

# INTRODUCTION TO HUMAN RESOURCES MANAGEMENT



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Finally, we would wish readers a happy reading and apologize for any omissions and errors. We hope that this module will be beneficial to all, especially Polytechnics students so that they can have a clearer view of human resources management.

**SHUKERI BIN MOHAMAD ROS  
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# Preface

This book is designed to provide a frame of reference for Polytechnic diploma courses majoring in business and related courses. The book is alternatively helpful to those who wish to keep in enhancing their knowledge on principles and approaches applicable to the human resource management in an organizational. This book also offers students an understanding about activities of human resource management department and the statutory requirement regarding the human resource functions. Through this course, students also have the opportunity to have an overview of Malaysian industrial relations practices and problems.

The book has been structured into seven chapters, which cover all the topics addressed by DPB30103 Introduction to Human Resources Management course syllabus adapted by the Malaysia Polytechnics. Students are guided to acquire the required skill in explain the principles and approaches applicable to human resource management in an organization

Finally, may this book be beneficial to students and others who directly or indirectly used this book as a reference. Hope this book be beneficial in helping them achieve an excellent result during the final examination.



# OUR TEAM MEMBERS



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# CHAPTER I

## INTRODUCTION TO HUMAN RESOURCES MANAGEMENT

### LEARNING OUTCOME:

-  Explain the background of human resource management.
-  Explain the function of human resources management.
-  Elaborate environmental factors affecting human resource management.

# OVERVIEW OF HUMAN RESOURCES MANAGEMENT



## OVERVIEW ON HUMAN RESOURCES MANAGEMENT



## EXPLANATION ON HUMAN RESOURCES



## 1.1 THE BACKGROUND OF HUMAN RESOURCES MANAGEMENT

Human Resource Management (HRM) has evolved significantly over the decades. Initially, it was primarily concerned with administrative tasks such as payroll, benefits, and compliance with labor laws. Over time, the role of HR has expanded to include strategic elements such as talent management, organizational development, and employee engagement.

**Example:** In the early 20th century, HRM was known as "Personnel Management," focusing on hiring, firing, and simple administration. During the 1980s, companies like IBM started viewing their employees as valuable resources. This led to the development of strategic HRM, integrating HR practices with business goals.

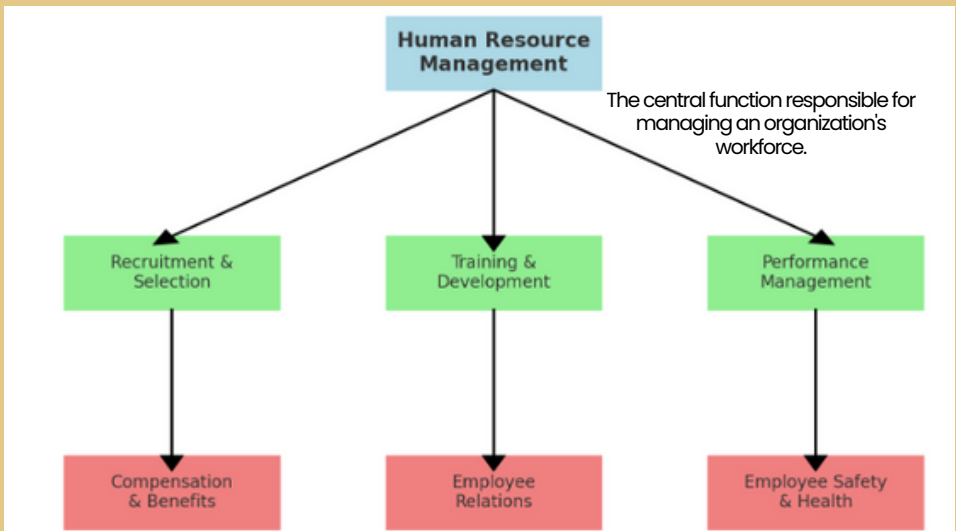


## HISTORY, EVOLUTION AND DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT

# 1.1.1 DEFINE HUMAN RESOURCES MANAGEMENT

Human Resource Management (HRM) is the process of recruiting, hiring, deploying, and managing an organization's employees. HRM is designed to maximize employee performance in service of an employer's strategic objectives.

**Example:** Google employs sophisticated HRM practices, such as using data analytics to improve hiring decisions and creating a workplace environment that fosters innovation and employee satisfaction.



**Recruitment & Selection:** Finding and hiring the right candidates for the job.

**Training & Development:** Enhancing employees' skills and preparing them for future roles.

**Performance Management:** Evaluating and managing employees' performance.

**Compensation & Benefits:** Designing and managing pay structures and benefits packages.

**Employee Relations:** Managing the relationship between the employer and employees, including addressing grievances and fostering a positive work environment.

**Employee Safety & Health:** Ensuring the workplace is safe and employees are healthy

## 1.1.2 IDENTIFY THE OBJECTIVE OF HUMAN RESOURCE MANAGEMENT.

The **main** objectives of HRM include:

- Ensuring that the organization has the right number of employees with the right skills.
- Enhancing the skills and knowledge of employees through training and development.
- Motivating employees to perform at their best.
- Maintaining high employee morale and job satisfaction.
- Ensuring compliance with employment laws and regulations.

**Example:** A company like Starbucks focuses on employee development by offering comprehensive training programs, which helps in achieving high levels of customer service and employee satisfaction.



### HUMAN RESOURCE MANAGEMENT OBJECTIVES

## 1.1.3 DISCUSS THE FACTORS THAT DETERMINE THE ESTABLISHMENT OF A HUMAN RESOURCE DEPARTMENT IN AN ORGANIZATION

### a. The Size of the Organization

Larger organizations are more likely to have a dedicated HR department because they have a greater number of employees to manage and more complex HR needs.

**Example:** A multinational corporation like Apple has a vast HR department with specialists in recruitment, training, employee relations, and compensation to handle the needs of its thousands of employees globally.

### b. Unionization of the Workers

Organizations with unionized workers often need an HR department to handle collective bargaining, grievance procedures, and labor relations.

**Example:** The Malaysian Trades Union Congress (MTUC) represents employees in various industries, including the manufacturing sector. Companies like Proton have HR departments that work closely with the union to negotiate labor contracts and address employee concerns.

### c. Ownership of the Company

The ownership structure of a company can influence the establishment of an HR department. Publicly traded companies may have more formalized HR practices to comply with regulatory requirements and shareholder expectations.

**Example:** A publicly traded company like Microsoft has a well-established HR department to ensure compliance with labor laws, manage employee benefits, and maintain a positive company culture to attract investors.

### d. The Philosophy of Top Management

The philosophy and attitudes of top management toward employees significantly impact the establishment and role of the HR department. If management views employees as vital to the company's success, they are more likely to invest in a robust HR department.

**Example:** AirAsia, a prominent low-cost airline, emphasizes a positive company culture and employee satisfaction. CEO Tony Fernandes believes that happy employees lead to better customer service, resulting in a strong HR focus on culture and employee engagement initiatives. The company promotes an open and supportive work environment, encouraging employees to contribute ideas and innovate, which has been a key factor in its success.

## 1.2 THE FUNCTION OF HUMAN RESOURCES MANAGEMENT

### a. Job Analysis and Human Resource Strategic Planning

**Job Analysis:** This involves systematically studying and recording the responsibilities, duties, skills, and work environment of a particular job. The goal is to define the job's requirements clearly.

**Human Resource Strategic Planning:** This is the process of identifying the current and future human resource needs of an organization to achieve its goals. It involves forecasting labor demand, analyzing current labor supply, and balancing projected labor demand and supply.

**Example:** A retail company may conduct a job analysis for a new position in their e-commerce department, identifying specific skills like digital marketing and data analysis. They then create a strategic HR plan to recruit candidates with these skills to support their expanding online presence.

### b. Recruitment and Selection

**Recruitment:** This is the process of attracting qualified candidates to apply for job openings. It involves advertising job vacancies, sourcing candidates, and encouraging them to apply.

**Selection:** This is the process of choosing the most suitable candidate from those who have applied for the job. It involves screening applications, interviewing candidates, and conducting background checks.

**Example:** Google uses a comprehensive recruitment process that includes sourcing candidates from top universities and conducting multiple rounds of interviews to select candidates who fit their innovative culture and possess the required technical skills.



## 1.2 THE FUNCTION OF HUMAN RESOURCES MANAGEMENT

### c. Orientation, Training, and Development

**Orientation:** This involves introducing new employees to the organization, its culture, policies, and procedures. It helps new hires understand their roles and integrate smoothly into the company.

**Training:** This focuses on providing employees with the necessary skills and knowledge to perform their current job effectively.

**Development:** This involves preparing employees for future roles and responsibilities through continuous learning and career growth opportunities.

