BACKGROUND** Asiatic is a medium sized Malaysia manufacturer supplying machinery for large conglomerates. These include parts for basic portable units to models incorporating latest high definition technology. In doing so, it runs its entire operations from two facilities, divided by means of functional lines i. e. existing product development and new product design in one site, and the main production and administration in another.

One fifth of Asiatic's staff force is located at the first site, while the remaining is in the main production and administration site. Forty percent of the staff force is female, mostly employed on the production lines. Asiatic makes little use of part time staffs, which are mainly for administrative and support functions. To further understand the internal environment of Asiatic culture

and the accompanying external challenges, the SWOT model is adopted to provide a firm basis to analyze and further resolve Asiatic HR challenges. 2.

### 1Asiatic SWOT Analysis

The SWOT analysis performed will provide a general overview of both the internal and external environment factors that influences Asiatic as a going concern entity. A summary of the SWOT analysis results are given below:

**Strengths**

- Asiatic is associated with large conglomerates, hence positioning it among big players in the industry.
- The company has core competence involving the use of latest technology for high definition quality, which is crucial in its range of parts supply.

**Weaknesses**

- Production level of Asiatic varies based on seasonal and January sales. This signals a fluctuation of resource requirements including labor and materials. Labor turnover in Asiatic has been high. This increases the need for retraining staff.
- There is an expectation for staff to be able to take over another function as and when required.
- Asiatic practices a traditional rigid reward system based on monthly salary.
- Absence level has increased over the last 18 months. This is also coupled with intermittent short term absenteeism, particularly in three departments.
- It is indicated that there is a problem with low morale and underperforming members of staff
- There is a need to inject more health and safety ideas in the current process

**Opportunities**

Being abreast with the latest technology, Asiatic stands to develop new products and create new demand through its product development and design arm.

**Threats**

- Demands for Asiatic products are seasonal which directly affects the production level throughout the year

2. 2Other External Factors

On a more macro level, external factors that may affect Asiatic's operation may

include the local political setting, social and economic outlook and also recent developments in Information Technology. A major point to consider would be the recent economic downturn that has affected the rest of the composition on the macro external factors.

The recent global downturn where Malaysia's economy registered a revised GDP growth of 4.6% as opposed to 5.4% earlier, coupled with an inflation increase mainly due to the fuel price hike has pushed demand for goods to an all time low level (MIER 2009: online). As a result, the Human Resource Minister has signaled a retrenchment level of 4,750 workers, mostly in the electronic sector. To Asiatic, this may translate to a larger pool of human capital to tap from if necessary at a relatively cheaper cost i. e. an employer market (Chew 2005; online).

On other aspects, it is also worthwhile to note that the Malaysia HR practices, systems and regulations are largely influenced by the British colonization experience. It is commonly viewed that the HR practices in Malaysia are derived from an integration of Western and indigenous HR practices, which categorizes it in two mainstream, namely British oriented values and ethnic oriented values i. e. Malay, Chinese and Indian values). Other research describes Malaysians as being money oriented and inclined to job hop, with little hesitation for better financial offers.

This tendency is traced back to the previous proactive introduction of the Western management and education systems (Chew 2005; online).

Malaysian firms are also skewed to the belief that it is too costly to train employees beyond the required basic skills. This feeling is partly attributable

to the general notion that employees should shoulder training beyond the contractual scope of work. Such reluctance may also be largely due to the need to offer better pay packages given that the training enhances job mobility. The reluctance of Malaysian firms in HR development led Malaysian government to intervene to promote skills training.

Hence, a levy grant system was introduced in 1993 with the purpose to induce these firms by shouldering some of the training cost. Manufacturing firms are required to contribute one percent of payroll to this training fund. Although the role of the HR department and its importance are gradually expanding to broader perspective, the general notion is that HR Department still plays merely an administrative role. However, more and more organizations in Malaysia are recognizing the strategic importance of the HR functions, emphasizing more on human development and optimal productivity (Chew 2005: online). . CURRENT HR CHALLENGES IN ASIATIC

From the previous section, some of the symptoms of HR issues that have been plaguing the company were identified. These symptoms will be elaborated and analyzed to identify its root cause, hence enabling a suitable recommendation to be prescribed. Among the symptoms of HR challenges apparent in Asiatic are given below:

- Low morale and underperforming staff
- High labor turnover, particularly in the administration and general management
- Absence level has increased over the last 18 months.

This is also coupled with intermittent short term absenteeism, particularly in three departments

- Lack of training, where staff are expected to take up a different role on short notice in different stages of the production line

Each of

these challenges will be elaborated below. 3. 1Low Morale and Underperforming Staff There is no bigger impact on productivity than low staff morale. These symptoms are typically coupled with underperforming staff as a result of deteriorating morale. Signal of low morale among staff are recognized as low energy levels, cynicism in the ranks, chronic absenteeism and even missed deadlines.

