

Human Resource Management in Asia

John M. Ivancevich
Lee Soo Hoon





HUMAN RESOURCE MANAGEMENT IN ASIA

JOHN M. IVANCEVICH

*Cullen Professor of Organizational Behavior and Management
University of Houston*

LEE SOO HOON

*Assistant Professor of Human Resource Management
Rensselaer Polytechnic Institute*



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PREFACE

With the arrival of the new millennium, the role of human resources in Asian organizations take centerstage. Managers are aware that HRM is a function that must play a vital role in the success of organizations. HRM is no longer an afterthought, a limited service, or a unit to be tolerated. It is an active participant in charting the course an organization must take to remain competitive, productive, and efficient.

This book takes an Asian managerial orientation; that is, it looks at how HRM is practiced in Asian firms and views HRM as relevant to managers in every unit, project, or team. Managers constantly face HRM issues, challenges, and decision making. Each manager must be a human resource problem solver and diagnostician who can deftly apply HRM concepts, procedures, models, tools, and techniques. This book pays attention to the application of HRM approaches in real organizational settings and situations in Asia. Realism, currentness, understanding and critical thinking are important in this book.

Human resource management belongs to all organizations. Its focal point is people; people are the lifeblood of organizations. Without them, there is no need for computer systems, compensation plans, mission statements, programs, or procedures. HRM activities involve people; thus the activities must be finely tuned, properly implemented, and continuously monitored to achieve desired outcomes. The uniqueness of HRM lies in its emphasis on people in work settings and its concern for the well-being and comfort of the human resources in an organization. This book

focuses on (1) managers and leaders with the responsibility to optimize performance and do what is ethically correct; (2) HRM specialists who advise, support, and aid managers and nonmanagers in their work; and (3) employees who perform the work.

Pedagogical Features

In order to make the book relevant, interesting, scholarly, and practical, a number of pedagogical procedures were adopted. Each chapter contains most of the following elements:

- A brief list of behavioral learning objectives and an outline of the chapter.
- Career Challenge — a short situation emphasizing applied HRM techniques and issues that introduces each chapter, and concludes each chapter with related discussion questions.
- A diagnostic model that serves as the integrative framework of the book.
- HR Journal — a brief news story about an actual company, technique, or group of people.
- The most recent statistics and data available on the topics covered in the chapter.
- Summary — a handy, concise reference to the chapter's main points.
- A list of key terms (plus a comprehensive glossary of key terms at the end of the book).
- Questions for Review and Discussion.
- Notes on references.



CONTENTS IN BRIEF

PART I

INTRODUCTION TO HUMAN RESOURCE MANAGEMENT AND THE ENVIRONMENT

1

- 1 HUMAN RESOURCE MANAGEMENT 2
- 2 STRATEGIC HUMAN RESOURCE
MANAGEMENT: A DIAGNOSTIC
APPROACH 22

PART II

ACQUIRING HUMAN RESOURCES

43

- 3 HUMAN RESOURCE PLANNING AND
SUCCESSION PLANNING 44
- 4 JOB ANALYSIS AND DESIGN 63
- 5 RECRUITMENT 89
- 6 SELECTION 110

PART III

DEVELOPING HUMAN RESOURCES

137

- 7 ORIENTATION, TRAINING AND
DEVELOPMENT 138
- 8 CAREER PLANNING AND
DEVELOPMENT 191

PART IV

REWARDING HUMAN RESOURCES

225

- 9 PERFORMANCE MANAGEMENT 226
- 10 COMPENSATION 261
- 11 PAY-FOR-PERFORMANCE 290
- 12 EMPLOYEE BENEFITS AND SERVICES 311

PART V

MAINTAINING HUMAN RESOURCES

325

- 13 LEGAL ASPECTS OF HUMAN RESOURCE
MANAGEMENT 326
- 14 EMPLOYEE RELATIONS 340
- 15 INTERNATIONAL HUMAN RESOURCE
MANAGEMENT 368
- 16 EVALUATING THE HUMAN RESOURCE
MANAGEMENT FUNCTION 395