**Example:** Starbucks provides extensive training to new baristas, covering coffee brewing techniques, customer service skills, and company values to ensure they are well-prepared to serve customers.

### d. Performance Appraisal

**Performance Appraisal:** This is the systematic evaluation of employees' job performance and productivity. It includes setting performance standards, assessing employees' actual performance against these standards, and providing feedback.

**Example:** At Amazon, managers regularly evaluate employees' performance based on key metrics such as efficiency, customer satisfaction, and adherence to company policies. Employees receive feedback and performance ratings that can impact their career progression and compensation.



# 1.2 THE FUNCTION OF HUMAN RESOURCES MANAGEMENT

## e. Compensation Management

**Compensation Management:** This involves designing and managing salary structures, benefits packages, bonuses, and incentives. The goal is to ensure fair and competitive compensation to attract, retain, and motivate employees.

**Example:** Microsoft offers competitive salaries, stock options, and comprehensive benefits to attract top talent in the tech industry. They regularly review and adjust compensation packages to stay competitive.

## f. Industrial Relations

**Industrial Relations:** This pertains to the relationship between the management and the workforce, particularly in unionized environments. It involves negotiating labor contracts, handling grievances, and ensuring compliance with labor laws.

**Example:** In the automotive industry, companies like General Motors engage in collective bargaining with unions like the United Auto Workers (UAW) to negotiate wages, working conditions, and benefits for their employees. This helps maintain a stable and cooperative work environment.



# 1.3 ENVIRONMENTAL FACTORS AFFECTING HUMAN RESOURCES MANAGEMENT

## INTERNAL ENVIRONMENTAL FACTORS

- i. Policy
- ii. Union
- iii. Mission
- iv. Employees
- v. Corporate culture

## EXTERNAL ENVIRONMENTAL FACTORS

- i. Economy
- ii. Legislation
- iii. Competitor
- iv. Technology
- v. Shareholder





# INTERNAL ENVIRONMENT FACTORS AFFECTING HUMAN RESOURCES MANAGEMENT

## **i. Policy**

Company policies are the guidelines and principles that direct the actions and decision-making processes within an organization. They cover various HR aspects such as recruitment, compensation, training, and employee conduct.

**Example:** Maybank, one of the largest banks in Malaysia, has a comprehensive set of HR policies to ensure fairness and consistency in its operations. These policies cover areas such as equal employment opportunities, employee benefits, and performance management. Maybank's HR policies are designed to align with its business objectives and regulatory requirements, ensuring a fair and conducive working environment for all employees.

## **ii. Union**

Unions represent employees in negotiations with management over wages, benefits, and working conditions. They play a significant role in shaping HR practices through collective bargaining agreements and labor relations.

**Example:** In Malaysia, the National Union of Bank Employees (NUBE) represents bank employees in negotiations with banks like CIMB. The union negotiates on behalf of its members for better wages, working conditions, and benefits. CIMB's HR department must work closely with the union to ensure compliance with collective agreements and maintain harmonious labor relations.

## **iii. Mission**

The mission of an organization defines its purpose and direction. It influences HRM by aligning HR practices with the strategic goals of the organization.

**Example:** Petronas, Malaysia's state-owned oil and gas company, has a mission to deliver energy solutions that fuel progress in a responsible manner. Petronas' HRM aligns with this mission by focusing on attracting and retaining talent, fostering innovation, and ensuring sustainable development. HR initiatives include leadership development programs and sustainability training to support the company's mission.

# INTERNAL ENVIRONMENT FACTORS AFFECTING HUMAN RESOURCES MANAGEMENT

## **iv. Employees**

Employees are the backbone of any organization. Their skills, attitudes, and performance directly impact HRM practices such as recruitment, training, and retention.

**Example:** AirAsia, a leading low-cost airline in Malaysia, places a strong emphasis on its employees as a critical factor in its success. The airline invests heavily in employee training and development programs to enhance skills and ensure high levels of customer service. AirAsia's HRM practices focus on creating a positive work environment, offering career advancement opportunities, and recognizing employee contributions.

## **v. Corporate Culture**

Corporate culture is the set of shared values, beliefs, and behaviors that shape how work gets done within an organization. It influences HRM practices related to recruitment, training, performance management, and employee engagement.

**Example:** Sime Darby, a diversified multinational based in Malaysia, has a corporate culture that emphasizes integrity, excellence, and sustainability. The company's HRM practices reflect this culture by promoting ethical behavior, continuous improvement, and social responsibility. Sime Darby's HR initiatives include employee engagement programs, ethical training sessions, and sustainability projects that align with its corporate culture.



# EXTERNAL ENVIRONMENT FACTORS AFFECTING HUMAN RESOURCES MANAGEMENT

## i. Economy

Economic conditions affect HRM practices such as hiring, compensation, and employee benefits. Economic growth can lead to job creation and higher wages, while economic downturns may result in layoffs and reduced benefits.

**Example:** During the economic growth period, Malaysia's construction company, Gamuda, expanded its workforce to meet increased demand for infrastructure projects. Conversely, during economic slowdowns, Gamuda may implement hiring freezes or workforce reductions to manage costs and maintain financial stability.

## ii. Legislation

Laws and regulations related to labor, employment, and workplace safety significantly impact HRM practices. Compliance with legal requirements is crucial to avoid penalties and ensure fair treatment of employees.

**Example:** Malaysia's Employment Act 1955 regulates various aspects of employment such as working hours, wages, and termination. Companies like Tenaga Nasional Berhad (TNB), Malaysia's largest electricity utility, must ensure their HRM practices comply with these regulations. TNB's HR department regularly reviews and updates policies to adhere to labor laws and protect employees' rights.

## iii. Competitor

The actions of competitors can influence HRM practices, particularly in areas such as talent acquisition, compensation, and employee retention. Companies often benchmark their HR practices against competitors to remain competitive in the labor market.

**Example:** Telekom Malaysia (TM) competes with other telecommunications companies like Maxis and Celcom for skilled employees. To attract and retain top talent, TM offers competitive salaries, benefits, and career development opportunities. TM's HRM practices are continuously reviewed to ensure they are on par with or better than those of their competitors.

# EXTERNAL ENVIRONMENT FACTORS AFFECTING HUMAN RESOURCES MANAGEMENT

## iv. Technology

Technological advancements impact HRM practices by introducing new tools and platforms for recruitment, training, performance management, and employee communication.

**Example:** Malaysian airline, Malindo Air, leverages technology for various HR functions such as online recruitment, digital onboarding, and e-learning platforms for employee training. By adopting advanced HR technology, Malindo Air improves efficiency, enhances the employee experience, and stays competitive in the aviation industry.

## v. Shareholder

Shareholders influence HRM practices by setting expectations for financial performance, corporate governance, and social responsibility. Their priorities can shape decisions related to employee compensation, benefits, and overall HR strategy.

**Example:** Bursa Malaysia-listed company, Axiata Group, is accountable to its shareholders for delivering financial performance and sustainable growth. Axiata's HRM practices focus on attracting and retaining top talent, ensuring employee satisfaction, and promoting diversity and inclusion. By aligning HR strategies with shareholder expectations, Axiata aims to enhance its reputation and achieve long-term success.



# EXERCISE:



## INTRODUCTION TO HUMAN RESOURCES MANAGEMENT

Read the sentences and circle true (T) or false (F).

- 1 Human resource management is solely concerned with the recruitment and selection of employees. T / F
- 2 The size of an organization does not influence the establishment of a human resource department. T / F
- 3 The philosophy of top management is irrelevant to the establishment of a human resource department. T / F
- 4 Performance appraisal is a function of human resource management. T / F
- 5 Compensation management is not considered a part of human resource management. T / F
- 6 Internal environmental factors affecting human resource management include the economy and legislation. T / F
- 7 Corporate culture is considered an external environmental factor affecting human resource management. T / F
- 8 Technology is an internal environmental factor affecting human resource management. T / F
- 9 Unionization of workers can influence the establishment of a human resource department. T / F
- 10 The functions of human resource management include job analysis, recruitment, and performance appraisal. T / F

# ANSWER:



## INTRODUCTION TO HUMAN RESOURCES MANAGEMENT

1. **False.** (Human resource management also includes job analysis and strategic planning, orientation training and development, performance appraisal, compensation management, and industrial relations.)
2. **False.** (The size of the organization is one of the factors that determine the establishment of a human resource department.)
3. **False.** (The philosophy of top management is a factor that determines the establishment of a human resource department.)
4. **True**
5. **False.** (Compensation management is a key function of human resource management.)
6. **False**(Internal environmental factors include policy, union, mission, employees, and corporate culture. Economy and legislation are external factors.)
7. **False.** (Corporate culture is an internal environmental factor.)
8. **False**(Technology is an internal environmental factor affecting human resource management.)
9. **True**
10. **True**





