

MANAGEMENT DEVELOPMENT PROGRAM

(LEADING TO THE AWARD OF MBA)

In association with the

CZECH TECHNICAL UNIVERSITY IN PRAHA

ASSIGNMENT

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Course: Diploma in Management Studies

Subject: **Human resource management**

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The course assignment

Write an assignment based on one of the topics on the seminar program drawing upon your organizational experience and using the questions set to structure the discussion.

Your assignment should be around 2000 words and should be structured around an analytical discussion drawing upon analysis, evidence, argument and

evaluation that supports your views. You must include a bibliography and give credit to authors used. Try to avoid being descriptive and prescriptive in your approach.

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1. Introduction

Human resource management is a much discussed topic in these days. There are many theories available and the problem seems never ending.

An approach towards Human Resources management (HRM) in every company depends on many other factors. First of all the owner applies his policy and this policy depends on his economical interest. An example - if a strong company buys its competitor in order to close it down (ex-DDR), the HRM will be different compared to a company with existing long-term strategic plan. In this work I will try to cover only a case of a company with a long-term vision and not meant for immediate closing down.

2. What is HRM about ?

The primary goal of each company is to generate profit for its owners. Everything else must be designed to support this.

The activities necessary for ensuring the profit in long-term outlook are:

- marketing
- financial management
- technological innovation
- production management
- human resources management

In practice there may be some factors which are in contradiction with profit maximization, but which may be inevitable and therefore some balance between them must be found. Example: every pay increase lowers a profit for company owners, but without pay increase the workforce might leave the company and there might be no profit at all.

The best economical results may be reached only in case that everybody in the company beginning from a managing director down to the last worker share the same goal and perform accordingly. This is a typical managerial issue and it requires to have **the right people on the right places in the right time**. This is all what HRM is about. A competent and committed workforce is one of the most important assets of a company. Most of the workforce understands this

most important assets of a company. Most of the workforce understands this and these people are usually able to set their personal goals accordingly with the goals of their company and act actively.

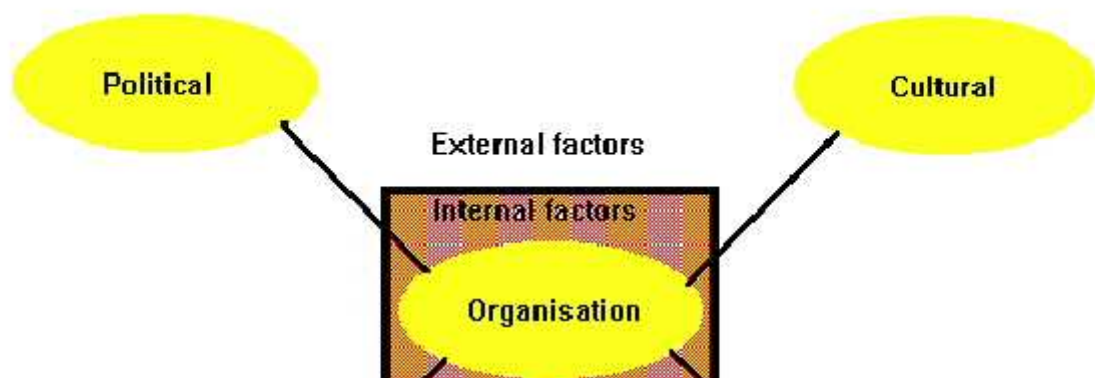
But if the HRM should be realistic, it must cope with a group of people who are resistant to any motivation (RAM-group). These people work only because they are not able to find a better source of living and they usually do not aspire to high goals. They prefer other values than high income, e.g. free time etc. These people are more likely in manually working groups with lower education and they exist in every company. These people must be stimulated rather than motivated, in other words they must be made to work. This group may be treated more as a commodity rather than asset to the company.

3. HRM - influencing factors

Even though I have limited the case studied only to a company with further existence granted, the approach towards HRM may be different. The one approach chosen depends on many factors, both external and internal related to the company itself. In my opinion, the most important factors are:

- external
 - economical environment:
 - degree of development of the country;
 - economical conditions - unemployment rate, etc.;
 - political environment
 - legislative framework, protection of workforce;
 - cultural environment;
 - national habits;
 - skills level;
 - acceptance of roles in the hierarchy;
- internal
 - position and strength of the company;
 - goals set by the owners;
 - degree of collectivism.

This short overview does not pretend to be the entire list of influencing factors, but the most important ones are included.