APPENDIX A MEASURING HUMAN
RESOURCE ACTIVITIES 419

APPENDIX B SOURCES OF INFORMATION
ABOUT HUMAN RESOURCE
MANAGEMENT 422

APPENDIX C CAREER PLANNING 424

GLOSSARY 433

INDEX 441



CONTENTS

PART I

INTRODUCTION TO HUMAN RESOURCE MANAGEMENT AND THE ENVIRONMENT

CHAPTER I

HUMAN RESOURCE MANAGEMENT 2

EVOLUTION OF HUMAN RESOURCE MANAGEMENT IN ASIA 5

KEY HRM FUNCTIONS 8

- HR Planning 8
- Staffing 9
- Training and Development 9
- Compensation 10
- Performance Management 10
- Employee Relations 10

OBJECTIVES OF THE HRM FUNCTION 11

- Helping the Organization Reach Its Goals 11
- Efficiently Employing the Skills and Abilities of the Workforce 11
- Providing Well-trained and Well-motivated Employees 12
- Increasing Employees' Job Satisfaction and Organizational Commitment 12
- Achieving Quality of Work Life 12
- Communicating HRM Policies to All Employees 12
- Maintaining Ethical Policies and Socially Responsible Behavior 13
- Managing Change 13

WHO PERFORMS HRM ACTIVITIES 13

- HR Professionals 13
- Line Managers 14
- A Partnership 14

ROLE OF THE HR DEPARTMENT 15

- Strategic Partner 15
- Administrative Expert 15
- Employee Champion 16
- Change Agent 16

ORGANIZATION OF THE HR DEPARTMENT 16 HRM AND DESIRABLE END RESULTS 17

ORGANIZATION OF THE BOOK 18

SUMMARY 19

KEY TERMS 20

QUESTIONS FOR REVIEW AND DISCUSSION 20

NOTES 21

CHAPTER 2

STRATEGIC HUMAN RESOURCE MANAGEMENT: A DIAGNOSTIC APPROACH 22

STRATEGIC IMPORTANCE OF HRM 23

HRM AND ORGANIZATIONAL EFFECTIVENESS 25

A DIAGNOSTIC HRM FRAMEWORK 25

EXTERNAL ENVIRONMENTAL INFLUENCES 27

- Economic Conditions 27
- Geographic Location of the Organization 28
- Government Law and Regulations 30
- Unions 31

INTERNAL ORGANIZATIONAL CONDITIONS 31

- Strategy 31
- Goals 31
- Organization Culture 31
- Nature of the Task 32
- Work Group 32
- Leader's Style and Experience 33

A STRATEGIC APPROACH TO HRM 33

- Linking HRM to Corporate Strategy 33
- Confronting Global Competition, Productivity, and Quality Issues 34
- Managing a More Diverse Workforce 34
- Managing Skill Requirements of the Workforce 34
- Managing Organizational Restructuring 35
- Managing Contingent Workers 35

PEOPLE AND THE HRM DIAGNOSTIC FRAMEWORK 35

- Abilities of Employees 36
- Employees' Attitudes and Preferences 36
- Motivation of Employees 36
- Personality of Employees 37

SUMMARY	38
KEY TERMS	40
QUESTIONS FOR REVIEW AND DISCUSSION	40
NOTES	40

PART II

ACQUIRING HUMAN RESOURCES

CHAPTER 3

HUMAN RESOURCE PLANNING AND SUCCESSION PLANNING	44
--	-----------

A DIAGNOSTIC APPROACH TO HUMAN RESOURCE PLANNING 46

STRATEGIC AND HUMAN RESOURCE PLANNING 46

THE HR PLANNING PROCESS 47

- Situation Analysis and Environmental Scanning 48
- Forecasting Demand for Employees 49
- Analyzing the Current Supply of Employees 52
- Action Decisions in Human Resource Planning 55