# CHAPTER 2 JOB ANALYSIS AND HUMAN RESOURCE STRATEGIC PLANNING



## LEARNING OUTCOME:



**Determine the concept of job analysis.**



**Determine the human resource strategic planning**

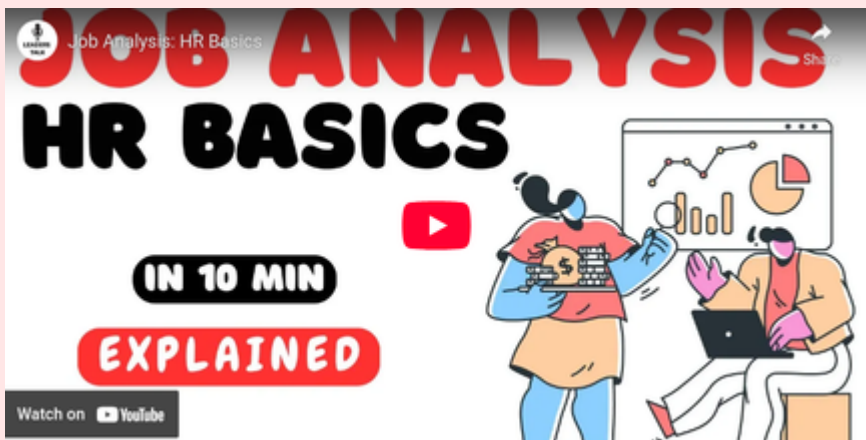


**Determine the concepts of Human Resource Information System (HRIS)**

## 2.1.1 OVERVIEW OF THE CONCEPTS OF JOB ANALYSIS

Job analysis is a systematic process of gathering, documenting, and analyzing information about the duties, responsibilities, tasks, and requirements of a job. It involves examining the nature of work performed, the necessary qualifications and skills, the working conditions, and the expected outcomes or results of the job.

Example: The job analysis for a Digital Marketing Specialist involved identifying core responsibilities like campaign development, social media management, and SEO optimization, set within a collaborative team environment reporting to a Marketing Director. This analysis led to the creation of a detailed job description and specification, outlining specific tasks and required qualifications such as digital marketing proficiency and analytical skills. These documents serve as a foundation for HR functions, guiding recruitment efforts, designing targeted training programs, and establishing performance metrics to evaluate job effectiveness and support ongoing skill development aligned with organizational goals.



### JOB ANALYSIS: HR BASICS



## 2.1.2 THE PURPOSE OF JOB ANALYSIS

### 1. Job Description Development

- Job analysis ensures that job descriptions accurately reflect the duties, responsibilities, and expectations of a role
- Detailed job descriptions developed through job analysis
- Basis for Performance Expectations
- Job analysis provides the necessary information for job evaluation processes,

### 2. Recruitment and Selection

- Job analysis identifies specific qualifications, skills, and attributes required for a job
- Reduced Recruitment Costs
- Job specifications developed through job analysis serve as objective criteria for evaluating candidates

### 3. Performance Evaluation and Management

- Job analysis provides a structured framework for establishing performance standards
- Performance evaluations informed by job analysis offer constructive feedback to employees
- Alignment with Organizational Goals
- Identification of Training Needs

### 4. Training and Development

- Job analysis identifies specific knowledge, skills, and competencies required for a job
- Training initiatives informed by job analysis are directly relevant to employees' job roles
- Continuous Skill Enhancement
- Tailored training and development programs based on job analysis contribute to employee satisfaction

### 5. Job Design and Redesign

- Job analysis supports the process of job design and redesign by examining the tasks, responsibilities, and requirements
- Organizations can identify opportunities for job enrichment or redesign that align with employee skills and organizational goals
- Job redesign based on job analysis promotes job satisfaction among employees by ensuring that job roles are meaningful, challenging, and aligned with individual capabilities

## 2.1.3 METHOD USED TO COLLECT DATA IN CONDUCTING JOB ANALYSIS

### **a. Interview**

Method Description: Interviews involve direct conversations with job incumbents, supervisors, or subject matter experts to gather detailed information about job tasks, responsibilities, and requirements. These interviews can be structured (with predetermined questions) or unstructured (allowing for more open-ended responses).

#### **Advantages:**

1. **In-depth Information:** Interviews allow for probing questions and clarification, facilitating a deeper understanding of the job role.
2. **Subjective Insights:** They provide insights into subjective aspects of the job, such as decision-making processes and interpersonal interactions.
3. **Flexibility:** Interviewers can adapt questions based on responses, exploring unexpected aspects that might not be captured in other methods.
4. **Expert Input:** Interviews with supervisors or experts provide valuable perspectives on job requirements and organizational needs.

#### **Disadvantages:**

1. **Time-Consuming:** Conducting interviews can be time-intensive, especially for complex job roles or when interviewing multiple stakeholders.
2. **Bias:** Interviews may be influenced by the interviewer's interpretations or biases, affecting the objectivity of data collected.
3. **Resource Intensive:** Requires skilled interviewers and resources for scheduling and conducting interviews effectively.
4. **Limited Scale:** Not easily scalable for large-scale data collection compared to other methods like surveys.



## 2.1.3 METHOD USED TO COLLECT DATA IN CONDUCTING JOB ANALYSIS

### b. Surveys / Questionnaires

**Method Description:** Surveys or questionnaires involve distributing structured sets of questions to job incumbents, supervisors, or other relevant stakeholders to gather standardized information about job tasks, skills, and work environment.

#### **Advantages:**

1. **Efficiency:** Surveys can collect data from a large number of respondents efficiently, making them suitable for large-scale job analysis.
2. **Standardization:** Structured questions ensure consistency in data collection and analysis, reducing potential biases.
3. **Anonymity:** Respondents may feel more comfortable providing honest feedback, especially on sensitive topics.
4. **Quantitative Data:** Surveys generate quantitative data that can be statistically analyzed for trends and patterns.

#### **Disadvantages:**

1. **Superficial Insights:** Surveys may not capture nuanced or detailed information about job tasks or interpersonal dynamics compared to interviews or observations.
2. **Response Rate:** Low response rates can affect data quality and representativeness, requiring strategies to improve participation.
3. **Limited Context:** Surveys may lack the context provided by direct observation or interviews, potentially missing important job aspects.
4. **Validity Concerns:** The quality of survey responses depends on the clarity of questions and respondents' understanding of job requirements.



## 2.1.3 METHOD USED TO COLLECT DATA IN CONDUCTING JOB ANALYSIS

### c. Observation

Observation involves directly watching job incumbents as they perform their tasks in their natural work environment. Observers note down specific behaviors, actions, and interactions related to job duties and responsibilities.

#### **Advantages:**

1. **First-hand Data:** Observations provide direct, real-time data on job tasks and behaviors, offering a comprehensive understanding of job requirements.
2. **Contextual Insights:** Observers can capture environmental factors, workflow processes, and non-verbal cues that may not be apparent through interviews or surveys.
3. **Behavioral Patterns:** Allows for the identification of patterns and variations in job performance and task execution.
4. **Validation:** Observations can validate information gathered through interviews or surveys, ensuring accuracy and reliability.

#### **Disadvantages:**

1. **Observer Bias:** Observers' interpretations and biases may influence data collection, impacting the objectivity of observations.
2. **Time-Intensive:** Requires dedicated time and resources for observing job incumbents over extended periods, especially for complex or dynamic job roles.
3. **Intrusiveness:** Observation may alter job incumbents' behaviors or workflows, affecting the naturalness of job performance.
4. **Limited to Observable Tasks:** Some job aspects, such as decision-making processes or mental activities, may not be observable and require supplementary methods.



## 2.1.3 METHOD USED TO COLLECT DATA IN CONDUCTING JOB ANALYSIS

### **d. Journals and Records**

Journals and records involve reviewing documented materials such as job logs, performance records, incident reports, or operational procedures to gather information about job tasks, responsibilities, and outcomes.

#### **Advantages:**

1. **Historical Data:** Provides historical insights into job activities, responsibilities, and performance over time.
2. **Objective Records:** Offers objective data on job outcomes, achievements, and challenges documented in real-time.
3. **Comprehensive Coverage:** Covers a wide range of job aspects and activities, including routine tasks and exceptional events.
4. **Supplementary Insights:** Supports and complements data collected through interviews, surveys, or observation with additional context and details.

#### **Disadvantages:**

1. **Quality of Documentation:** Relies on the accuracy, completeness, and consistency of existing records and documentation.
2. **Access and Availability:** Requires access to and permission to review confidential or sensitive records, which may be restricted.
3. **Contextual Understanding:** May lack the contextual insights provided by direct interactions or observations in the workplace.
4. **Limited to Recorded Activities:** Only captures activities and events that have been formally documented, potentially overlooking informal or non-recorded job aspects.



