

Chapter 4

Human Resource Management

4.1 Introduction

Prior to TNPG's incorporation, the bulk of Human resource Management (HRM) functions were performed by a specific HRM department of the Corporate Affairs Division. There are separate sections for planning, compensation and benefits, training, etc. However, under the company, these functions fall under the responsibility of the HRM manager assisted by a few personnel under him. The scope is just as wide but perhaps the numbers are much reduced.

HRM has often been neglected by various quarters in large organisations that have separate HR division. The department felt that HRM is a function to be undertaken entirely by that division. Therefore compensation, benefits, welfare and training is handled by that division almost autonomously with little input from the other division managers. The entire staff population falls under the purview of the HR division, from compensation to training to promotion. However, with the setting up of the TNPG, all the HR functions are handled by a much smaller unit that have just as wide a scope but with greater focus and control.

Human resource management is basically made up of six main functions:

1. HR Planning, recruitment and selection
2. HR development
3. Compensation and benefits
4. Welfare, safety & health
5. Employee and labour relations
6. HR research

The functional areas of HRM are not separate and distinct; but rather they are highly interrelated. It must be recognised that decisions in one area will affect other areas.

The staff for the new company TNPG will almost entirely be from the TNB holding company. As what is seen from other subsidiaries, the TNB staff are initially assigned to the subsidiaries. The TNB policy for wholly owned subsidiary is that the terms and conditions of service for staff assigned to the subsidiaries remain the same. However, at a later stage, the management of the staff will be offered to be absorbed by the subsidiary. This means a new term and condition of service. Therefore the company will have to undertake all six HRM functions. However for the purpose of this paper only the compensation package and HR planning will be discussed.

4.2 HR Planning

Human resource planning (HRP) is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills are available when they are needed. It is the process of matching the internal and external supply of people with job openings anticipated over a specified period of time. HRP requires forecasting human resource requirements, forecasting human resource availability and comparing the requirements with availability. It will lead to recruitment in case of a shortage or , conversely, the management of surplus workers. However, before filling jobs within the new company, it may be necessary to perform a job analysis of the various positions within the company.

Job analysis is the systematic process of determining the skills, duties and knowledge required for performing jobs in the organisation. A job analysis answers important questions such as what physical and mental tasks does the

worker accomplish, why is the job done and what qualifications needed to perform the job?

Job analysis provides a summary of a job's duties and responsibilities to other jobs, the knowledge and skills required and working conditions under which it is performed. Job facts are gathered, recorded and analysed as the job exists not as it should be. The results of the analysis gives a wealth of information on the deviation between what is happening and what should have happened. This will enable the manager to take the necessary corrective action, be it training, transfer or even eliminating the position entirely.

A major use of job analysis data is in the area of HR planning. It is an effective tool in preparing a job description which leads to clarity of requirements for recruitment. Job specification information often prove beneficial in identifying human resource development needs in terms of knowledge, skills or ability. It therefore is directed at assisting workers in performing duties specified in their job specifications. The worker would be more effective and productive when qualified and when it comes to performance appraisal, the disparity between job specification and actual job performed would not be great. Data obtained after a job analysis can also be used to assign the correct compensation package. The relative value of a particular job to the company must be known before a dollar value can be assigned to it. Finally, the data can be used to support decisions involving promotions, transfers and demotions.

4.3 Compensation

Compensation refers to every type of reward that individuals receive in return for their labour. The components of the total compensation program are

1) financial

direct (e.g. wages, salaries, bonuses)

indirect (e.g. benefits such as medical coverage)

2) non financial

e.g. interesting duties and pleasant work environment

Compensation equity is the workers' perception that they are fairly compensated. TNB's financial compensation is not equitable at entry level, especially for professionals. The salaries for a fresh graduate is well below market rates and this often lead to high turnover. However, after a considerable period of working with the organisation, the compensation package is more equitable. The staff of TNPG generally fall under the second category and they are therefore satisfied with their financial package. However, there are no data available with the non financial compensation package. A survey conducted by a group of MBA students in 1995 on the job satisfaction level among professionals in TNB remain classified. For TNPG, it is important that the management conduct a similar survey so as to determine the level of job satisfaction within the company. The survey will allow the management to have a clearer idea on the level of satisfaction, especially on non financial aspects. This will also send a message to the staff that their feelings and views are being considered and indirectly giving a feeling of self worth. (Refer to Elton Mayo's experiment: The Hawthorne effect.) This is especially important for a company that should practice the saying " People are our greatest asset". In fact, as a service company it has no other substantial asset (apart from tables and chairs) other than human resource considering the quality of service is almost entirely dependent on the people that deliver it.

4.3.1 Compensation for managers

Managerial skill largely determine whether a firm will prosper, survive or fail. Thus providing adequate compensation for managers is vital. A critical factor in attracting and retaining the best managers is a company's program for compensating executives.