From Asiatic point of view, the root cause for this problem can stem from a number of either cultural or even structural issues, as follows: i. Rigid Reward System By having a rigid reward system, underperformers will be compensated the same with true performers. Over time, the performers will feel that there is injustice where their hard work are not being recognized in terms of the compensation received and eventually will result in the benchmark of performance deteriorating and a drop in staff morale. Herzberg asserted that there is a strong correlation between financial rewards and job performance.

However, having a rigid reward system signal an emphasis on a more extrinsic approach which is seen as a ' hygiene' factor that can have a negative effect but not a positive effect on motivation, whereas intrinsic sources (job design approach) are true motivators (Robert 2002: 260). ii. Workplace Design Another possible root cause for low morale is the workplace design where there is a lack of job innovative design, hence boredom creeps in. This is apparent for a typical assembly line mode of production where each staff is responsible for a particular part of the production process.



Over time, the process becomes too familiar and mundane, and inevitably will affect the morale of staff. This was exemplified in a case in Ford Motors where repetition, boredom and pressures of assembly line work left the staff feeling estranged from their minds and bodies, resulting in low morale from every point of view (Chris 2005: 83).

### 3. 2 High Labor Turnover, Particularly In Administration and Management

A high labor turnover rate negatively affects both the financial costs and financial performance of the company.

In addition to financial costs, such cost to recruit, adapt and train new people, there are also negative impacts on the motivation and workload of current employees who are expected to fill in for their missing colleague. In Asiatic, the high labor turnover can be attributed to the following root cause:

- i. Unclear Career Paths Having a rigid reward system signals a performance measurement system which does not reward or recognize superior performance. This suppresses performance base culture to be instilled in the company.

When staff realizes that the opportunity to rise within the organization is bleak or unclear, they tend to seek other opportunities elsewhere.

Organizations with a performance based culture produce better results and have happier employees. Research shows that performance focused management practices can increase performance by at least 30-40%.

Employee satisfaction is higher and turnover and absenteeism are lower (Graham 2004: online).

### 3. 3 Intermittent Short Term Absenteeism

Absenteeism varies per individual at different times and season.

It can be caused by legit reasons such as family emergencies, serious illness, injuries and other unforeseen events. Industries with young workforce tend to have higher rates of unauthorized absenteeism than other industries due to socializing and attitude. This phenomenon can be attributed to the following root cause: i. Unclear Corporate Culture And Values An organization that has a performance based work culture encourages employees to appreciate the impact their performance (and their absence) has on their colleague and the production and business in general.

Staffs are genuinely involved in an ongoing appraisal of business opportunities, customer service and team performance. Having a rigid remuneration system prohibits this sense of belonging, where the staff does not realize the impact their absence have on the organization as a whole (BNet 2007: online). ii. Poor Health And Safety Considerations Absenteeism could a legit where poor work conditions cause minor illness, back pain or even stress at work. In a study conducted in London, manufacturing and production sector reported musculo-skeletal injuries were amongst the highest cause for absenteeism.

This refers to a repetitive strain injury commonly exhibited in assembly line structures in production lines (Working Balance, 2007: online). In a National Study of Changing Workforce, the Families and Work Institute showed earnings and benefit have only 3 percent impact on job satisfaction, whereas Job Quality and Workplace Condition have a combined 70 percent (BNet 2007: online). 3. 4Lack of Training and Sudden Job Rotation Though Asiatic

practices initial on the job training, there is an expectation for staff from another section to fill in when necessary.

Coupled with the issue of rampant absenteeism, this has posed to be a serious issue where it affects the confidence of the staff and also the quality of parts manufactured. As a result, this brings down the overall morale and increase the level of anxiety of the workforce, not knowing when they will be asked to take up a different job task that they are not familiar with. The root causes of this issue are: i. Lack Of Management Commitment Towards Training

If training is not considered as a priority or not seen as a vital part of the organization, then it is difficult to accept that the company has effectively carried out an effective HR management. As mentioned earlier, the HR function is changing with time as the training and development activities are now equally important with other HR functions. Gone were the days when training was considered futile, waste of time, resources and money. Nowadays it is seen as an investment because all other departments depend on proper training for its survival. Proper training will also give Asiatic a major competitive advantage.

With a competent, stable and trained workforce, job rotation can be done smoothly without the sense of anxiety and low self confidence (Debra 2009: online). ii. Rampant Absenteeism Absenteeism was seen as a symptom previously, but is also a root cause in forcing staff to take up roles with uncertainty. With the increasing rate of absenteeism, staffs are forced to take up role that they have never been trained before. It is clear that if the

issue of absenteeism is tackled, the need to rotate people around performing tasks that they are not familiar with will be minimized.

