

Human resource conditions in the context of an analytical comparative case study of two local companies: An academic inquiry

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Abstract - *The authors conducted this academic inquiry in the context of an analytical comparative case study of two local companies with the view of distinguishing two models of HR management as purportedly adopted by the two companies and describing the conditions of human resource personnel given such models of HR management. Two theories or models that have stood out in HR management literatures in the recent years are the soft approach and the hard approach. In the case of the soft approach on one hand, what usually is given focus is the so-called human relations, in which case, a more humane approach, i.e., attention to the needs of employees, is the more important consideration (Alvula, 2013). For hard approach on the other hand, the main consideration is output and workers or employees should be aligned to this objective of the management all the time, regardless of their needs for rewards or motivation (Alvula, 2013). Two companies distinctively adopting soft approach and hard approach, are selected by the authors and in view of such approaches, distinctive HR conditions had been noted and verified.*

Keywords - *Hard approach, soft approach, human resource, management, human relations, unionization*

Introduction

Two approaches to human resource (HR) management have stood out in management literatures in recent years: these are the soft approach and the hard approach (Alvula, 2013). The soft approach, on the one hand, gives weight on human relations, hence putting emphasis on the needs of the people, and treats them as ‘humans’ rather than ‘numbers’ (Alvula, 2013). The hard approach on the other hand, puts priority on company’s output and employees are considered as just one of the resources utilized in the organization without regard to specific needs (Alvula, 2013).

In this research, the concepts underlying the two approaches to management will be verified whether or not they are indeed purportedly applied in the case of two companies, Company X, a Business Process Outsourcing (BPO) located in Makati City, and Company Y, an information technology (IT) company, located in Quezon City. Ten (10) former students (anonymity requested) from Saint Dominic College of Asia (SDCA) maintained that Company X, a BPO located in Makati City, employed what is called as hard approach in the HR management literature. Likewise, they maintained that Company Y, an IT company employed what is called as soft approach in HR management literature.

This is why, it is intended that the following can be proved in this research: 1) the two approaches are indeed applicable in all their aspects in the case of the two companies; and 2) the two approaches cannot be automatically imposed but rather they depend on the nature of the business organization. In the course of proving such contentions by the SDCA students above, this research then expounds on the different principles and concepts underlying the two HR management approaches.

Research Questions

1. Are the two HR management approaches, i.e. hard approach and soft approach, indeed applicable in all their aspects in the case of the two companies?
2. Can the two approaches be automatically imposed or rather they depend on the nature of the business organization?

Methodology

This research uses qualitative methodology wherein the authors employ case study for two companies. This is to resolve a specific academic inquiry on the applicability of two HR management approaches, i.e., hard and soft approaches, in all their aspects to the companies. As such, qualitative methodology in this research would involve an element of 'inquiry' (Luton, 2010, p. 59). This inquiry is an academic inquiry involving investigating or studying the case of two companies operating in Makati City and Quezon City, through the use of the different concepts and principles underlying the two HR management approaches.

For Yin (1984, p. 13), conducting case study is proving a phenomenon within a real-life context, using multiple sources of evidence, academic models or theories, especially when the boundaries between phenomenon and the real-life context are not clear or evident. Hence in this research, the case study approach to qualitative research would involve proving in real-life context, whether or not the two approaches are applicable in all their aspects in the case of two companies.

Total compensation of both companies: An analytical case study. It is observed overall that both Company X and Company Y put great importance on their workers or employees, treating them as sources of competitiveness. This is true particularly when their employees are committed, skillful, and loyal to their jobs (Legge, 1995). Even each company puts great care when it comes to compensation of employees. However, each company has distinct way of giving workers or employees their share of toils. While Company Y relies on the attitude or behavior of its employees to determine their compensation, Company X depended heavily on the skills of its workers.

Company X uses "piece rate pay" scheme, whereby employees' payment is based on per unit of output that they produce. This work pay scheme is one of a typical 'hard' approach, whereby employment compensation is based on specific policies, i.e., downsizing, contractual employment, or even cost-cutting in case workers do not meet the company's expectations. The problem with this kind of approach is that workers or employees are treated as 'numbers' rather than 'assets' so that such workers or employees are easily 'disposed of' when management would so desires (Gill, 2007). Hence, in the case of Company X, if an employee or worker produces bigger number of high quality units of output, the better and more money he or she derives from Company X. However, the 'hard' reality is that if they fail to meet the demands of the company, then they are required to leave the company.

