

Prospects and issues in human resource management- a case study

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Keywords

HRM, MTO, management trainee programme, challenges, motivation.

Abstract

HRM involves development and implementation of strategies that are internally consistent with organizational objectives and ensure the contribution of human capital towards the achievement of those strategic objectives. Firms, who learn to manage their human resources as a part of their organizational strategy, enjoy a long time to come because acquiring and deploying human resources effectively is cumbersome and takes much longer. Studies have also shown strong positive relationship between strategic HRM with reduced employee turnover, higher productivity, greater cost effectiveness, and greater overall efficiency organizational performance (Arthur 1994; Ferris et al., 1990). Studies have also shown that innovation largely depends on attracting, building and nurturing key capabilities (Pavitt, 1991) and innovation attitude of employees is related to the employment conditions (Storey et al., 2002).

This paper critically analyzes the work culture for a mainstream financial organization operating within India, while drawing a specific example to clarify certain dilemmas that impede the possible growth for the financial sector and its basic employees, besides lowering down the performance of the organizations. This paper is related to an organization in financial sector which conducts a Management Trainee Program with the purpose to select, train and develop a high-potential pool of talent into future leaders and fore-runners of the organization. The paper critically analyzes several inherent problems that face the successful implementation of the trainee program under the frameworks of various theories of organizational management. To solve these problems, this article presents a detailed diagnosis of the management shortcomings to improve the firm's corporate culture, work ethics and employee handling strategy and mechanism. Recommendations are also made to minimize the problems and maximize the success of the Management Trainee Program in the case study organization.

1. Introduction

There is growing evidence that human resources are crucial to organizational success, and may offer the best return on investment for sustainable competitive advantage (Luthans and Yousef, 2004). Therefore, in this paper, the authors argue that the organizations in financial sector should adopt human resource management (HRM) at strategic level and benefit from emergent approaches of HRM to attract, retain, develop, and motivate the talent. Significant research in domain of human resource management focuses on attracting, motivating, and retaining the knowledge worker (see: Horwitz et al., 2003; Horwitz et al., 2006; Baron et al., 2001; Evans et al., 2002). So-called best practices of attractive job design, high pay-offs, paid holidays, skill enhancement programs, increased autonomy, and flexible work hours are used by the employers to attract the experienced as well as young professionals to work for them (Olson, 2003; Stove and Bontis, 2002). Every firm wants the best people to work for it and makes every effort to maximize their performance. To get the best people, organizations often pull staff from their competitors by offering them better monetary packages. These factors have resulted in unprecedented job uncertainty. Necessary lay-offs have endangered the situation by reducing the organizational loyalty to new lows. Several scholars describe this situation as "war-for-talent" (Hargie, 2004; Michaels et al., 2001).

Winning the fierce competition businesses is rather easier through organizational capabilities such as speed, responsiveness, agility, learning capacity, and employee competence. Boudreau and Ramstad (2005) argue that as organizations increasingly compete through talent, their investments in human capital will determine their competitive positions. In the war-for-talent, successful organizations will be those that are able to quickly turn strategy into action; to manage processes intelligently and efficiently; to maximize employee contribution and commitment; and to create the conditions for seamless change.

This paper presents a case study of an organization that has been unable to manage its human resources and hence faces many related problems. It critically analyzes how and why the case study organization failed to integrate their HR policies within their strategic agenda which eventually led to several HR related problems such as inability to attract, develop, and effectively utilize the talent. Along with the analysis, recommendations are made as to how organizations can better integrate their HR policies as a part of their organizational vision to achieve their objectives.

2. Study Objectives

This study has the following objectives:

1. To critically analyzes the work-place culture of an organization in the financial sector
2. To study the problems related to HRM in depth from a specific perspective of management trainee program
3. To analyze the factors leading to these problems
4. To suggest detailed recommendations to overcome the HRM-related problems

3. Methodology

To address the above objectives, in-depth case study method was adopted. For this purpose, interviews were conducted with 45 management trainees who were recruited under the management trainee program in the case study organization. Interviews were conducted over one year time during May 2013 to May 2014. These interviews were usually informal to ensure that the trainees were at ease to answer the questions and elaborate the real-life situation and problems in openness. Interviews were also conducted in informal settings during coffee breaks, lunch times, and walk-in appointment with the trainees. A typical interview lasted 15-20 minutes. Notes were taken during the interviews and anonymity was ensured to the interviewees. Interview questions mostly focused on: effectiveness of the management trainee program; problems that the trainees were facing during the appointment; work-place culture of the organization; potential of the program in terms of intellectual development of the trainees; adequacy of employee-reward system; fulfillment of personal needs; work-life balance; and fulfillment of contractual obligations from the perspective of the organization.

In addition to the interviews, secondary data was collected from the documents available within the Organization's database. These documents generally included history of the organization, annual financial reports, monthly newsletters and periodicals, reports on management trainee program, values and ethics code, and employee handbook, database of employee feedback surveys, performance appraisal matrices and related documents.

