

A CASE STUDY OF HUMAN RESOURCE MANAGEMENT PRACTICES: NORTHERN FARM IN VAVUNIYA, SRI LANKA

T.Mangaleswaran

Department of Economics and Management,
Vavuniya Campus of the University of Jaffna
tmangales@yahoo.com

ABSTRACT: This study focuses on exploring Human Resource Management (HRM) practices in Northern Farm Ltd. The aim of this study is to investigate the existing HRM practices in the organization and recommend effective Human resource Management practices to success and survival of the business. The study examined practices of Northern Farm in seven areas of human resource management, namely: Job analysis, staffing, performance appraisal, training and development, leave and attendance, standard format, and labour laws. The researcher adopted multiple methodologies in this study. The questionnaire, interview, discussion and observation were used as tools for reviewing the existing situation of the Human Resource Management practice at the above organization. The researcher had taken 50% of the office staff and 50% of factory staff as sample for focus group discussion. Further researcher had examined and reviewed secondary data from human resource manual and the existing circulars. The study found that they do not aware the importance of human resource management in their organization and a lack of attention devoted to the practice of human resources systems and processes. This study recommend to appoint qualified Human Resource officer immediately and practice effective Human Resource systems and processes in this organization for success and survival.

Keywords: Human Resource Management, Staffing, Performance Appraisal, Job Analysis

1.0 INTRODUCTION

HRM concerned with the People dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to high level of performance, and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. Human Resource Management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business.

Small Medium Enterprises (SME) are very important in the economic development of the country. The Northern Farm is a SME which is a manufacturing organization contribute to the region and national via utilizing the raw materials and labour within the region. The previous studies found that HRM practices differ among Small, Medium and large organizations.

Hence, the aim of this study is to explore the situation of HRM practices in Northern farm and provide recommendations for incorporating effective HRM practices in the Organization.

2.0 LITERATURE REVIEW

Human Resource Management (HRM) has now advanced to become a recognizable (and recognized) disciplinary field in which theories and models are generated and their propositions tested by rigorous empirical research. With HR being central to the success of

companies, strategies need to be formulated in which the human assets of the firm are the central feature. HRM involves all management decisions and actions that affect the nature of the relationship between the organization and employees (Beer et al., 1984).

HRM is a new way of thinking about how people should be managed as employees in the workplace. Pinnington and Edwards (2000) believe that in much the same way, as there are many different roads to success, HRM is not one theory but an evolving set of competing theories. HRM as a tradition of thought on managing people is most commonly traced back to the seminal work written by American academics in the early 1980s (Beer et al., 1984; Fombrun et al., 1984).

Deb (2006) observes that the business environment has changed drastically and dramatically wherein it is global, customer centric, HR dependent, information based, fast faced, continually changing, technology driven, new partnership and alliances, unstoppable capital flow, continuous learning and open to everyone. Today, there is paradigm shift from comparative advantages to a state of continuous innovation, strategic intent and intelligence framework for competitive advantage. With each successive evolutionary cycle, business models, the role of the customers, the point of value creation and the drivers of profitability all changed quite dramatically. Against this backdrop, business organizations need to continuously create an improved value.

The available empirical information on HRM within SMEs suggests that smaller firms make less use of high performance HRM practices than larger organizations do (Barron et al., 1987; Hornsby and Kuratko, 1990). This is in line with the finding that small organizations are in general more likely to operate in an informal and flexible manner than larger firms are. For instance, Koch and McGrath (1996) find that, in general, firm size is positively related with the incidence of HRM planning and formal training, and with the level of overall HRM sophistication. Westhead and Storey (1999) find that both managers and employees are less likely to get formal training in a small firm. Aldrich and Langton (1997) find that larger companies have more formalized recruitment practices. Firm size is, however, not the only factor in predicting HRM practices: a large heterogeneity exists in the type and formalization of HRM practices found among smaller firms.

Hornsby and Kuratko (1990) find that while firms of all sizes use primarily informal recruitment and selection techniques (mainly employee referrals and the interview), that even among small firms, HRM practices are often more sophisticated than they had expected. Using a small set of cases, Hill and Stewart (1999) also demonstrate variation in level of sophistication of HRM practices among smaller organizations.

3.0 OBJECTIVES

The main objective of this study is to explore HRM practices at the Northern Farm (Pvt.) Ltd and to recommend a suitable HR management system in their organization by providing necessary advice, guidance and hands on support so that the owners and managers of the Northern Farm could manage their human resources in an effective and efficient manner, incorporating best practices as applicable to their industry and the scale of their business operation.