## 2.1.4 THE COMPONENTS IN DOCUMENTS OF JOB ANALYSIS INFORMATION

### JOB DESCRIPTION

A job description is a written document that outlines the duties, responsibilities, tasks, and working conditions of a particular job role within an organization. It provides a detailed summary of what the job entails and serves as a foundational document for various HR and organizational functions

VS

### JOB SPECIFICATION

Job specification, also known as employee specification or person specification, outlines the qualifications, skills, knowledge, and personal attributes required for successful job performance. It focuses on the individual characteristics of the ideal candidate for the job.

#### DUTIES AND RESPONSIBILITIES

Based on job analysis data, the job description specifies the primary tasks and responsibilities associated with the job role..

#### WORKING CONDITIONS

Job analysis informs the description of the work environment, including factors such as office location, physical demands, travel requirements, and any specific working conditions relevant to the job

#### REPORTING RELATIONSHIPS

It identifies the position's place within the organizational structure, including to whom the job holder reports and any direct reports they may have.

#### QUALIFICATIONS

While qualifications are more extensively detailed in the job specification, the job description may include basic requirements such as educational background, years of experience, and essential skills needed to perform the job effectively.

#### QUALIFICATIONS AND SKILLS

Derived directly from job analysis, job specifications detail the specific qualifications, degrees, certifications, and technical skills necessary to perform the job competently. For instance, it might specify a bachelor's degree in Marketing, proficiency in Adobe Creative Suite, or experience with project management software.

#### EXPERIENCE

It outlines the minimum years of experience required in relevant roles or industries, as identified through job analysis.

#### PERSONAL ATTRIBUTES

Job analysis informs the identification of personal qualities and traits essential for the job, such as leadership abilities, communication skills, problem-solving aptitude, and adaptability.

#### ADDITIONAL REQUIREMENTS

Depending on the job analysis findings, job specifications may include additional requirements such as language proficiency, cultural awareness, or specific industry knowledge crucial for the role.

## 2.1.5 DETERMINE THE USE OF JOB ANALYSIS IN HUMAN RESOURCE MANAGEMENT FUNCTIONS

### 1. Recruitment and Selection

It identifies the specific qualifications, skills, knowledge, and attributes needed for a particular job role. This information helps HR professionals create job descriptions and job specifications that accurately reflect the job requirements.

### 2. Training and Development

It identifies gaps between the current skills and knowledge of employees and the requirements of their job roles. This information guides the development of training programs that address specific skill deficiencies identified through job analysis.

### 3. Performance Management

It identifies the process of setting expectations, evaluating progress, and providing feedback to employees to improve their performance and align it with organizational goals.

### 4. Job Design and Redesign

Job design and redesign involve organizing tasks, responsibilities, and workflows to make jobs more effective, efficient, and satisfying for employees.

### 5. Compliance and Legal Requirements

Compliance and legal requirements refer to following rules, laws, and regulations set by governments or organizations to ensure fairness, safety, and equal opportunities in the workplace.



## 2.2.1 HUMAN RESOURCE STRATEGIC PLANNING.

Human Resource Strategic Planning is a systematic process that involves forecasting future HR needs, assessing current HR capacity, and developing strategies to bridge the gap between the two. It focuses on long-term workforce planning, taking into account the organization's strategic goals and the external environment.

This planning includes:

- Analyzing organizational goals: Understanding the company's mission, vision, and strategic objectives.
- Assessing current HR capabilities: Evaluating the skills, knowledge, and abilities of the current workforce.
- Forecasting future HR needs: Predicting the number and type of employees needed to meet future business demands.
- Identifying gaps: Determining discrepancies between current capabilities and future needs.
- Developing HR strategies: Formulating plans to recruit, train, and retain employees to fill identified gaps.
- Implementing HR plans: Putting strategies into action.
- Evaluating outcomes: Monitoring and assessing the effectiveness of HR strategies and making necessary adjustments.



**WHAT IS HUMAN RESOURCE STRATEGY?**



## 2.2.2 THE IMPORTANCE OF HUMAN RESOURCE PLANNING.

1.

Aligns HR with organizational goals: Ensures that HR activities support the overall strategic objectives of the organization.

2.

Anticipates future needs: Helps the organization prepare for future challenges by forecasting HR requirements and availability.

3.

Improves resource utilization: Ensures optimal use of human resources by avoiding both shortages and surpluses of employees.

4.

Enhances competitiveness: By having the right talent in place, organizations can better respond to market changes and remain competitive.

5.

Reduces costs: Effective HR planning can help reduce costs associated with turnover, recruitment, and training.

6.

Supports employee development: Identifies skill gaps and provides opportunities for training and development, leading to a more competent and motivated workforce.

7.

Compliance with regulations: Helps ensure that the organization complies with employment laws and regulations.

## **2.2.3 HUMAN RESOURCE PLANNING PROCESS.**

### **1. Forecasting Human Resource Requirements**

- Business growth projections: Estimating the number of employees needed to support expansion.
  - Technological advancements: Identifying new skills required due to technological changes.
  - Market trends: Understanding industry trends that may impact HR needs.
  - Regulatory changes: Anticipating changes in labor laws and regulations that could affect HR requirements.
- 

### **2. Forecasting Human Resource Availability**

- Internal analysis: Reviewing the current workforce's skills, experience, and potential for development.
  - External analysis: Evaluating the labor market to understand the availability of external candidates with the required skills.
  - Succession planning: Identifying and preparing potential candidates for future leadership roles.
- 

### **3. Comparing Human Resource Requirements and Human Resource Availability**

- Gap analysis: Identifying discrepancies between current capabilities and future needs.
  - Identifying surpluses: Determining areas where there may be more employees than needed.
  - Identifying shortages: Highlighting areas where additional employees or new skills are required.
- 

### **4. Developing and Implementing Strategies**

- Recruitment strategies: Developing plans to attract and hire new employees.
  - Training and development: Creating programs to enhance the skills of current employees.
  - Retention strategies: Implementing measures to retain key talent.
  - Succession planning: Preparing for future leadership needs by developing internal candidates.
- 

### **5. Evaluating the Implementation of Strategies**

- Performance metrics: Establishing key performance indicators (KPIs) to measure the success of HR initiatives.
- Regular reviews: Conducting periodic reviews to assess progress and make necessary adjustments.
- Feedback mechanisms: Gathering feedback from employees and managers to identify areas for improvement.
- Continuous improvement: Using evaluation results to refine and enhance HR strategies over time.

## 2.3.1 THE CONCEPT OF HUMAN RESOURCE INFORMATION SYSTEM (HRIS).

Human Resource Information System (HRIS) refers to an integrated system that combines human resource management (HRM) and information technology to automate and facilitate HR processes. An HRIS typically includes modules for recruitment, payroll, benefits administration, performance management, employee self-service, and compliance management. Key features of an HRIS include:

- 01 Data Management**  
Centralized storage of employee records, including personal details, job history, qualifications, and performance evaluations.
- 02 Automation**  
Streamlining HR processes such as payroll processing, leave management, and benefits administration.
- 03 Reporting and Analytics**  
Providing tools to generate reports and analyze HR data for informed decision-making.
- 04 Self-Service**  
Enabling employees to access and update their own information, apply for leave, and view pay slips through a self-service portal.



**WHAT IS AN HRIS?**

## 2.3. THE CONCEPT OF HUMAN RESOURCE INFORMATION SYSTEM (HRIS).



A Human Resource Information System (HRIS) is a software solution designed to help organizations manage and automate various human resource functions. It serves as a centralized database that stores employee information, streamlines HR processes, and provides tools for data analysis and reporting. The main purpose of HRIS is to enhance the efficiency and effectiveness of HR management by integrating various HR activities into a single, cohesive system.



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**HRIS EXPLAINER & DEMO**

## 2.3.2 THE USE OF HRIS IN HUMAN RESOURCE MANAGEMENT FUNCTIONS.

1.

### Recruitment and Selection

HRIS enhances recruitment and selection by automating job postings, managing applications, and tracking candidates throughout the hiring process. It posts job openings across various platforms and collects applications in a centralized system, simplifying candidate management. The system's applicant tracking feature monitors each candidate's progress, ensuring no one is overlooked. Additionally, HRIS maintains a searchable resume database, enabling HR to quickly find and revisit potential candidates for future positions, thereby improving the efficiency and effectiveness of the recruitment process.

2.