4. Background of Case Study Organization

The case is related to a large organization providing consumer, commercial and corporate financial services. It is one of the leading organizations in the sector, following a path of aggressive growth to increase its deposit base, branch network and services to the customers. Though the organization was actively hiring experienced professionals from the market and fresh graduates from different universities through its other professional development

programs, the purpose of starting over the Management Trainee Program was to hire and train workforce that will eventually take the responsibility of future management of the organization. For this purpose, the best graduates from top national and international universities were recruited, provided 3 months theoretical training and 6 to 12 months on-job training followed by active rotation in all the departments of the organization. Eventually, after two to three years, the Management Trainee Officers (MTO) was typically promoted as managers of particular departments within particular Branches. The organization expanded to a stage where it became difficult for the senior management to monitor all the operations very closely. Lots of responsibilities were delegated to the middle management. Structure of the organization was changed from two-tiered (wherein the branches were controlled by the head office) to a three-tiered one, with the introduction of areas offices between branches and head office. In short, branches were reporting to the area offices and they in turn were reporting to the head office.

5. Case Analysis

The above case is analyzed under the existing frameworks of the following four theories of motivation:

5.1. Herzberg or Motivation Hygiene Theory

Herzberg proposed that the spectrum of emotional states extend beyond the satisfaction and dissatisfaction level. This means that the opposite of dissatisfaction is not satisfaction and vice versa. There are some factors like company policy, salary structure, work conditions which if adequate will lead to no dissatisfaction, if not enhance satisfaction. Substandard hygiene factors will lead to dissatisfaction which will be detrimental to the organizational environment.

In the current case, as it has been mentioned above, the senior management was oblivious of the fact that there was a lacuna in the expected hygiene factors at the lower levels. The salary structure was out of sync with the compensation package at the rival organizations. Although case study organization employees put in the same effort but they were awarded with lower salaries leading to a lower Output/Input ratio. This callous attitude on the part of the management pestered the workforce that was no less in competency when compared to its counterpart at other rival firms. This led to a sinking feeling in the camp with everyone trying to jump off the board as soon as possible. Even the work conditions were not up to the expected level. The officers were made to stay late and the middle management treated them inappropriately. The senior management did nothing to placate the condition, thus leading to a lack of serene environment at the workplace.

All these ensuing factors contributed towards higher dissatisfaction within the workforce. They found themselves in a precarious situation with no reprieve in foresight, leading to increased frustration levels. If the organization wants to motivate its MTOs, it will need to improve its hygiene factors while emphasizing intrinsic rewards associated with the work. Such rewards can include: promotional opportunities, opportunities for personal growth, recognition of work, better job design and increased job responsibility.

5.3. Maslow's Hierarchy of Needs Theory

Maslow's hierarchy of needs identifies five distinct levels of needs: physiological, safety, social, esteem, and self-actualization. A hierarchy of these five needs exists such that as each need is substantially satisfied, the next becomes dominant. Elaborating further on what each need entails, following is a brief description:

1. Physiological needs include hunger, thirst, shelter, sex and other bodily needs.
2. Safety needs includes personal security from crime, job security, health and well being and safety from other physical and emotional harm.
3. Social needs include affection, acceptance, belongingness and friendship.

4. Internal esteem includes self-respect, autonomy and achievement, while external esteem includes status, recognition and attention.
5. Self-actualization includes the drive to become what one is capable of becoming.

Analyzing the case in terms of the Maslow's theory, the authors realize that dominant need for the MTOs was supposed to be self-actualization. This is also justifiable as all the MTOs were highly qualified and needed the highest level of motivation to be driven for work. They should have been provided job security, financial satisfaction, recognition, respect and attention by the organization to set a base for the MTOs, from where they can prioritize their self-actualization needs and focus on career progression and high productivity by achieving their potential. However, the case witnesses an exploitation of the lower needs by the organization where appropriate respect to the MTOs was not given by the middle management, senior management was not attending to their issues, financial security was lacking with low comparative salaries and job security was questioned when several MTOs were forced to resign.

All these abuses lead to a situation where the officers were not anymore prioritizing their self-actualization needs. They were not focusing on improving productivity and performing better to bag promotions as most of the time was spent working and struggling on the lower order needs. The change in needs itself was having a negative impact on the organization's business as proactive improvements measure were replaced by increased time spent on grievances and considering options to quit the organization. In order to rectify the situation, the HR department of the organization needs to take strategic measures to ensure that all knowledge workers achieve their desired level of motivation in order to remain driven in their work.

5.4. Expectancy Theory

Expectancy theory argues that the strength of a tendency to act depends on the attractiveness of the outcome and the strength of the expectation that the act will lead to that outcome. The theory discusses the following three relationships:

1. Effort-performance relationship. This relates to the perceived probability by an individual that a specific amount of effort will lead to a specific level of performance.
2. Performance-reward relationship. This point to the perceived chances of a given level of performance leading to a given reward.
3. Reward-personal goals relationship. This talk about the level of satisfaction of an individual from the reward system.