HUMAN RESOURCE INFORMATION SYSTEMS 56

A Note on Employees' Privacy and HRIS 57

SUCCESSION PLANNING 59

SUMMARY 60

KEY TERMS 61

QUESTIONS FOR REVIEW AND DISCUSSION 61

NOTES 62

CHAPTER 4

JOB ANALYSIS AND DESIGN

63

THE VOCABULARY OF JOB ANALYSIS 66

THE STEPS IN JOB ANALYSIS 66

THE USES OF JOB ANALYSIS 67

WHO SHOULD CONDUCT THE JOB ANALYSIS 68

THE USE OF CHARTS 69

METHODS OF DATA COLLECTION 69

- Observation 72
- Interviews 72
- Questionnaires 72
- Job Incumbent Diary or Log 73
- Which Method to Use? 73

SPECIFIC QUANTITATIVE TECHNIQUES 74

- Functional Job Analysis 74
- Position Analysis Questionnaire 75
- Management Position Description Questionnaire 77

JOB DESCRIPTIONS AND SPECIFICATIONS 78

- Job Analysis and Strategic Human Resource Management 80

JOB DESIGN 81

- Scientific Management and the Mechanistic Approach 81
- Job Enrichment: A Motivational Approach 82
- Job Design: The Next Challenge 84

SUMMARY 85

KEY TERMS 86

QUESTIONS FOR REVIEW AND DISCUSSION 86

NOTES 87

CHAPTER 5

RECRUITMENT

89

A DIAGNOSTIC APPROACH TO RECRUITMENT 91

EXTERNAL INFLUENCES 92

- Government Regulations 92
- Labor Market Conditions 92
- Composition of the Labor Force 93

INTERACTIONS OF THE RECRUIT AND THE ORGANIZATION 93

- The Organization's View of Recruiting 93
- The Potential Employee's View of Recruiting 94

METHODS OF RECRUITING 96

- Internal Recruiting 97
- External Recruiting 97

REALISTIC JOB PREVIEW 103

ALTERNATIVES TO RECRUITMENT 104

- Overtime 104
- Employee Leasing 104
- Temporary Employment 104

COST-BENEFIT ANALYSIS OF RECRUITING 105

SUMMARY 106

KEY TERMS 107

QUESTIONS FOR REVIEW AND DISCUSSION 107

NOTES 108

CHAPTER 6**SELECTION**

110

A DIAGNOSTIC APPROACH TO THE SELECTION PROCESS 112

Environmental Circumstances Influencing Selection 112

SELECTION CRITERIA 114

Categories of Criteria 114

Reliability and Validity of Selection Criteria 116

THE SELECTION PROCESS 120

Step 1: Preliminary Screening 120

Step 2: Employment Interview 121

Step 3: Employment Tests 124

Step 4: Reference Checks and Recommendations 129

Step 5: Physical Examinations 130

SELECTION OF MANAGERS 130**COST-BENEFIT ANALYSIS FOR THE SELECTION DECISION 132****SUMMARY 133****KEY TERMS 134****QUESTIONS FOR REVIEW AND DISCUSSION 134****NOTES 134****PART III****DEVELOPING HUMAN RESOURCES****CHAPTER 7****ORIENTATION, TRAINING AND****DEVELOPMENT**