All factors mentioned above perform a strong influence on HRM. Two similar companies located in different conditions will necessarily have different approach to human resources and its management, even though they may have the same goals.

The HRM influences and policies may also be investigated from the time viewpoint. The methods used for reaching short-term goals will be different from those meant to reach long-term goals.

3.1 External factors

These factors are given independently and the company is usually not able to change them. But these factors are usually decisive in a process of strategic planning of the whole business. When making decisions regarding the future development, these factors play an inevitable role and sometimes they may be contradictory. Example: there are many reasons today for companies in Germany, namely ex-DDR to move to some cheaper region. From economical viewpoint, ex-USSR may be interesting, but from HRM viewpoint not. The final decision must support the strategic goal of the company owners.

From HRM viewpoint is better to have highly skilled workforce, which in case of good motivation represents an important asset and produces better results. On the other side these people are more difficult to negotiate with and their motivation is more difficult as well.

3.1.1 Economical environment

This factor together with a political one are the two most important when making decision if to start a business in some country or not. Sometimes it is hard to distinguish if some decision is based more on politics or economy since these two factors act inseparably. If some country is underdeveloped, the political conditions will very likely be different compared to industrial countries.

One of the most important economical factors is the stage of economical cycle the country is in. In case of recession or even crisis the unemployment rate tends to be high which means better position for an employer. In case of strategically thinking employer this applies fully only to the RAM-group mentioned in Chapter 2. In case of other groups the high unemployment may help to reduce other related costs.

Another economical issue is the wages level in a selected country. The lower wages, the bigger competitive advantage, but also the bigger danger of unskilled and un-cultural workforce.

3.1.2 Political influence

In this case the political orientation of the country is decisive. If the country is too much socially oriented, the business conditions are difficult for the entrepreneurs, but good for the staff. A typical case is European union, namely Germany. The companies leave such a country and move to cheaper

regions. Much better approach from employer's viewpoint is a government which makes people responsible for their own welfare. These people are much more active and innovative and produce better results - see the Asian tigers. A political freedom gives people wider choice as regards the range of their possibilities, but too strong social orientation stops any personal activity and brings an economical decline. This was a reason for the collapse of socialism in Central and Eastern Europe.

Now I will give a practical example as regards the influence of economy and politics. My company EKD-Elektrotechnika is a producer of mobile electricity generating sources for airports. Recently we have been in a tender in Egypt, which we have lost to our Chinese competitor, who offered 60% of our price. The reason was mainly in the workforce: they have zero expenses for the workforce, since the generators are being made in prisoners camps for no wages and other social expenses paid by the company. On the other side we wonder what the product quality may be.

3.1.3 Cultural influence

The culture of a nation plays an important role when choosing methods for motivation and workforce control. The methods applicable e.g. in the Far-East are not acceptable in Europe and European methods wouldn't work in the Far-East. A typical example were (not only) the quality management methods transferred between Japan and the US Ignoring the cultural factor may lead to the complete collapse of the business.

What I have namely on mind when talking about cultural factor are the methods used for motivating the people and gaining their commitment.

3.1.4 Technology

This aspect of HRM is closely interrelated with those described in 3.1.1 and 3.1.3 The higher technology employed, the higher cultural and political level of workforce.

3.2 Internal factors

These factors more or less depend on internal views and decisions of each company. These may be the strategic interests of owners, situation and interests of the staff etc. This means that two companies in the same industry may have different way of HRM. For example, in our case we must prefer a short-term outlook to the long-term one since our economical situation does not allow for any long-term outlooks and our decisions **must** bring immediate results. But even in this situation we must think of a longer perspective.

4. Managing human resources strategically

As it was said above, human resources management is one part of the whole effort towards ensuring the profit for company owners. If this process should be a long-term one, the HRM must also be planned strategically to support other activities (see Chapter 2). Moreover, it would be more precise to talk about HR/IR management, since industrial relations are closely linked to HRM.

4.1 Models and approaches

The first approach was the Taylor's one. According to this the workforce is hired to fulfill the orders of management and nothing else. The roles in the hierarchy are strictly separated. With growing complexity of the production process and level of technology this approach started to prove inadequate since it was not able to gain the commitment from the workforce.

The models developed later put emphasis on strategic planning and therefore higher involvement of employees in order to gain their commitment. These models are

- best practice models
- models developed in the U.S.
- later models

These „post-Taylor“ models admit other players in HRM than the company management. These are usually all stakeholders in the company, like employees, unions, big customers and suppliers etc. Personnel is no more understood as an inevitable factor to fulfill other goals but its active role is understood.