### Payroll and Benefits Administration

In payroll and benefits administration, HRIS automates payroll processing, ensuring accurate and timely salary payments, including deductions and tax withholdings. It manages employee benefits such as health insurance and retirement plans, tracking eligibility and enrollment status. The system also supports compliance by maintaining detailed payroll records and generating necessary reports to meet regulatory requirements. By reducing manual intervention and minimizing errors, HRIS helps lower administrative costs and enhances overall payroll and benefits management efficiency.

3.

### Performance Management

HRIS significantly improves performance management by facilitating goal setting, tracking, and performance appraisals. Managers and employees can use the system to set clear, measurable goals and monitor progress over time. HRIS supports the performance appraisal process with templates and tools for conducting reviews, storing evaluation records, and generating performance reports. Additionally, it fosters continuous feedback and development by enabling ongoing communication between employees and managers, identifying high performers and areas for improvement, and supporting tailored development plans.

## 2.3.2 THE USE OF HRIS IN HUMAN RESOURCE MANAGEMENT FUNCTIONS.

4.

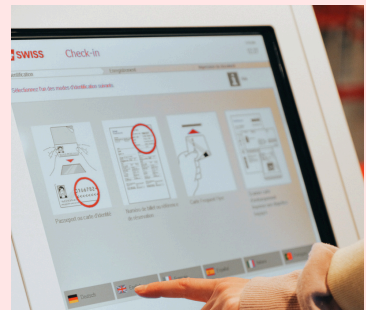
### Training and Development

HRIS optimizes training and development by managing training program schedules, enrollments, and tracking completion records. It maintains a comprehensive database of employee skills and qualifications, helping HR identify training needs and opportunities for career development. Often integrated with Learning Management Systems (LMS), HRIS provides a platform for e-learning and monitors course completions. By evaluating the impact of training programs on employee performance, HRIS ensures that training initiatives are effective and aligned with organizational goals.

5.

### Employee Self-Service

The employee self-service feature of HRIS empowers employees by allowing them to manage their own HR-related information. Employees can update personal details, apply for leave, view leave balances, and track leave requests through a user-friendly portal. The system also provides access to payroll information, such as pay slips and tax forms, reducing the need for HR to handle these inquiries. Additionally, employees can review and enroll in benefits programs during open enrollment periods. This transparency and accessibility enhance employee engagement and satisfaction by giving them control over their HR matters.



# EXERCISE:



## JOB ANALYSIS AND HUMAN RESOURCE STRATEGIC PLANNING

Read the sentences and circle true (T) or false (F).

- 1 Job analysis is used to identify the necessary skills and responsibilities for a specific position. T / F
- 2 Interviews are not a method used to collect data for job analysis. T / F
- 3 Job descriptions and job specifications are components of job analysis information. T / F
- 4 Human resource strategic planning does not include forecasting human resource requirements. T / F
- 5 The purpose of job analysis includes enhancing the effectiveness of human resource management functions. T / F
- 6 Observation is a method used to collect data in conducting job analysis. T / F
- 7 The HRIS concept does not involve the use of information systems in human resource management functions. T / F
- 8 One of the steps in the human resource planning process is evaluating the implementation of strategies. T / F
- 9 Human Resource Information System (HRIS) is irrelevant to human resource management. T / F
- 10 Forecasting human resource availability is part of the human resource planning process. T / F




# ANSWER:



## JOB ANALYSIS AND HUMAN RESOURCE STRATEGIC PLANNING

1. **True**
2. **False.** (Interviews are indeed a method used to collect data for job analysis. The document lists interviews as one of the methods alongside surveys/questionnaires, observation, and journals and records.)
3. **False.** (Human resource strategic planning does include forecasting human resource requirements. This is an essential part of the process, as indicated in the document.)
4. **False.** (The HRIS (Human Resource Information System) concept specifically involves the use of information systems in human resource management functions. The document defines HRIS and describes its use in HR management.)
5. **False.** (Human Resource Information System (HRIS) is highly relevant to human resource management. It plays a crucial role in managing HR functions, as outlined in the document.)
6. **True .**
7. **True .**
8. **True .**
9. **True.**
10. **True.**





# CHAPTER 3 RECRUITMENT AND SELECTION



## LEARNING OUTCOME:



**Discuss the concept of recruitment in organization**



**Elaborate the concept of selection in organization**

# OVERVIEW ON RECRUITMENT AND SELECTION

Recruitment is a crucial function of human resource management in any organization. It involves **attracting, identifying, and selecting suitable candidates** to fill job vacancies. Effective recruitment ensures that the organization has the right people with the right skills at the right time. The main goal of recruitment is to build a pool of qualified candidates from which the organization can choose the best fit for specific roles.

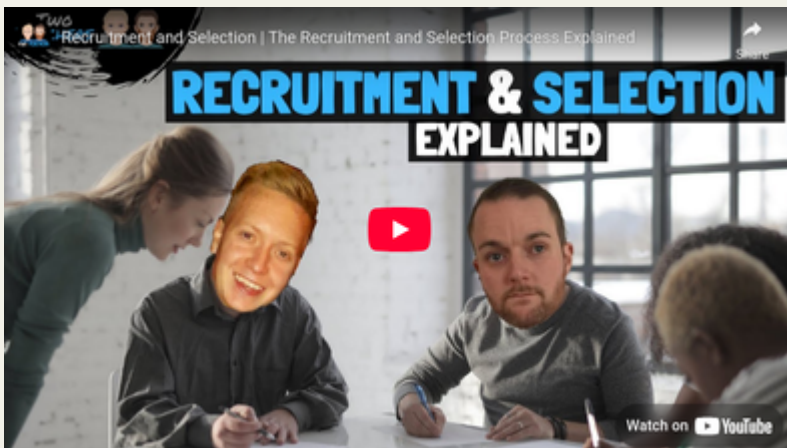


## OVERVIEW OF RECRUITMENT AND SELECTION

## 3.1.1 DEFINITION OF RECRUITMENT IN ORGANIZATION.

Recruitment can be defined as the process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when their applications are submitted. The result is a pool of applications from which new employees are selected

**Example:** Petronas, is a Malaysian oil and gas company that is among the largest corporations in the world. Petronas is known for its strong emphasis on human capital development and recruitment of top talent to drive its global operations. Through a structured recruitment process, Petronas ensures that it attracts and selects the best candidates for its operations. By leveraging both internal and external sources, the company can meet its staffing needs while fostering a culture of growth and innovation.



**WHAT IS RECRUITMENT & SELECTION**

## 3.1.2 STEPS INVOLVED IN THE RECRUITMENT PROCESS.

### 1 Requirement from Human Resource Planning or Manager's Requisition:

The recruitment process begins with identifying the need for new employees. This can arise from human resource planning or a specific manager's request due to expansion, resignation, retirement, or internal transfers.

---

### 2 Evaluation Alternatives to recruitment

Before initiating recruitment, organizations evaluate alternatives such as redistributing tasks among existing employees, hiring temporary staff, or automating certain tasks.

---

### Determine source of recruitment

- **Internal Sources:** This includes promoting or transferring existing employees within the organization. It helps in motivating employees and is cost-effective.
  - **External Sources:** This involves attracting candidates from outside the organization through job portals, recruitment agencies, campus placements, advertisements, and social media
- 

### 4 Choose of methods of recruitment

- **Internal Methods:** Job postings on internal bulletin boards, internal emails, or intranet postings.
  - **External Methods:** Online job advertisements, recruitment agencies, career fairs, social media recruitment, and employee referrals.
- 

### 5 Recruitment individual

The final step is to manage the pool of applicants by screening resumes, conducting interviews, and selecting the most suitable candidates to join the organization.

### **3.1.3 ADVANTAGES OF INTERNAL RECRUITMENT.**

#### **Cost-effective:**

Internal recruitment saves costs related to advertising, recruitment agencies, and onboarding new employees since internal candidates are already familiar with the company's processes and culture.

#### **Boosts Employee Morale**

Promoting or transferring existing employees can enhance their job satisfaction and morale, as it shows the organization values their contributions and provides career growth opportunities.

#### **Reduces Training Time**

Internal candidates are already familiar with the company's operations, policies, and culture, which reduces the time and resources required for training.

#### **Faster Process**

The recruitment process can be quicker as internal candidates do not require the extensive background checks and onboarding that external candidates do.

#### **Enhances Employee Retention**

Providing internal career advancement opportunities can reduce turnover rates as employees are more likely to stay with the organization when they see potential for growth.

## **3.1.3 DISADVANTAGES OF INTERNAL RECRUITMENT.**

### **Limited Pool of Candidates**

Relying solely on internal recruitment limits the pool of potential candidates, which might result in not finding the best fit for the position

### **Stagnation of Ideas**

Internal recruitment may lead to a lack of new ideas and perspectives, as the same people are rotated within the organization.