138

INTRODUCTION TO ORIENTATION 142

Goals of Orientation 142

Who Orientates New Employees? 143

Orientation Follow-Up 144

INTRODUCTION TO TRAINING 145

Goals of Training 145

Learning Theory and Training 146

"Learning Organizations" 147

THE IMPACT OF THE ASIAN FINANCIAL CRISIS ON TRAINING ACTIVITIES 148

Rationale for Singapore's Training Infrastructure 149

Skills Redevelopment Program: An Alternative to Retrenchment 151

Development Assistance Schemes 152

Skills Certification and Recognition System 154

Learning-to-Learn Program 155

MANAGING THE TRAINING PROGRAM 156

Determining Needs and Objectives 156

Choosing Trainers and Trainees 159

TRAINING AND DEVELOPMENT INSTRUCTIONAL METHODS 160

Case Method 160

Role Playing 160

In-Basket Technique 162

Management Games 162

Behavior Modeling 163

Outdoor-Oriented Programs 163

Which Training and/or Development Approach Should be Used? 164

MANAGEMENT DEVELOPMENT: AN OVERVIEW 170

What Is Management Development? 170

DEVELOPMENT: INDIVIDUAL TECHNIQUES 172

Goal Setting 172

Behavior Modification 176

DEVELOPMENT: A GROUP TECHNIQUE — TEAM BUILDING 181**DEVELOPMENT: AN ORGANIZATIONWIDE TECHNIQUE 182**

Total Quality Management (TQM) 182

EVALUATION OF TRAINING AND DEVELOPMENT 183

Criteria for Evaluation 183

A Matrix Guide for Evaluation 184

SUMMARY 186**KEY TERMS 187****QUESTIONS FOR REVIEW AND DISCUSSION 187****NOTES 187****EXERCISE 7-1**

Assessing Training Needs 190

CHAPTER 8**CAREER PLANNING AND****DEVELOPMENT**

191

A DIAGNOSTIC APPROACH TO CAREER PLANNING AND DEVELOPMENT 194**THE CONCEPT OF CAREER 196**

Career Stages 196

Career Choices 199

CAREER DEVELOPMENT: A COMMITMENT 203

CAREER DEVELOPMENT FOR RECENT HIRES 203

- Causes of Early Career Difficulties 205
- How to Counteract Early Career Problems 206

CAREER DEVELOPMENT DURING MIDCAREER 208

- The Midcareer Plateau 208
- How to Counteract Midcareer Problems 210

CAREER DEVELOPMENT FOR PRERETIREMENT 211

- Preretirement Problems 211
- How to Minimize Retirement Adjustment Problems 211

CAREER PLANNING AND PATHING 212

- Career Planning 212
- Career Pathing 214

CAREER DEVELOPMENT PROGRAMS: PROBLEMS AND ISSUES 216

- Integrating Career Development and Workforce Planning 216
- Managing Dual Careers 217
- Downsizing and Job Loss 219

SUMMARY 221**KEY TERMS 222****QUESTIONS FOR REVIEW AND DISCUSSION 222****NOTES 222****EXERCISE 8-I**

- My Career Audit 223

PART IV**REWARDING HUMAN RESOURCES****CHAPTER 9****PERFORMANCE MANAGEMENT
226****A DIAGNOSTIC APPROACH TO PERFORMANCE EVALUATION 229****THE CASE FOR USING FORMAL EVALUATION 230**

- Purposes of Evaluation 230

FORMAT OF EVALUATION 231

- Establish Criteria 231
- Set Policies on Who Evaluates, When, and How Often 232

SELECTED EVALUATION TECHNIQUES 235

- Individual Evaluation Methods 236

MULTIPLE-PERSON EVALUATION METHODS 243

- Management by Objectives 245
- Which Technique to Use 248

POTENTIAL PROBLEMS IN PERFORMANCE EVALUATIONS 248

- Opposition to Evaluation 249
- System Design and Operating Problems 249
- Rater Problems 250
- Eliminating Rater Errors 253
- Avoiding Problems with Employees 253

THE FEEDBACK INTERVIEW 254**SUMMARY 256****KEY TERMS 257****QUESTIONS FOR REVIEW AND DISCUSSION 257****NOTES 258****EXERCISE 9-I**

- Designing an Appraisal System 260

CHAPTER 10**COMPENSATION
261****A DIAGNOSTIC APPROACH TO COMPENSATION 263****OBJECTIVE OF COMPENSATION 264****EXTERNAL INFLUENCES ON COMPENSATION 265**

- The Labor Market and Compensation 265
- Economic Conditions and Compensation 267
- Government Influences and Compensation 268
- Union Influences and Compensation 269