One of such models was developed in Harvard business school by Beer and his team in 1984. This model involves all factors described in Chapter 3 and calls them „situational factors“. Moreover it also involves stakeholders' interests and the outcome are HRM policy choices. Another model, by some authors put into contrast against the previous one is the MIT model. I personally don't think these two models being in contrary against each other. Better definition would be that they describe the same facts in other words and put emphasis on different points. But the basic issue is the same - every successful company must be based on efficient and motivated staff. The difference may be in the case of time frame. Some companies may have reasons to focus more on immediate problems, others on a long-term outlook.

5. Model analysis and practical implementation

As said above, I don't see any case in which the above mentioned models oppose each other. Better said, they describe the same situation from different viewpoints. These viewpoints are affected by an immediate situation in the time when these theories have been formulated, e.g. unions strength and bargaining position, unemployment rate and the relative shortage or excess of the workforce etc. All of these post-Taylor models see the motivated workforce as a base for a company success.

5.1 Implementation in ÈKD-Elektrotechnika

Today the situation of ÈKD-Elektrotechnika is rather complicated. The company exists in a fully competitive environment without any kind of artificial protection against domestic or foreign competitors. But unfortunately the previous management didn't adopt necessary measures for coping with this situation and the company is totally unprepared. The result is obvious - for more than 3 years ÈKD-Elektrotechnika has been generating the loss in the range of tens of millions CZK every year. Now our prime goal is the loss elimination and any development may start immediately afterwards.

Today we are in the so called „first stage of restructuring“. We have downsized the staff by 150 people and now we plan the complete redesign of the company as a second stage. As regards our HRM, our staff may be broken down into three categories: production workers (DV), other workers (DO) and technical and administrative staff (THP). The first downsizing was carried out

technical and administrative staff (THP). The first downsizing was carried out only in the categories DO and THP. In the DV category we don't plan any reductions in this moment since DV is a very rare commodity on the workforce market and very hard to get.

5.1.1 ÈKD strategy basics

1. Reduce the administrative staff as much as possible. Some activities may be performed by computers.
2. Turn as much people as possible into multi-professionals capable of doing more than one profession and therefore capable of replacing other colleagues in a case of necessity. This „multi-professionality“ is of a high importance namely in DV category.
3. The company must survive, which means that no excessive demands from unions are acceptable. On the other side the union bosses are aware of this and they don't push on it.
4. My personal feeling is that one of the bases for a success of a company are satisfied and motivated staff. Therefore the company management must not wait till the unions start to push on any benefits and must act one step ahead. This gives the management much better starting position in any bargaining with the unions and helps to convince the people that the company cares for them. This may help to reduce the power of unions in the company. What do we plan to start with ? Everywhere where possible the flexible working hours will be introduced. We will offer more services for (not only) our women, namely provide possibilities for cheap shopping for basic food on our premises, offer other services like hairdresser's or massage and fitness center. All these activities must be kept as cheap as possible.
5. ÈKD must preserve its workforce for planned future activities. Therefore in any case we don't plan to get rid of the category DV and the downsizing among technical staff will be performed very carefully.

If I should compare our approach with above described models, it would be very difficult. The background of our personal policy has been described here, but to summarize:

- the company must survive and therefore the costs must be minimized and the staff downsized;
- the owner's interests have the highest priority; these being the future progress and development of the company
- the motivation of the staff and keeping them satisfied must be managed by the management and not the unions, the unions must be officially treated as a honorable partner but the real decisions must be done in the management after consulting them with the people;
- the company has been established in 1886 (!) for generating profit and

the company has been established in 1888 (?) for generating profit and not for being a charitable organization; Social charity is organized by the state from our tax-money.

- the staff should not be controlled entirely - they are not little children and some kind of trust and reliance is necessary otherwise they loose motivation easily;
- every member of the staff beginning from the very top must know his criteria for the next year and these criteria must have been consulted with him before the beginning of the year.

6. Conclusions

From the viewpoint of business life-cycle stages now after 100 years of existence we are in the last stage - decline. We must do everything what is typical for this stage according to Kochan and Barrocci. We downsize the company, we adopt tight cost control measures, we implement re-training and multi-professionality. On the other side, for those who remain we want to offer such conditions that they will not leave us.

This what is described above is what we have launched in June 1996 and we plan to finish this in 1997. In the opposite case of being not successful the company will disappear after its 100 anniversary.