### **Internal Conflict**

Promoting one employee over another can create internal competition and tension among staff, potentially affecting teamwork and morale

### **Vacancy Ripple Effect**

Filling one position internally often creates another vacancy that needs to be filled, leading to a cycle of internal hiring

### **Potential Bias**

Managers may have biases towards certain employees, which can affect fair and objective selection processes.

### **3.1.3 ADVANTAGES OF EXTERNAL RECRUITMENT.**

#### **Broader Pool of Candidates**

External recruitment provides access to a larger and more diverse pool of candidates, increasing the chances of finding the best fit for the role.

#### **Fresh Perspectives**

New employees can bring fresh ideas, new skills, and different experiences that can drive innovation and improve organizational performance

#### **Specific Skill Sets**

External recruitment allows organizations to find candidates with specific skills and expertise that may not be available within the current workforce.

#### **Competitive Advantage**

Hiring talent from competitors or industry leaders can bring valuable insights and knowledge, providing a competitive edge to the organization

#### **Minimizes Internal Politics**

Hiring externally can reduce internal politics and competition for promotions, leading to a more harmonious work environment



### **3.1.3 DISADVANTAGES OF EXTERNAL RECRUITMENT.**

#### **Higher Costs**

External recruitment involves costs related to advertising, recruitment agencies, and the extensive onboarding process.

#### **Longer Process**

The recruitment process can be longer due to the need for thorough background checks, interviews, and orientation programs for new hires

#### **Cultural Fit Issues**

New employees may take time to adapt to the company's culture, which can affect their performance and integration into the team

#### **Risk of Turnover**

There is a higher risk of new hires leaving the organization if they do not fit well with the company culture or find better opportunities elsewhere

#### **Training and Adjustment Period**

New hires require training and time to understand the company's systems, processes, and culture, which can delay their full productivity

## 3.2 CONCEPT OF SELECTION IN ORGANIZATION

Hiring decisions are about **finding the people** who will be a **good fit with the job** and the organization. The organization's decisions about selecting personnel are central to its ability to survive, adapt, and grow. Selection decisions become especially critical when organizations face tight labor markets or must compete for talent with other organizations in the same industry. There are ways for organizations to minimize errors in employee selection and placement.



g Introduction to Employee Selection

INTRODUCTION TO

EMPLOYEE SELECTION

FOUNDATIONS OF HUMAN RESOURCE MANAGEMENT

Watch on YouTube

## EMPLOYEE SELECTION

## 3.2.1 CONCEPT OF SELECTION IN ORGANIZATION

Selection in an organization refers to the process of **evaluating** and **choosing** individuals to fill job vacancies. This critical function ensures that the right candidates with the necessary skills, experience, and cultural fit are brought into the organization.

Example:

A leading Malaysian company, **Petronas**, is looking to hire a new engineer. They start by creating a detailed job description and advertising the position on various platforms, including job portals and university career fairs. After receiving applications, the HR team conducts initial screenings, followed by cognitive and technical skill tests. Shortlisted candidates then undergo structured and behavioral interviews, often with a panel of senior engineers and HR representatives. After evaluating the candidates' test results, interview performance, and conducting thorough background checks, Petronas selects the best fit for the role. The chosen candidate receives a formal job offer, and upon acceptance, they are onboarded with an orientation and training program to integrate them into the company.



**HR BASICS: SELECTION**

## **3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.**

**a**

**REVIEW THE APPLICATION FORM**

**b**

**PRELIMINARY SCREENING / FIRST INTERVIEW / EARLY INTERVIEW**

**c**

**EMPLOYMENT SELECTION TEST;  
I. COGNITIVE TEST / IQ TEST II. PHYSICAL ABILITY TEST III. WORK SAMPLE TEST IV. PERSONALITY TEST**

**d**

**EMPLOYMENT INTERVIEW / JOB INTERVIEW  
I. TYPES OF INTERVIEWS  
II. METHODS OF INTERVIEWS**

**e**

**BACKGROUND AND REFERENCE CHECK.**

**f**

**SELECTION DECISION / SUPERVISORY APPROVAL.**

**g**

**MEDICAL CHECKUP / EXAMINATION.**

**h**

**EMPLOYED THE INDIVIDUAL**

## **3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.**

### ***a. Review the Application Form***

Reviewing the Application Form is the initial step in the selection process where the organization examines the information provided by candidates to determine if they meet the basic qualifications for the position. Here's an expanded look at this step:

#### **1. Information Gathering:**

- Personal Details: Name, contact information, and other personal identifiers.
- Educational Background: Degrees, certifications, and academic achievements relevant to the job.
- Work Experience: Previous job titles, responsibilities, and duration of employment.
- Skills and Competencies: Specific skills and proficiencies that match the job requirements.
- References: Contact information for professional references who can verify the candidate's background.

#### **2. Initial Screening Criteria:**

- Minimum Qualifications: Ensuring the candidate meets the essential educational and experience requirements.
- Consistency and Completeness: Checking for complete and consistent information across all sections of the application.
- Red Flags: Identifying any gaps in employment, frequent job changes, or inconsistencies in the provided information.

#### **3. Shortlisting:**

- Sorting Applications: Organizing applications into categories such as "Qualified," "Potential," and "Not Qualified."
- Creating a Shortlist: Selecting candidates who meet or exceed the minimum requirements for further evaluation.

#### **4. Data Management:**

- Database Entry: Inputting candidate information into the company's applicant tracking system (ATS) for easy retrieval and analysis.
- Documentation: Keeping records of all applications received for future reference and compliance purposes.

## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### ***b. Preliminary Screening / First Interview / Early Interview***

Preliminary Screening, also known as the first or early interview, is a crucial step in the selection process aimed at narrowing down the pool of candidates. Here's an expanded explanation of this stage:

#### **1. Purpose:**

- Initial Assessment: To quickly assess candidates' suitability based on their application and resume.
- Clarification: To clarify any ambiguities or gaps in the application form.

#### **2. Format:**

- Phone Interviews: Often conducted over the phone to save time and resources.
- Video Calls: Increasingly popular due to convenience and the ability to gauge candidates' communication skills.

#### **3. Screening Criteria:**

- Basic Qualifications: Verify that candidates meet the minimum educational and experience requirements.
- Availability: Confirm the candidate's availability to start and their willingness to relocate if necessary.
- Interest and Motivation: Assess candidates' interest in the role and motivation to join the organization.

#### **4. Typical Questions:**

- Background Information: Questions about the candidate's previous job roles, responsibilities, and achievements.
- Interest in the Role: Why the candidate is interested in the position and the company.
- Salary Expectations: Discussing the candidate's salary expectations to ensure alignment with the company's budget.

#### **5. Evaluation:**

- Communication Skills: Assessing the candidate's ability to articulate thoughts clearly and confidently.
- Professionalism: Gauging the candidate's professionalism and demeanor.
- Cultural Fit: Getting an initial sense of whether the candidate's values align with the company culture.

#### **6. Next Steps:**

- Shortlisting: Identifying candidates who will move on to more detailed assessments and interviews.
- Feedback: Providing feedback to candidates who do not progress to the next stage.

## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### c. Employment Selection Test

Employment Selection Tests are used to objectively assess various aspects of candidates' abilities and fit for the job. These tests can include cognitive tests, physical ability tests, work sample tests, and personality tests. Here's a detailed explanation of each type:

#### i. Cognitive Test / IQ Test

##### 1. Purpose:

- Assess Intellectual Abilities: Measure general mental ability, logical reasoning, and problem-solving skills.
- Predict Job Performance: Higher cognitive abilities often correlate with better job performance.

##### 2. Types:

- Verbal Reasoning: Assess understanding and processing of written information.
- Numerical Reasoning: Evaluate ability to work with numbers and perform calculations.
- Abstract Reasoning: Test logical thinking and pattern recognition.

##### 3. Format:

- Multiple-Choice Questions: Common format for assessing cognitive abilities.
- Timed Tests: Often conducted under time constraints to assess speed and accuracy.

##### 4. Advantages:

- Objective Measurement: Provides a standardized way to compare candidates.
- Predictive Validity: Strong predictor of job performance, especially for complex roles.

#### ii. Physical Ability Test

##### 1. Purpose:

- Assess Physical Fitness: Measure candidates' physical strength, endurance, and agility.
- Job-Specific Requirements: Ensure candidates can meet the physical demands of the job.

##### 2. Types:

- Strength Tests: Measure muscular strength, such as lifting weights.
- Endurance Tests: Assess cardiovascular and muscular endurance, like running or cycling.
- Agility Tests: Evaluate speed and flexibility through obstacle courses.

##### 3. Format:

- Practical Exercises: Candidates perform physical tasks that simulate job activities.
- Standardized Assessments: Use of standardized equipment and protocols for consistency.