INTERNAL INFLUENCES ON COMPENSATION 269

- The Labor Budget 269
- Who Makes Compensation Decisions 270

COMPENSATION DECISIONS 270

- The Pay-Level Decision 271
- Pay Surveys 272
- The Pay-Structure Decision 274

THE INDIVIDUAL PAY DECISION 280**DETERMINATION OF INDIVIDUAL PAY 281**

- Flat Rates 282
- Payment for Time Worked 282
- People-Based Pay 282

ISSUES IN COMPENSATION ADMINISTRATION 284

- Pay Secrecy or Openness 284
- Pay Security 285
- Pay Compression 286

SUMMARY 286**KEY TERMS 287****QUESTIONS FOR REVIEW AND DISCUSSION 287****NOTES 288**

CHAPTER 11

PAY-FOR-PERFORMANCE
290**VARIABLE PAY: INCENTIVE COMPENSATION 293****COMPENSATION AND MOTIVATION 295**

Pay and Motivation 295

Pay and Employees' Satisfaction 297

Pay and Employees' Productivity 298

TYPES OF INCENTIVE COMPENSATION 299

Individual-Based Incentives 299

Merit Incentives 301

Ownership 305

Executive Pay 305

SUMMARY 307**KEY TERMS 307****QUESTIONS FOR REVIEW AND DISCUSSION 308****NOTES 308**

CHAPTER 12

EMPLOYEE BENEFITS AND SERVICES
311**A DIAGNOSTIC APPROACH TO BENEFITS AND SERVICES 313****TYPES OF BENEFITS PROVIDED 315**

Compensation for Time Off 315

Employer-Purchased Insurance 316

EMPLOYEE SERVICES 317

Stock Ownership Plans 317

Childcare 317

Elder Care 317

Social and Recreational Programs 318

FLEXIBLE BENEFITS PROGRAM 318**MANAGING AN EFFECTIVE BENEFITS PROGRAM 318**

Step 1: Set Objectives and Strategy for Benefits 319

Step 2: Involve Participants and Unions 320

Step 3: Communicate Benefits 320

Step 4: Monitor Costs Closely 320

COST-BENEFIT ANALYSIS 321**SUMMARY 322****KEY TERMS 322****QUESTIONS FOR REVIEW AND DISCUSSION 322****NOTES 323**

PART V

MAINTAINING HUMAN RESOURCES

CHAPTER 13

LEGAL ASPECTS OF HUMAN
RESOURCE MANAGEMENT
326**WOMEN'S ACCESS TO EMPLOYMENT
OPPORTUNITIES 328****SEXUAL HARASSMENT 332****RETRENCHMENT 334****PAY ISSUES 336****SUMMARY 338****KEY TERMS 339****QUESTIONS FOR REVIEW AND DISCUSSION 339****NOTES 339**

CHAPTER 14

EMPLOYEE RELATIONS
340**A DIAGNOSTIC APPROACH TO LABOR
RELATIONS 342****EVOLUTION OF LABOR-MANAGEMENT
RELATIONS IN ASIA 344****STRUCTURE AND MANAGEMENT OF
UNIONS 348****WHY JOIN A UNION AND WHO JOINS A
UNION? 349****COLLECTIVE BARGAINING 350**

Prenegotiation 351

Selecting Negotiators 351

Developing a Bargaining Strategy 353

Using the Best Tactics 353

Reaching a Formal Contractual Agreement 354

Contract Ratification 355

FAILURE TO REACH AGREEMENT 355

Strikes 355

Lockouts 356

Permanent Replacements 356

Third-Party Intervention 356

ADMINISTRATING THE CONTRACT 357

- Discipline 357
- Grievances 357
- Arbitration 359

TRIPARTITE COOPERATION IN SINGAPORE DURING THE ASIAN ECONOMIC CRISIS 360**FUTURE OF UNIONS 361**

- Union Organizing Trends 362

CONCLUSION 363**SUMMARY 364****KEY TERMS 365****QUESTIONS FOR REVIEW AND DISCUSSION 366****NOTES 366****EXERCISE 14-I**

- Reporting on Labor Unions 367

CHAPTER 15

INTERNATIONAL HUMAN RESOURCE MANAGEMENT 368

A DIAGNOSTIC MODEL OF INTERNATIONAL HUMAN RESOURCE MANAGEMENT 370

- The Cultural Nature of International HRM 372
- The Concept of "Fit" in International HRM 374
- Multinational and Global Corporations 374