As discussed earlier, the issue with absenteeism stems from possible the unclear corporate culture and values and also the inherent poor safety and health considerations in the workplace. 4. RECOMMENDATIONS Based on the root causes listed above, several recommendations can be made to improve the HR challenges that Asiatic face. These recommendations will require serious management participation and involvement with respect to providing directions and setting the overall tone of HR implementations.

The HR initiatives that Asiatic can adopt to address the challenges that it currently face are:

- Have a clear HR policy in terms of career path and corporate culture as well as disciplinary procedures
- Introduce a mix of a performance based compensation system with the existing remuneration system
- Adopt a Learning and Development approach across Asiatic

These recommendations will be elaborated below detailing how Asiatic should go about implementing such HR initiative, together with possible challenges that it may face in doing so. 4. 1Implement a Clear HR Policy

The HR Policy of an organization contains the rules, regulations and benefits pertaining to the employees in the organization. It is imperative that organization have a clear and consistent HR policy that supports the organization mission and vision. A clear HR Policy is important as it ensures transparency and clarity in the functioning of the reorganization. This eliminates the need for circulating memos and circulars to explain a policy.

Explaining the need for a policy helps staff understand the requirement of a human resource policy.

The staff would also understand the benefits and consequences of adhering or not adhering to the HR policies in place. The basic steps to be taken in implementing a proper HR policy are as follows: i. Identification Of The Need For Asiatic, the purpose of implementing a more comprehensive HR Policy is to address the challenges of its high turnover and rampant absenteeism in the company. It has been identified that a clearer career path for staff and an improved corporate culture will help reduced the issue above.

Apart from that, some disciplinary measures also need to be introduced to weed out chronic cases, and setting examples to the entire work force. ii. Goal of the HR Policy There are times when staff may look at the HR policy as a restriction. This idea needs to be dispelled. The goal of the HR policy should be written by Asiatic as how it would be explained to the staff. A well articulated goal will help in the implementation process. iii. Development Of The Policy The policy then should be developed using simple language describing the different aspects of human resource management in the context of Asiatic's goal.

It is also important to ensure that the policy covers the normal exceptions and conditions. iv. Review The Policy The policy then can be reviewed by a panel of staff and their feedback be incorporated in the policy. Top management will then review the policy to uncover any legal implication and also to obtain top management support on the policy. v. Implement The Policy This should be ideally done in small groups where staffs are given a

chance to raise issues and ask questions. Employees should also be asked to sign a document stating that they have understood the policy (CHRM 2008, online).

Once the HR policy is implemented, the staff in Asiatic will be well aware of the direction of the company in terms of career path, as well as the repercussions on frequent absenteeism. Gradually, with clearer direction, and equal treatment for all staff, performance and turnover will improve and absenteeism reduced. 4. 2Introduce Performance Based Compensation System To combat low morale and underperforming staff, as well as high turnover, it is recommended that Asiatic revisit their rigid compensation plan to allow for better flexibility and to reward and retain exceptional employees.

To do so, Asiatic may want to adopt a compensation program that gives employees incentives to achieve the company goals. The challenge is to design a plan that will accomplish the desired result aligned to the company goals. i. Understanding The Goal Of The Compensation Plan To design an appropriate incentive compensation plan, it is first necessary to grasp Asiatic's company vision i. e. the long term and short term goals. Once the vision is understood, Asiatic should perform a self evaluation to determine what must be accomplished to obtain these goals. In conducting he self evaluation, Asiatic should also consider other different factors such as staff benefits and welfare, or even whether they are in a position to sustain the compensation plan designed, as they may impact the company's vision. With careful self evaluation, the appropriate incentive plan should be clearer. ii. Designing The Compensation Plan There are many ways to design an

incentive compensation plan. Asiatic may want to consider some universal design features, where incentives can be paid in cash, stock or benefits. Depending on Asiatic's culture, incentives in the form of benefits or company stock may produce better results.

The arrangement can provide for long term or short term incentives. In general, long term incentives are better suited for retaining employees on a long term basis. In contrast, if payouts are more periodic, such as monthly or weekly, employees should remain motivated. Short term incentives however, often do little to help with long term goals. The plan should carefully correlate the incentive award with the goal the company wishes the employees to achieve and at the same time ensure the incentive will not promote a negative behavior.

For example, rewarding assembly line workers for increased production may result in a sacrifice in quality. One key preventing that sort of result is to provide incentives that adjust based on a framework of acceptable tradeoffs. The framework can be pre established or it can be built into the plan over time. It is critical that employees understand the link between their performance and their potential payout. Accordingly, the incentive arrangement should tie employee's incentive performance objectives over which they have control.