4.0 METHODOLOGY

The researcher adopted multiple methodologies in this study. The human resource audit questionnaire was developed based on the discussion with the management of Northern Farm. The questionnaire, interview, discussion and observation were used as tools for reviewing the existing situation of the HR practice at the above organization. The researcher visited several times to the Northern Farm. During the visit the consultant had discussion

with Chief Executive Officer, managerial staff, and non managerial staff. Further researcher had examined and reviewed current HR policies, practices, human resource manual, the existing circulars, existing organization structure etc.

5.0 ORGANIZATION PROFILE

Northern Farm (Pvt.) Ltd was established as a private company in 2010 and operates its business in Marukarampalai, Vavuniya District in the Northern Province, Sri Lanka. Northern farm is presently engaged in the purchasing, purification and wholesale selling of rice, kurakan (millet), black and green gram (lentils) and sesame seeds. The grains are sold either whole, polished or ground as flour and are integral staples in the Sri Lankan daily diet. At present the pure gingerly oil and black gram are marketing and the rice flour is produced and marketed.

6.0 Analysis and Discussion

6.1 Human Resource Management Practices in Northern Farm

There is no separate unit or person to handle HR functions in the organization; however the Administration officer and assistant handle the HR documents. They have maintained separate files for each employee with their given documents. The Admin Officer keeps the files in the administration office. There is no a check list maintained for personal file records in the Organization. There is no proper system to store the files after employee's leaves. There are fifty three employees including ten office staff with five securities and thirty eight factory staff working in the company. The factory supervisors have supervisory responsibility to supervise the factory workers. The general manager cadre is on vacant so all officer level staff are directly under supervision of CEO. They keep employees' records in manually and they don't have any computerized system to maintain the records.

The following human resource management practices are practiced in Northern Farm.

6.2 Job Analysis: Job Description and Job Specification

The company has not analyzed the jobs. The management (CEO) defined different job title to fulfill the requirement of the organization. There are no job descriptions and specification for each job but it could notice that duties are briefly list out in the appointment letter.

6.3 Staffing: Recruitment and Selection

Recruitment: They have used unsolicited application (voluntarily job seekers gave their CV to the organization) as method find job seekers but they have not used any other methods for recruitment. It fulfilled to find lower level employees with minimum cost but they faced difficulties to find middle and upper level employees. Now, they have planned to advertise in newspaper for recruitment. In the HR manual, the external recruitment methods are not clearly mentioned

Selection: they used the following system to selecting the candidate. First the candidates are short listed by CEO through the help of Administration officer. Later they called the candidate for the interview. The interviews are conducted by CEO. The CEO holds the final authority to hire the employees. If the job seekers performed well in the interview selected for the employment. There is no any standard offer letter used to inform the selected employees, currently they inform via telephone and then the employee is given appointment letter. The appointment letter is not in the standard format. They don't have system for exit interview for those who leave the company. In HR manual they indicated that interview, practical exam and reference checks will be followed in selection but they only practice interview.

6.4 Leave and Attendance

They follow their HR manual to take leave related decision. The leave decision is taken by CEO. The organization has leave application form. Whenever the leave apply the employees use the leave form. They have computerized the leave matters with the help of EXCEL. They maintain attendance registry. They have two attendance registries one for factory staff which is kept at the security booth and other one for office staff which is kept at office.

6.5 Labour Standards/Regulation

Currently the EPF and ETF are not paid for employees. They have planned to pay in future after having agreement with employees. There is appointment letter issued but it is not standard format. The probation period is three months but there is no document maintained. There is not gratuity payment practiced. The working hours are eight including 1 hour for lunch and tea. The overtime payment method is not standard because the payment is not hourly based and they pay 500/- for overtime and it is calculated 1/3 of per day salary. The company has policy for disciplinary actions but they are not followed at the moment.

6.6 Performance Appraisal

There is no any evaluation system currently but they have intention in future. At present the employees are not evaluated and there is no any system format for evaluation. The performance appraisal is not linked to rewards and promotions. They don't have any performance appraisal system.

6.7 Training and development

There is no any allocation for training in the budget of company and the training calendar is not to be done every year. The training evaluation is not conducted by the management. There is no succession planning practices. The staff meeting is conducted once a month and is not scheduled time. The meeting is conducted separately for administration staff and factory workers by CEO. There are no career development initiatives. The off the job trainings were provided to employees with the help of different organizations such as GIZ was conducted training for food processing and the Ceylon Chamber of Commerce conducted for health and safety with the support of USAID VEGA BIZ. They are not followed any system for training.