THE EXPATRIATE MANAGER IN THE MULTINATIONAL CORPORATION 377

- Selecting the Expatriate Manager 378
- Culture Shock and the Expatriate Manager 380
- Training the Expatriate Manager 381
- Compensating the Expatriate Manager 384

HOST COUNTRY NATIONALS AND THE GLOBAL CORPORATION 386**THE LEGAL AND ETHICAL CLIMATE OF INTERNATIONAL HRM 388****CONCLUSION 390****SUMMARY 391****KEY TERMS 391****QUESTIONS FOR REVIEW AND DISCUSSION 392****NOTES 392****CHAPTER 16**

EVALUATING THE HUMAN RESOURCE MANAGEMENT FUNCTION 395

THE INCREASING STATURE OF THE HRM FUNCTION 397**A DIAGNOSTIC APPROACH TO EVALUATING THE HRM FUNCTION 400****EVALUATING THE HRM FUNCTION 400**

- Evaluation by Checklist 402
- Statistical Approaches to Evaluation 404
- HRM Evaluation Research: Final Comments 412

THE HR MANAGER: A LAST LOOK 413

- The Diagnostic Approach 414
- The Role of the Top Manager and Operating Manager 414
- The HR Manager in Action 414

SUMMARY 416**KEY TERMS 417****QUESTIONS FOR REVIEW AND DISCUSSION 417****NOTES 417****APPENDIX A**

MEASURING HUMAN RESOURCE ACTIVITIES 419

APPENDIX B

SOURCES OF INFORMATION ABOUT HUMAN RESOURCE MANAGEMENT 422

APPENDIX C

CAREER PLANNING 424

GLOSSARY 433

INDEX 441



P A R T O N E

INTRODUCTION TO HUMAN RESOURCE MANAGEMENT AND THE ENVIRONMENT

Human resource management (HRM) is the effective management of people at work. HRM examines what can or should be done to make working people more productive and satisfied. This book was written for all those interested in people working within organizations. Its goal is to help develop more effective managers and staff specialists who work directly with the human resources of organizations.

Part One consists of two chapters. Chapter 1, “Human Resource Management,” introduces the reader to HRM and careers in HRM. The diagnostic approach is introduced in Chapter 2, “Strategic Human Resource Management: A Diagnostic Approach.” Chapter 2 provides a strategic perspective of HRM and discusses the ways managers use knowledge of environmental factors — economic conditions, government regulations, and union requirements — to determine HRM policies.



CHAPTER ONE

HUMAN RESOURCE MANAGEMENT

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

Define the term *human resource management* (HRM)

Describe the strategic importance of HRM activities in Asian organizations

List the main objectives pursued by HRM units in organizations

Discuss the role that HR professionals and line managers play in performing HRM activities



CAREER CHALLENGE

Michael Lim is the owner and managing director of MCL Solutions Inc. in Singapore. The three-year old firm is a software developer of Enterprise Resource Planning (ERP) solutions with about 20 employees. It is a small company with a very flat organizational structure. There are four senior staff members who are coordinators of the various functions. Sam is the senior manager who is responsible for research and development. His team of six is responsible for developing new modules in the software and updating existing versions of the software. He is a programmer by training and his team of programmers is responsible for writing software codes. He also has a team of three contract programmers who help in developing very specialized modules.

Chris is the senior engineer who is in charge of the implementation of the software. His team of five is responsible for installing the software as well as customizing the software to specific requests by clients. His team is composed of a mix of hardware and software engineers. Mavis is the salesperson in the firm and a one-person member of the sales function. Occasionally, Michael joins her during her sales meetings and sales presentations with prospects. Michael spends most of his time preparing for the bids and contracts for potential projects that Mavis

brings in.