For example, the top management incentive should be more closely tied to the company's performance as a whole whereas a supervisor's incentive should be closely tied to the performance of his department. The plan should be communicated to the participant carefully. Education should be part of

the communication process. One form of education that is often overlooked is instruction on how the employee's performance affects the company's bottom line (Smith 2007: online). 4. 3Adopt a Learning and Development Approach

It is recommended that Asiatic put more emphasis on the training and development aspect of the company as only through effectively and continuously developing and training employees can they acquire the core competencies needed for competitive advantage and flexibility. In addition, companies are now realizing the benefits of self development by encouraging a work habit of reflection and learning. Learning is built around action rather than theory. Some of the aspects that Asiatic should incorporate in embracing a learning and development organization are as follows: i.

Strategy Driven All training and development program cascade down from the overall strategic goals. No program are developed and implemented unless they produce results that are identified as critical to the strategy or business initiatives. There should be explicit alignment between programs, learning objectives and business objectives. ii. Positive Cost And Benefit Ratio Training in Asiatic should also be subjected to the same measurements as other business activity. It must show a return of investment, either in the short term or long.

In practice, companies realize that many training and development initiatives take years to fully achieve their ultimate goals. These timeframes however, are identified upfront, where possible and the programs evaluated



at that point. iii. Supported By Key Strategies, Systems, Structures And Policies Organizations that receive a true return on their learning investments ensure that learning is aligned with and directly supported by key areas such as organizational structures, lines of authority, decision making, career development, performance management and rewards and recognition.

These direct links help to both set boundaries and reinforce desired results.

iv. Driven Through Many Channels Leading organizations investigate and utilize multiple modalities such as classroom, eLearning technology, support tools and co workers to ensure people get the right skills at the right time in the right way and at the right cost. The mode of training should be selected to match a specific learning style, business issue, budgets and cultures. .

Maximize Employee Ability & Potential Through Shared Accountability

Companies are tapping the ability and potential of their employees through self directed training and development. Employees are encouraged to identify their own needs, create individual learning plans and seek learning opportunities. Depending upon the kind of culture Asiatic is trying to create, the responsibility falls on the individual, his or her superiors and the reorganization.

Training strategies are aimed at knowledge retention and transfer at work place, enabling employees to be more effective and to acquire more skills.

vi. Work Related Training Knowledge and skills that are acquired through training and development programs are relevant and useful; both to the organization and to the individuals work requirements. Employees only

participate in programs that will add to their current and future work effectiveness and that will contribute to organizational success. vii. Learning By Doing

Best companies are training their employees by having them perform real tasks and projects in training environment and on the job. Rather than teaching theory and expecting employees to apply it to their own work, good companies are enabling employees to learn their own way, and often at their own pace, through assignments that closely resemble their own work. viii.

Transferability Of Knowledge And Skills Back To The Job One of the most important elements of best practice training and development is that is easily transferred back to the workplace.

This is achieved through the timing of the training, the quality of content and the quality and appropriateness of the delivery method. Another crucial element to this transferability is the maintenance of the new skill or knowledge once training has been completed. ix. Continuous Learning Process To drive lasting change in behaviors and habits, Asiatic should ensure that learning occurs before and during and after scheduled learning events. The process of doing, reflecting, learning and repeating should never cease.

Once Asiatic has embraced each and every point above, and put a proper training and development plan in place, issues such as low morale and underperforming will gradually be alleviated, and at the same time motivates employees to perform at another level all together (Tris 2007: online). 5. CONCLUSION The first step that Asiatic needs to take is to realize

that there are issues inherent HR issues within the company. By analyzing the external and internal environments of the company, through a SWOT model conducted, Asiatic are able to identify the areas that need to be improved and the root cause of each challenges.

Based on the analysis done, it has been identified that these HR issues exist:

- Low morale and underperforming staff
- High labor turnover, particularly in the administration and general management
- Absence level has increased over the last 18 months. This is also coupled with intermittent short term absenteeism, particularly in three departments
- Lack of training, where staff are expected to take up a different role on short notice in different stages of the production line

Based on the issues raised, a set of recommendations were provided.

The recommendations include having a clear HR policy in terms of career path and corporate culture as well as disciplinary procedures, to introduce a mix of a performance based compensation system with the existing remuneration system and to adopt a Learning and Development approach across Asiatic. Upon embarking on the recommendations provided, through empirical evidences provided, the challenges faced will be tackled gradually and boost Asiatic to a new level of competitiveness in its industry. 4, 243 words excluding Executive Summary, Reference List and Appendices) LIST OF REFERENCES BNet Editorial (2007), ' Reducing and Managing Workplace Absenteeism', BNet Management, viewed online 10 June 2009, [http://www.bnet.com/2410-13056\\_23-59947.html?tag=content;col1](http://www.bnet.com/2410-13056_23-59947.html?tag=content;col1) Chew, Y. T. (2005), ' Achieving Organizational Prosperity Through Employee Motivation

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