6.8 Standard formats

The organization has not have any standard forms except leave application, attendance those are staff request form, interview evaluation form, approval for recruitment, employee information form, employment contract, confirmation of employment, salary increment, salary confirmation, resignation acceptance, employee clearance, exit interview and service letter.

7.0 FINDINGS AND RECOMMENDATIONS

7.1 Human Resource Management Practices

The study found that *there is no separate department for Human resource Management because it is very small organization consists of totally 53 employees but the management can assign one staff under the Admin look after Human resource activities. The study recommend that appoint one Human Resource Officer under administration till establish human resource department. Further the study recommended to computerize the activities instead of manually handling. In addition study recommends to computerize the employees' records using the database software in future.*

They have good human resource manual, in this manual they have defined clearly and very nicely their human resources management policies such as recruitment and selection policy, induction policy, training and development policy, compensation policy, leave policy, code of conduct policy, occupational health and safety policy, performance management policy, disciplinary policy, grievance handling policy, conflict resolving policy, intellectual property

policy, and separation policy but *they practice very few policies*. The study understood that the HR manual is high standard and advised the management to streamlined according the organization level and context.

7.2 Job Analysis: Job Description and Job Specification:

The study results reveal that they have not done Job Analysis so they are not in position to develop job description and Job specification to the jobs. The *study recommend that it is better conduct job analysis with the help of HR expert and develop job description and specification for each job to use human resource planning, recruitment and selection, performance appraisal etc. they have to appropriate format to job description.*

7.3 Staffing: Recruitment and Selection

The study found that they are using one method of recruitment it is not fulfill the organization requirements i.e. they face difficulties to find potential job seekers. The study recommend that *it is better adopting other methods to find suitable job candidates such as Advertisement (media, notices) Employee referrals, Education Institutions etc.*

As far as concern selection, they are not practiced or used effective selection process. *It is better adopt effective selection process to appoint suitable candidate. Even though there are several steps in the effective selection process the organization can adopt some steps in addition to existing practice such as background investigation, medical examination. They accepted the recommendations to incorporate some of the steps such as background investigation and medical examination for selecting potential candidates. Further the study recommend to revise recruitment and selection policies in the HR manual based on the recommendations.*

7.4 Leave and Attendance

The review reveals those leave and attendance registries are maintained. They have leave policy and practice according their policy which is indicated in their Human Resource Manual. The manual developed based on the general leave practice but it did not consider the organizational context. *Therefore, it is better to adopt suitable leave policy applicable to the organization. The study recommends to revise the leave policy according to the labour laws and factory act.*

7.5 Labour Standards/Regulation

The study found that EPF and ETF are not paid by the organization. The EPF and ETF are compulsory for all permanent employees and paying the regulatory payment motivate the employees therefore the organization should pay them. The gratuity also has not reserved for employees. The appointment letter is not in standard format. It is better issue standard appointment letter. The overtime is paid by the organization but it is not properly calculated therefore it is better calculate using a method such as hourly base (rate/hour depend on the designation).

7.6 Performance Appraisal

The review found that there is no system for performance appraisal. It is better to adopt performance appraisal process. It will benefit both employee and employer. They have performance management policy in the HR manual too.

7.7 Training and development

The study found that they have provided lot of training with the support of the organization. Still they have not allocated money for training in their budget. They do not have training system for their organization. *It is better to adopt training system for this organization. At present state, they can adopt some of the phases of training system to improve the knowledge, skills, and abilities of the employees. The study recommend to conduct industrial visit to all employees as exposure visit.*

7.8 Standard formats

The study found that there are very few forms available. The study recommended that organization gradually introduce all forms which will be convenient to perform the tasks.

8.0 CONCLUSION

The study reveal that advisory service and guidance for implementing proper human resource management practices is very useful to this type of organization because they invest huge money on their business and always try to manage their finance only. They do not aware the importance of human resource management in their organization. At present, the businesses are on competitive situation, this level business people do not know how to overcome the competition, success and survival of the business. This northern farm is not exempt in these categories of the business. However the owner and CEO is the same person, he accepted most of the recommendation but he does not have qualified and experienced staff handling them therefore he has to involve all the activities. It is not good for the success and survival. So study strongly recommended to appoint qualified administrator and HR officer immediately. The CEO has accepted most of the recommendations and planned to outsource HR consultant improve the some of the Human Resource Management Practices in his organization.

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