##### 4. Advantages:

- Job Relevance: Directly related to the physical requirements of the job.
- Safety: Ensures candidates can safely perform job tasks without risk of injury.

## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### iii. Work Sample Test

#### 1. Purpose:

- Assess Job Skills: Evaluate candidates' ability to perform actual job tasks.
- Predict Performance: Provide a realistic preview of how candidates will perform on the job.

#### 2. Types:

- Simulations: Candidates perform tasks in a controlled environment that simulates real job conditions.
- Project-Based Tests: Candidates complete a project or assignment relevant to the job.

#### 3. Format:

- Hands-On Activities: Candidates engage in practical tasks, such as coding for software developers or writing reports for analysts.
- Evaluation Criteria: Assess performance based on predefined criteria, such as accuracy, speed, and quality.

#### 4. Advantages:

- Realistic Assessment: Provides a direct measure of job-relevant skills.
- High Validity: Strong predictor of job performance and candidate fit.

### iv. Personality Test

#### 1. Purpose:

- Assess Traits: Measure personality traits that influence job performance and cultural fit.
- Predict Behavior: Identify traits that predict how candidates will behave in various job situations.

#### 2. Types:

- Big Five Personality Test: Measures five major dimensions of personality: openness, conscientiousness, extraversion, agreeableness, and neuroticism.
- Myers-Briggs Type Indicator (MBTI): Assesses personality types based on preferences in perception and judgment.

#### 3. Format:

- Self-Report Questionnaires: Candidates respond to statements about their behavior and preferences.
- Standardized Scores: Results are scored and interpreted based on normative data.

#### 4. Advantages:

- Cultural Fit: Helps determine if candidates align with the company's culture and values.
- Team Dynamics: Assists in understanding how candidates will interact with team members.



## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### d. Employment Interview / Job Interview

Employment Interviews are a critical component of the selection process, allowing organizations to assess candidates' qualifications, skills, and fit for the role. This stage involves different types and methods of interviews. Here's an expanded explanation:

#### i. Types of Interviews

##### 1. Structured Interviews:

- Format: Interviewers use a standardized set of questions.
- Advantages: Ensures consistency and fairness; easier to compare candidates.

##### 2. Unstructured Interviews:

- Format: Interviewers have the flexibility to ask questions based on the candidate's responses.
- Advantages: Allows for a more natural conversation and deeper insights into the candidate's personality and experiences.

##### 3. Behavioral Interviews:

- Format: Candidates are asked to provide examples of past behavior and experiences related to the job.
- Advantages: Past behavior is a good predictor of future performance; helps assess specific competencies.

##### 4. Situational Interviews:

- Format: Candidates are presented with hypothetical job-related situations and asked how they would handle them.
- Advantages: Assesses problem-solving and decision-making skills in job-relevant contexts.

##### 5. Panel Interviews:

- Format: Multiple interviewers from different departments or levels within the organization conduct the interview together.
- Advantages: Provides diverse perspectives; reduces individual interviewer bias.



## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### ii. Methods of Interviews

#### 1. In-Person Interviews:

- Format: Face-to-face interaction between the candidate and interviewer(s).
- Advantages: Allows for a comprehensive assessment of non-verbal cues and overall demeanor.

#### 2. Phone Interviews:

- Format: Conducted over the phone, often used for preliminary screening.
- Advantages: Convenient and time-efficient; can reach candidates in different locations.

#### 3. Video Interviews:

- Format: Conducted via video conferencing tools like Zoom or Skype.
- Advantages: Combines the benefits of in-person and remote interviews; useful for assessing communication skills and professionalism.

#### 4. Group Interviews:

- Format: Multiple candidates are interviewed together, often involving group activities or discussions.
- Advantages: Assesses teamwork, communication, and leadership skills in a group setting.

#### 5. Sequential Interviews:

- Format: Candidates go through a series of interviews with different interviewers, one after another.
- Advantages: Provides a comprehensive assessment from various perspectives within the organization.



## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### e. Background and Reference Check

Background and Reference Checks are essential steps in the selection process to verify the accuracy of the information provided by candidates and to gather additional insights into their suitability for the role. Here's an expanded explanation:

#### 1. Background Checks:

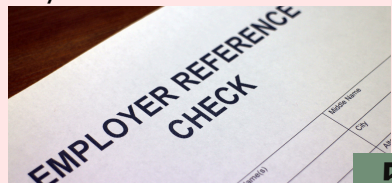
- Employment Verification: Confirming the candidate's previous job titles, responsibilities, dates of employment, and reasons for leaving.
- Educational Verification: Ensuring that the candidate's educational qualifications and certifications are legitimate and accurately represented.
- Criminal Record Check: Conducting a search for any past criminal activities to ensure the candidate's suitability and trustworthiness.
- Credit History Check: In some roles, particularly in finance, verifying the candidate's credit history to assess financial responsibility.
- Professional Licenses: Verifying the validity of any professional licenses or certifications required for the job.

#### 2. Reference Checks:

- Contacting References: Speaking with former supervisors, colleagues, or other professional contacts provided by the candidate.
- Structured Questions: Asking standardized questions to gather consistent information about the candidate's performance, behavior, and work ethic.
- Behavioral Insights: Gaining insights into the candidate's strengths, weaknesses, and suitability for the role based on past performance.
- Verification of Achievements: Confirming specific achievements or contributions mentioned by the candidate during the interview process.

#### 3. Additional Checks:

- Social Media Check: Reviewing the candidate's public social media profiles to assess professionalism and alignment with the company's values.
- Public Records: Searching public records for any additional information that may be relevant to the candidate's background.



## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### f. Selection Decision / Supervisory Approval

The Selection Decision is the final step where the organization decides which candidate will be offered the job. Here's an expanded explanation of this stage:

#### 1. Evaluation and Comparison:

- Assessing Results: Reviewing all data collected from interviews, tests, background checks, and reference checks.
- Scoring and Ranking: Using scoring systems or ranking methods to compare candidates objectively.

#### 2. Decision-Making Process:

- Panel Discussions: Holding discussions with all interviewers and stakeholders to share insights and opinions about the candidates.
- Pros and Cons: Listing the strengths and weaknesses of each candidate to aid in decision-making.
- Consensus Building: Reaching a consensus on the most suitable candidate based on a holistic assessment of their qualifications, skills, and fit.

#### 3. Supervisory Approval:

- Final Review: The hiring manager or supervisory authority reviews the recommended candidate for final approval.
- Compliance Check: Ensuring that the selection decision complies with organizational policies and legal requirements.
- Documentation: Documenting the decision-making process and the reasons for selecting the chosen candidate.

#### 4. Communicating the Decision:

- Offer Letter Preparation: Preparing a formal job offer letter with details of the employment terms, salary, benefits, and start date.
- Candidate Notification: Communicating the decision to the selected candidate and extending the job offer.



## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### ***g. Medical Checkup / Examination***

A Medical Checkup is often a part of the selection process, especially for roles that require a certain level of physical fitness or involve safety-sensitive tasks. Here's an expanded explanation:

#### **1. Purpose:**

- Health Assessment: To ensure the candidate is physically fit and able to perform the job duties without risk to themselves or others.
- Baseline Health Data: Establishing baseline health data for future reference.

#### **2. Types of Examinations:**

- General Physical Examination: A comprehensive physical checkup to assess overall health and fitness.
- Job-Specific Tests: Tests tailored to the physical demands of the job, such as vision and hearing tests, drug and alcohol tests, and cardiovascular assessments.
- Mental Health Assessment: Evaluations to ensure the candidate's mental health is suitable for the job, particularly for high-stress or safety-sensitive roles.

#### **3. Conducting the Checkup:**

- Certified Medical Professionals: The examination is conducted by certified medical professionals or designated occupational health providers.
- Confidentiality: Ensuring that the medical information is kept confidential and used only for the purpose of determining job suitability.

#### **4. Outcome and Follow-Up:**

- Fitness Determination: The medical professional provides a report indicating whether the candidate is fit for the job.
- Further Evaluation: If necessary, further tests or evaluations may be recommended based on initial findings.
- Action Based on Results: Deciding on the candidate's employment status based on the medical report. If the candidate is deemed unfit, the organization may need to consider other candidates.



## 3.2.2 STEPS INVOLVED IN THE SELECTION PROCESS.

### ***h. Employed the Individual***

Employing the Individual is the final step where the selected candidate officially joins the organization. Here's an expanded explanation of this stage:

#### **1. Job Offer Acceptance:**

- Formal Acceptance: The candidate formally accepts the job offer, often in writing.
- Negotiations: Any final negotiations on salary, benefits, or other terms are completed.