Cynthia Lee is the senior staff who is in charge of solutions support. Her team of five is in charge of hotline queries and the staff are responsible for walking a client through the process of solving any applications problem. Her staff comprise individuals who have just some basic understanding of the company's software and basic hardware knowledge. She is also responsible for general office administration. This involves putting an advertisement in the paper for recruitment, ensuring that all staff are paid, banking in checks from clients, calling clients for payment, ordering computer equipment for staff, and liaising with the landlord for office-related general repair.

Over the past 12 months, there has been a 40 percent turnover among the staff in both Sam's and Chris's divisions. This has seriously affected morale in the entire company. When Cynthia persuaded them to stay, these information technology (IT) staff invariably lamented on the riskier job situation in working for a small company. With only one person doing sales, the volume of business is not high and they have concerns about the viability and survival of the company. Even though IT staff salaries matched with current market pay, the staff perceived the pay as unattractive and noncompetitive, given the perceived riskiness of the firm. In addition, the

benefits provided by the firm only just meet the minimum legislative requirements and therefore are not perceived as attractive. Although the staff in each specific division worked closely with their senior coordinator, they are unsure how end-of-year bonuses are determined. There are no formal job descriptions written for any position in the company, and no formal performance reviews are conducted for any staff. Yet, individuals do receive differential bonuses at the end of the year. Due to the high demand for IT-related skills worldwide, individuals with IT expertise can easily move into better paying and secure jobs.

In addition, with a flat organizational structure, IT staff with aspirations for management positions feel that MCL does not provide a career progression for them in that aspect. There is also no training budget for staff to draw on to upgrade their technical skills. Given that knowledge in the IT field changes very rapidly, many staff are concerned that their knowledge and skills would become outdated if they were not constantly provided with training opportunities. Michael appears not to have done anything about the human resource management situation except to ask Cynthia to hire replacements when people leave. However, given the general demand for IT skills in the

(continued on next page)



CAREER CHALLENGE

continued

job market, it has not been easy to fill the positions. Sam and Chris have had to run their divisions with serious staff shortages.

Cynthia will be meeting with Michael to update him on the half-yearly office situation in an hour and wonders what his response will

be when she updates him on what she has learned from those who have left.

Talents; skills; human resources; making employers more aware of the value of human resources; creating competitive advantage through people; attracting, motivating, and retaining high performing employees; adding value to the firm through human capital — these words and thoughts are increasingly becoming commonly heard in Asian businesses. Today, employees' productivity levels in Asian firms are becoming a priority in the national agenda in many Asian countries. In the opening case, Cynthia Lee is considering the challenges associated with this new wave of professional treatment and concern for employees within organizations. Organizations in Asia are definitely in the people business.

This book focuses on people development and management in organizational settings. The entire book is concerned with the employees of organizations in Asia — the factory workers, clerical staff, technicians, supervisors, managers, and executives. Large, medium, and small organizations, such as Singapore Airlines, the SK Group, Dusit Thani, Banyan Tree, and Toyota, understand clearly that to grow, prosper, and remain healthy, they must optimize the return on investment for all resources, including financial and human resources.

When an organization is really concerned about people, its total philosophy, culture, and tone will reflect this belief. In this book, *human resource management* (HRM) is used to describe the function that concerns people — the employees. Human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.

Terms such as *personnel*, *human resource management*, *employee development*, *human capital management*, *organizational effectiveness management* are used by different organizations to describe the unit, department, or group concerned about with people. The term *human resource management* is now widely used in Asia, although in the past, many organizations referred the management of employees as *personnel management* or *industrial relations*. *Human resource management* is a term that reflects the increased concern that both society and organizations in Asia have for people. Today, employees — the human resource of a firm — demand more of their jobs, and respond favorably to management activities that give them greater control over their lives.¹

Human resource management consists of numerous activities, including

- Human resource planning and succession planning.
- Job analysis.
- Employee recruitment and selection.
- Performance management.
- Compensation management.
- Orientation, training and career development.
- Employee relations.
- Legal compliance.