A survey of top performing companies indicate that they prefer to relate salary growth for the highest level executives to overall corporate performance. For the next management tier, they integrate overall corporate performance with market rates and internal considerations to come up with compensation factors. For lower level managers, they tend to determine salaries on the basis of market rates, internal pay relationships and individual performance.

In general, the higher the managerial position, the greater the responsibility and hence the more flexible it is for managers to operate as they are eventually made responsible for the company's bottom line. Top management jobs are important to the organisation and the people involved are highly skilled and difficult to replace. Thus market pricing may be the best approach to use in determining managerial pay.

In TNPG, although initially the compensation package for all levels of staff is similar to that of TNB, eventually the company will be able to set its own package. The sooner the company become financially independent, the quicker the change to a new terms and conditions of service. Provided that the company has a healthy cashflow, it can offer the staff with attractive packages that will encourage the staff to remain with the company.

4.3.2 Compensation for professionals

Financial compensation

Professionals are initially paid for the knowledge they bring to the organisation. Therefore, their compensation package is somewhat different from those for managers. Many professionals eventually become managers. However, for those who do not aspire to a management career, TNPG should consider a dual compensation track. This approach provides a separate pay structure which overlaps the managerial pay structure. With this system, high performing professionals are not required to enter management to obtain higher pay. This is

to avoid serious problems when a highly competent and effective professional feels compelled to become a manager for more pay and is unable to perform well in the new capacity. This has been a recognised problem within TNB but efforts to overcome them has been , at best, slow. The incorporation of TNPG is an opportunity to introduce this dual track salary scheme. It is especially more relevant to TNPG since the company's backbone are the professionals and to retain them in their level of expertise is by allowing them to rise within the company on a non managerial track, if they so wish.

Non financial compensation

Non financial compensation can be divided into two broad categories; those that arise from the job itself and those that come from the job environment.

The job is a central issue in many theories of motivation, and it is also a vital component of a total compensation program. The employee will find satisfaction and increase of self esteem if given interesting duties and a challenging job. If his achievements are recognised both as an individual or as part of a team, he will recognise that his efforts are valued by the company and this form of reward has a more lasting effect than monetary ones. Motivational theories abound on the ways to bring about job satisfaction and the benefits of giving non financial rewards. It is not the intention of this paper to delve into these theories but suffice to mention that the manager should have sufficient knowledge of these theories, among others, to recognise the human needs beyond money.

The job environment is also an important aspect of non financial compensation. Policies and practices that express management's sincerity in its employee relationships can serve as positive rewards. Promoting competent and suitable staff creates trust in management that will go a long way in fostering loyalty to the company. These and many other examples are basically very effective rewards that do not cost money but have a profound effect on the daily operation of the company and ultimately its profitability.

4.4 Expatriate Management

Ever since the E&PD department ventured out, it has to almost immediately go abroad to serve its customers. To date, the personnel have gone to Pakistan, Brunei, Kampuchea and India to perform their duties there. While these trips have been short in duration, the latest request from the client in Pakistan will necessitate the staff to be at site for at least 1 year. This is an entirely new paradigm to both employer and employee.

Expatriate management is a field on its own. The staff has to be prepared physically and mentally prepared to leave the comforts of home in Malaysia to move to a life which may be uncertain in a foreign land. The compensation package must be attractive enough to persuade the staff to move but at the same time capped to reflect the company's ability to pay and not to create a financial shock after repatriation.

As business develop later, the management of expatriates will be more complicated than just designing the appropriate compensation package as is the case for the first staff to stay abroad. the origins if expatriates engaged by TNPG may no longer be Malaysians. Compensation expectations may change from monetary reward to include career advancement. There may no longer be guarantee of a job upon repatriation. These and other considerations have to be kept in mind when preparing the first expatriate management policy.

Appendix 5 shows an example of a method of calculating an expatriate compensation package. It makes use of home country salary and multiplied by a factor which is dependent on the quality of life of the host country. The Quality of Life (QOL) index is measured by international consultants and takes into consideration standard of living, inflation rate, security risk, etc. The index is dynamic and regularly updated.

An expatriate management scheme must be easy to administer. The policies must be consistently applied to prevent confusion. The concerns of both management and employees should be addressed by the policy. Typical management concerns are quality of offshore personnel, development of international knowledge, exploitation of offshore opportunities and the management control of corporate control. Employee concerns are his career development, financial gains, his legal rights, social fit and the answer to 'what's in it for me?'

However, no matter how 'fair' the system one tries to create, it cannot achieve full equity among expatriates and between locals and expatriates. Certain inequities are justified as long as they are consistent, clear and simple principles are followed.

Finally, these policies and other information should be prepared in the form of a booklet to make it known to the employees. The booklet is to address the concerns of the management and employees so that nothing is left to guesswork which may lead to false expectations and disappointments later. It makes the process more transparent to both parties and the staff goes away knowing what to expect and the management is clear that the staff will not be expecting more than what has been clearly written down. The management of expatriates would then be a much easier task in the long run.