The organization appeared to miss out on all the three relationships. The rewards that were given to the MTOs were not coherent with their expectations and personal goals. Similarly, the offered incentives were also not in line with market benchmarks. Because of lack of procedural justice, the mapping of performance with reward was not clear. Officers were not sure as to what level of performance would ensure them a specific increment or bonus. Absence of explicitly chalked-out service level agreements and job descriptions made it difficult for the management to gauge the performance of the officers. On the other hand, officers were also not sure how much effort would lead them to a specific level of performance. All this decreased the motivation for the officers to work hard and put in effort, as they expected that this will not generate the expected results.

5.5. Theory X and Theory Y

Douglas McGregor introduced two distinct human being views in the form of Theory X and Theory Y. Theory X, the negative view, assumes that:

1. Employees dislike work and if given a chance, will tend to avoid it.
2. They simply want job security and have little ambition.
3. They will tend to avoid responsibilities.

4. They must be controlled and coerced to deliver results..

Theory Y, the positive view, assumes that:

1. Employees are generally ambitious.
2. People have a natural tendency to take responsibilities.
3. People will exercise self-control and self-direction.
4. Innovative decisions can come from across the hierarchy of the organization instead of just the top echelons.

The feedback from a majority of officers reflected that the middle management at the organization had adopted theory X in case of the MTOs. Newly recruited MTOs, rather than being provided with appropriate on-job rotations during their initial time period, were tested for their patience. They were delegated tedious yet cumbersome assignments. Part of the justification for such treatment is provided by the middle management on a number of occasions where they express their perception of MTOs as high pampered officers, who do not want to get their hands dirty with routine assignments and who have to be forced for every assignment. Instead of understanding the potential and capabilities of the officers and assigning them work accordingly, the middle management was operating more on its negative preconceived notions, which it is not willing to change, despite strong performance by several MTOs. This approach itself was taking a toll on officer's performance.

6. Summary of Problems

From the above analysis of individual motivation theories, following major problems were shortlisted:

1. Strict joining terms for the Management Trainee batch with a minimum service bond.
2. Exploitation of employees by the management on the back of minimum service agreement, which included smaller increments, no job rotation and late working hours.
3. Low job satisfaction of the employees because of lack of tangible (Salary and Benefits) and non-tangible (Good treatment from the supervisors) extrinsic job satisfaction factors.
4. Low job involvement for employees with superior academic background.
5. Human Resource department did not work proactively to resolve the resentments of the employees.
6. There was no procedural justice system in the organization. Since a lot of the information was not conveyed to the employees, communication gap existed therein as well.
7. Organizational commitment diminished because of lack of incentives and exploitation of employees' conditions.
8. Voicing of dissatisfaction by the employees.

6.1 Factors Causing the Problems

Some of the factors leading to the above problems include:

1. Fast business growth that was not coupled with proper workforce expansion. Increased work for the same number of people meant more hours at work.
2. Increasing firm's size compelled the change in organizational structure from a two-tiered to a three-tiered one, with increased delegation of discretionary powers to the middle management at the Area Office level.
3. Inappropriate inculcation of firm's vision from the senior to the middle management.
4. Conflict of interest in training new MTOs and achieving their business targets.
5. Low accountability and monitoring of middle management actions.
6. Less attention by the senior management to the management trainee program.

7. General Discussion

Case study in the current paper shows that there are many take-away for organizations in terms of how they manage their human resources. Analysis and subsequent discussion shows that higher salary and fringe benefits are not sufficient to attract and retain talent within an organization. There are many innovative ways that HR managers can use to effectively manage the human resources within their organizations. The most important lesson to take away is collecting feedback from the employees. In most cases, employees know very well what motivates them. Therefore, regular feedback from employees can provide HR managers a comprehensive game plan which they can use to retain and develop the existing talent. They will see that these policies will also help them in attracting more talent.

8. Conclusions

This research presents a case study of an organization that has been relatively unsuccessful in adequately conducting the management trainee program. Analysis of the case shows that many underlying factors actually led to several problems that resulted in low motivation, high rate of turn-over, decreased productivity, and deterioration of work culture, and lack of trust in the organization. Analysis of different theories of motivation also shows that adequate measures can be taken to improve the management trainee program. Given the shortage of human resources in India, this study carries important lessons for organizations. If they need to attract, retain, develop, and capitalize their human resources, they will need to adopt strategic HR measures rather than just relying upon the emergent HR practices. Future studies can expand the research scope to study the motivational level of regular employees at different levels of the organizations. Such studies can provide comprehensive understanding of the existing situation regarding the subject and hence will better enable the organizations to devise measures to improve their HRM.

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