These activities are topics of various chapters in this book. They also appear as elements in the diagnostic model of the HRM function that is used throughout the text. This model is described in Chapter 2.

The following four descriptions of HRM should be stressed at the outset:

1. *It is action-oriented.* Effective HRM focuses on providing management with solutions to employee problems rather than on record-keeping, written procedure, or rules. Certainly, HRM uses rules, records, and policies, but it stresses action. HRM facilitates the development of employees' skills as well as increases their job and organizational satisfaction. HRM emphasizes the provision of solutions to employment problems to help the firm achieve its objectives.
2. *It is individual-oriented.* Whenever possible, HRM treats each employee as a valued individual and offers services and programs to meet the individual's needs.
3. *It is globally oriented.* HRM is not only an American function or activity; it is practiced in Australia, Hong Kong, Singapore, and Thailand. Many organizations in Asia treat their employees fairly, with respect, and with sensitivity. Thus, Singaporean practitioners can review HRM practices in Australia to determine if there are some principles that can be applied or modified for their subsidiary in Thailand.
4. *It is future-oriented.* Effective HRM is concerned with helping an organization achieve its objectives in the future by developing employees now for the skills required in the future. Thus, the management of human resources needs to be incorporated into an organization's long-term strategic plans.

The evolution of HR in Asia is largely dependent on the economic development of the respective country, the size and resources of the firm to formalize its HR activities, and the international parentage of the firm. But generally, in the 1960s and 1970s, individuals managing employee-related issues took an industrial welfare officer role.² That period was the

EVOLUTION OF HUMAN RESOURCE MANAGEMENT IN ASIA



HRM TERMS

- **HRM Strategy.** A firm's HRM strategy is the pattern or plan that integrates the major objectives, policies, and procedures into a cohesive whole. A well-formulated HRM strategy will help aggregate and allocate a firm's resources into a unique entity on the basis of its internal strengths and weaknesses, changes in the environment, and the anticipated actions of competitors.
- **HRM Objectives.** The objectives of the HR department are the ends it seeks to achieve — its reason for existence. Eight objectives of the HRM function are listed in this chapter.
- **HRM Policy.** A policy is a general guide that sets limits within which action should occur. Policies are developed from past problem areas or for potential problem areas that management considers important enough to warrant attention to policy development. Policies ensure some consistency in behavior and allow managers to concentrate on other decisions that require their experience, knowledge, and creativity to solve.
- **HRM Procedures/Rules.** A procedure or rule is a specific direction to action. Procedures and rules are more specific plans that limit the choices of managers and employees. They tell a manager how to do a particular activity. In some organizations, procedures are collected and put into manuals, usually called standard operating procedures (SOPs).

Organizations must be careful to have consistent decision making that flows from a well-developed, but not excessive, set of policies and procedures. Some organizations, in effect, eliminate managerial initiative by trying to develop policies and procedures for everything. Procedures should be developed only for the most vital areas. Exhibit I-1 shows the relationship between strategy, objectives, policies, and rules.

start of the industrial age in Asia and individuals managing employee-related issues had a key responsibility in defining the work tasks, hiring and managing factory workers.

With the entry of many American and European multinational corporations (MNCs) into Asia in the 1970s, employee-related management became personnel management. The emphasis was administration and record-keeping as well as mechanisms for control and organizing things for other people. The personnel department handled paperwork for employees, job applications, benefits requests, and so forth. The personnel department screened applicants, collected employee data, and ensured legislative compliance. However, family-owned businesses in general lagged behind in the HR practices of MNCs.

In the golden age of Asia's high growth period from the 1980s to 1996, employees were viewed as the firm's "human resources" that were to be valued, managed, and nurtured. Following the industrial revolution in Asia and the availability of new technologies, human resource management became an important function. Most of the focus on HRM in Asian companies was in training activities. Firms engaged in constant training and retraining of staff to prepare for new and improved technologies in the manufacturing processes. With the growth in the demand for and