One of the disadvantages of Company X's "piece rate pay" policy is the tendency for employees to compromise the quality of output in order to maximize the quantity of their output. Likewise, pressure is constantly placed on the shoulders of the worker. This is why it has always been the case in Company X that about one-third of new hires tend to resign from the first 90 days of their employment in the company, even as majority of these separation from the company was made within the first 2 weeks of employment in the company.

The “piece rate pay” compensation policy however proves to have positive effect for Company X, as employees, who remain at work, tend to be consistent with their level of output produced and even, they aim for higher amount of output because their mind is set to earn higher compensation. The “piece rate pay” in this case is considered an effective mechanism for management’s incentive-based motivation (Holoviak & Sipkoff, 1987). Likewise, Company X, tends to follow Theory Y of management, whereby employees are assumed to be willing to work; to accept responsibility; and more importantly; to be capable of self-direction (Schermerhorn, 2011).

In the case of Company Y, the soft approach to providing compensation tends to consider the mutuality of company’s goals and those of employees. According to the policy of the company, employees, regardless of amount of compensation, should be given opportunity for growth and sense of empowerment in the workplace, through more familiar and friendly work environment (Gill 2007; Moti 2011; Mehra, Ranadive, Bhutada, & Balaji, 2013).

Benefits and services for both companies: An analytical case study. Both Company X and Company Y provide worthwhile benefits and services for employees. Nevertheless, Company X provides relatively higher bonuses to employees, particularly when compared to other companies in its industry. This is a result of highly incentive-based benefits and compensation on the part of Company X for its workers.

Both Company X and Company Y have also provided their employees shared ownership with the companies. This incidentally helps in motivating employees for both organizations. An important component however of Company X’s program of benefits for employees is the lifetime employment that it provides them. Employees in Company X, who work full-time for three straight years, are being guaranteed a job in the company for as long as they had been able to meet corporate expectations and are able to perform their job well.

Both Company X and Company Y regularly involve their employees in cross-training and in regular trainings, which are important in developing and enhancing the knowledge and skills of their employees. It will be noted here that trainings for each of the companies’ focus on different aspects of employees. While Company X focuses on employees’ skills development through training, Company Y gives premium on the attitude of the employees. Such distinctive focus on training for each of the two companies mentioned is a result of two different outputs that each of the companies offers in each of their own respective industries.

Competency-based training. It appears then that Company X is well founded on the so-called Competency-Based approach in conducting training, which, rather than just focusing on whether employees are successfully fulfilling their job requirements and meeting expectations just like what traditional approaches would espouse. Such Competency-Based approach to conducting training at the same time takes into account whether employees are doing highly exemplary performances in their job and in their workplaces (Dubois and Rothwell, 2004).

Here, it is important however to note that in the conduct of training for both X and Y companies, while they aim at enhancing knowledge, skills and attitudes (KSA’s) of their employees, they also make sure that trainings are firmly grounded on missions, vision and goals of their respective organizations (Dubois and Rothwell, 2004). Training employees in Company X and Company Y then bring about HR development in the context of their KSA’s, with the end result that their improved positive performance would contribute to the attainment or achievement of organizational goals (Dubois and Rothwell, 2004).

As for competence-based approach to training, it should be noted that the essential goal of any human resource initiative is to maximize value of people in the organization, that is, to enhance the following three components of human resource: 1) the 'knowledge' and 'skills' being acquired by a worker during his or her lifetime in the production of goods and services; 2) the 'competence' or uniqueness of his or her talents; 3) as well as his or her 'attitude' or his or her 'ability' to put into action his or her learned knowledge and competence in relation to co-workers and the bigger community (Sparrow, Brewster and Harris, 2004).

Unionization for both companies: An analytical case study. An important paradigm for successful organizations involves highly productive and effective human resource. This is similar to saying that the more productive and effective workers are, the more they are able to increase their contribution to the company in terms of output. Likewise the more output a company is able to produce in the company, the more that company is able to become competitive and effective in handling resource and cost. It is hence important that human resource management in any company would involve making sure that workers are able to maintain if not further raise their productivity and performance in the company.

