Human Resource Management in Asia

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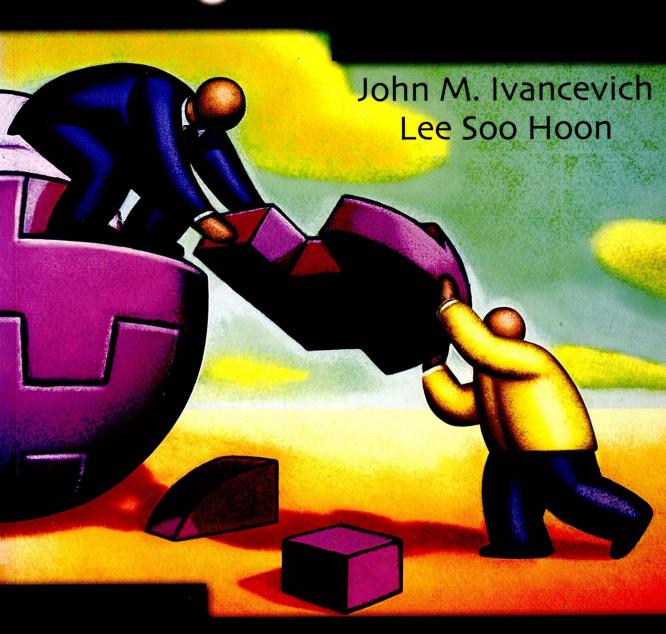
HUMAN RESOURCE MANAGEMENT IN ASIA

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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.

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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.

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

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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.

EVOLUTION OF HUMAN RESOURCE MANAGEMENT IN ASIA

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

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 1–1 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