But one of the ways by which workers or employees are made to increase productivity is by making them involved in organizational decision-making (Billikopf, 2001). By making workers or employees involve themselves in decision-making, they become well-informed on important issues and problems in the organization (Billikopf, 2001). In the case of workers in Company X, it is understood that they are constantly informed of organizational issues and problems. This is because workers in Company X participate fully in decision-making as they maintain a constant relationship of trust, cooperation and confidence with the management.

Thus, it is observed that unionization in Company X is minimal. Management in Company X likewise maintains open communication with workers, allowing them much leeway in terms of decision-making. For instance, employees, who typically are working on several machines would manage their own supply inventory and make decisions about how they would be able to get their job done faster without cutting quality. Such style of self-management at the same time allows the company to cut on cost allotted for paying supervisory personnel.

The positive effects or benefits of making employees involved in the process of decision-making are many for Company X, including: 1) a more realigned visions; 2) well-filtered solutions to problems; and 3) well-discussed and well-founded judgment decisions (Billikopf, 2001). When employees are part of decision-making, it is important to put distinction between the idea of 'involvement' and that of 'participation'. While participation banks on collective effort, i.e., through labor union or labor council, its main objective is to protect workers' interest solely (Bratton, 2011). Involvement on the other hand, goes beyond this and puts emphasis on the goals and objectives of the organization, serving as the very bases for making decisions (Bratton, 2011). This ironically is what is pervades in Company's operation.

Likewise, unionization is understood to promote employees' collective interest only, i.e., financial security, job permanency, self-growth, while involvement goes beyond self-interest, to look at the overall success of the organization, which later on is expected to redound to the employees themselves. For Bratton (2011), participation is understood as a rather stronger and more adversarial idea of taking part in the decision of the organization, while involvement is milder and more cooperative kind of approach. Company X operates with involvement of workers rather than

their participation. Studies show however that participation is equated to hard approach rather than soft approach (Bratton, 2011; Alvula, 2013).

Company Y follows distinctive pattern of relationship between management and employees. Though it has a high rate of unionization, which counts 84% of total labor force, healthy labor relations between management and employees have been constantly maintained – through promotion of culture of friendship and cooperation. This is typical for company such as Company Y, which uses soft approach in HR management. It will be noted that HR management in Company Y also tends to put emphasis on the need to empower subordinates and involve them in decision making (Serrat, 2009; Mehra, Ranadive, Bhutada, Balaji, 2013). Involving the subordinates in decision-making, by listening to them and allowing personal growth through friendly relations, while at the same time improving their quality of life are what tend to be the direction in Company Y's management handling of labor relations with workers (Lehovec, 2009; Serrat, 2009). Again this is typical for companies which adopt soft approach to HR management (Bratton, 2011; Alvula, 2013).

Conclusions

1. Are the two approaches indeed applicable in all their aspects in the case of the two companies?

Based on the findings on this research, it can be said that each of the two approaches cannot be applied in all its aspects to any of the two companies under consideration. This is particularly evident in the case of Company X, where there are situations that not only soft approach was evident but also hard approach was visible. It had been seen that hard approach had been applied by Company X, i.e., in the case of determining and granting compensation, and yet it also had employed soft approach in the case of its organizational decision-making.

By making workers or employees involve themselves in decision-making, Company X's management likewise has allowed employees to participate fully in decision-making, even as they had also maintained constant relationship of trust, cooperation and confidence with the management. This is not a typical hard approach to HR management but rather a soft approach. But this has made the company well-informed on important issues and problems in the organization (Billikopf, 2001).

Company X's management likewise has maintained open communication with workers, allowing them much leeway in terms of decision-making. Again this is not a typical hard approach practice. Likewise, employees, who typically had been working on several machines, have been allowed to manage their own supply inventory and have made decisions about how they would be able to get their job done faster without cutting quality. This is not consistent with the usual hard approach practice.

2. Can the two approaches be automatically imposed or rather they depend on the nature of the business organization?

The two approaches cannot be automatically imposed. They rather depend on the nature of the business organization as can be seen in this research. An instance where this has been proven was in the very nature of the two companies. It can be said that Company X, just like a typical BPO company, requires quick turn over rate of output, hence obviously the need to employ a hard approach in dealing with people. Likewise, in the case of Company Y, which is a

typical IT company, people are rather required to mull over their output rather quickly turn them over. Even if deadline is set for Company Y's employees to deliver their output, still, turning over their output allows more time, compared to BPO companies.

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