#### **2. Onboarding Process:**

- Orientation: Introducing the new employee to the company's culture, policies, and procedures. This can include presentations, tours, and meeting key personnel.
- Documentation: Completing necessary employment paperwork, such as tax forms, employment contracts, and confidentiality agreements.
- Workstation Setup: Preparing the new employee's workstation, including necessary equipment, software, and access to systems.

#### **3. Initial Training:**

- Job-Specific Training: Providing training specific to the role, such as learning internal processes, software, and tools.
- Safety Training: Ensuring the new hire understands safety protocols and procedures, especially for roles in hazardous environments.

#### **4. Integration and Support:**

- Buddy System: Pairing the new employee with a mentor or buddy to help them acclimate to the new environment.
- Regular Check-Ins: Scheduling regular check-ins with the supervisor or HR to address any questions or concerns.

#### **5. Performance Expectations:**

- Setting Goals: Establishing clear performance goals and expectations for the initial period.
- Feedback Mechanism: Implementing a feedback mechanism to provide the new employee with constructive feedback and support.



# EXERCISE:



## RECRUITMENT AND SELECTION

Read the sentences and circle true (T) or false (F).

- 1 Recruitment in an organization involves evaluating alternatives to recruitment T / F
- 2 The first step in the recruitment process is conducting a medical checkup. T / F
- 3 Internal sources of recruitment include promoting current employees. T / F
- 4 External methods of recruitment involve using job postings within the company. T / F
- 5 One advantage of internal recruitment is that it can boost employee morale. T / F
- 6 A work sample test is part of the employment selection test process. T / F
- 7 Preliminary screening is the final step in the selection process T / F
- 8 Personality tests are never used in the selection process. T / F
- 9 Background and reference checks are done after the employment interview. T / F
- 10 The selection decision requires supervisory approval. T / F
- 11 The selection decision requires supervisory approval. T / F
- 12 The selection process ends with recruiting the individual. T / F

# ANSWER:



## RECRUITMENT AND SELECTION

1. **True**
2. **False.** (The first step in the recruitment process is a requirement from human resource planning or a manager's requisition, not a medical checkup. Medical checkups are part of the selection process, usually towards the end)
3. **False.** (External methods of recruitment involve attracting candidates from outside the organization, such as through job advertisements, recruitment agencies, or online job portals. Job postings within the company are considered internal methods.)
4. **False** (Preliminary screening or the first interview is one of the initial steps in the selection process. The final steps typically include background and reference checks, selection decision, supervisory approval, and a medical checkup before employing the individual.)
5. **False** (Personality tests are indeed used in the selection process to assess a candidate's compatibility with the organizational culture and job requirements. They help in evaluating traits such as teamwork, leadership, and motivation)
6. **False** (The selection process ends with employing the individual, which includes making the final decision, extending the job offer, and completing necessary paperwork. Recruitment is the process of attracting candidates, whereas selection involves choosing the right candidate from the recruited pool.)
7. **False.** (Preliminary screening or the first interview is one of the initial steps in the selection process. The final steps typically include background and reference checks, selection decision, supervisory approval, and a medical checkup before employing the individual.)
8. **False**(Personality tests are indeed used in the selection process to assess a candidate's compatibility with the organizational culture and job requirements. They help in evaluating traits such as teamwork, leadership, and motivation.)
9. **True**
10. **True**
11. **True**
12. **False** (The selection process ends with employing the individual, which includes making the final decision, extending the job offer, and completing necessary paperwork. Recruitment is the process of attracting candidates, whereas selection involves choosing the right candidate from the recruited pool.)



# CHAPTER 4

## ORIENTATION, TRAINING, AND DEVELOPMENT



### LEARNING OUTCOME:



Explain employee orientation in organization



Discuss the concept of training and development in organization



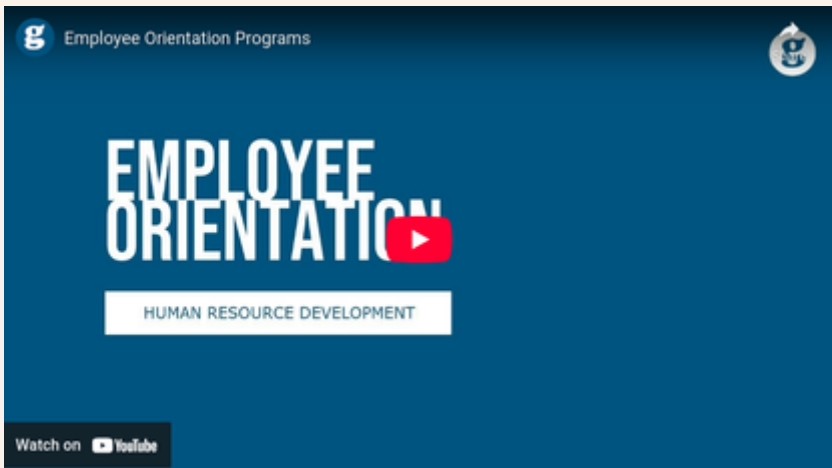
Compare the training approach and its common methods.

## 4.1 OVERVIEW OF EMPLOYEE ORIENTATION IN ORGANIZATION



Employee Orientation is a process **designed to help new hires adjust to their new workplace** environment, understand their roles and responsibilities, and become acquainted with the company culture, policies, and procedures. This process aims to ensure that new employees are well-prepared to contribute effectively to the organization from the start.

Through this comprehensive orientation program, the organization will ensure that new employees are well-prepared, comfortable, and ready to contribute effectively to the organization from day one.



**EMPLOYEE ORIENTATION PROGRAMS**

## 4.1.1 DEFINITION OF EMPLOYEE ORIENTATION

Employee orientation is the **structured process** through which new employees are introduced to their job roles, workplace environment, company policies, culture, and colleagues. The primary goal of employee orientation is to help new hires adjust to their new positions, understand their responsibilities, and integrate smoothly into the organization. This process typically includes an **overview of the company's mission and values**, a review of important policies and procedures, introductions to key personnel, and initial job-specific training. Effective orientation programs aim to enhance employee engagement, satisfaction, and productivity from the outset.



What is Orientation? Definition and meaning

# What is Orientation?

Welcome to XYZ Inc

A program to welcome new employees and explain the goals of their position and employer

Watch on YouTube

Share

**WHAT IS ORIENTATION?**

## 4.1.2 PURPOSE OF ORIENTATION



### Onboarding

Ease the Transition: Helps new hires become familiar with their new work environment, reducing the anxiety and uncertainty that often accompanies starting a new job.



### Understanding the Organization:

- Mission and Values: Introduces the company's mission, vision, and values to align new employees with the organizational culture and goals.
- Structure and Roles: Provides an overview of the organizational structure, including key departments and their functions.



### Clarification of Job Roles

- Responsibilities: Clearly defines the new employee's role, responsibilities, and expectations.
- Performance Standards: Communicates performance expectations and evaluation criteria.



### Policy and Procedure Familiarization

- Company Policies: Educates employees about important policies, such as attendance, dress code, and workplace behavior.
- Safety and Compliance: Ensures that employees understand safety procedures, legal requirements, and company compliance standards.



### Introduction to Tools and Resources

- Workstation Setup: Ensures that employees have the necessary tools and resources, such as computer systems, software, and equipment.
- Resource Availability: Informs employees about available support resources, such as IT help desks, HR contacts, and employee assistance programs.



### Cultural Integration

- Company Culture: Helps new hires understand and adapt to the company culture, including unwritten norms and workplace dynamics.
- Social Integration: Facilitates introductions to colleagues and team members to build relationships and support networks.

## 4.1.3 TYPES OF ORIENTATION

### a. Formal Orientation

#### i. Organization Level

Formal orientation at the organization level involves structured programs designed to introduce new employees to the overall company, its culture, policies, and procedures. Here's how it might look in a Malaysian company:

#### **Example: Petronas**

##### **Introduction to Company Values and Culture:**

Petronas, Malaysia's national oil and gas company, conducts a comprehensive onboarding program for new hires. This includes presentations on the company's history, mission, vision, and core values, ensuring that new employees understand and align with the company's culture from day one. They may use multimedia presentations and speeches from senior executives to emphasize the importance of the company's core values such as integrity, professionalism, and cohesiveness.

##### **Overview of Policies and Procedures:**

New employees at Petronas are provided with detailed information on company policies and procedures. This includes guidelines on workplace safety, IT security policies, and the code of conduct. This part of the orientation might include interactive sessions where employees can ask questions and clarify doubts about company policies.

##### **Benefits and Compensation:**

A detailed session on employee benefits, compensation packages, and any available support services (e.g., Employee Assistance Programmes). HR representatives provide information on health insurance, retirement plans, and other perks.

##### **Corporate Social Responsibility (CSR):**

As part of their organizational orientation, Petronas also highlights its CSR initiatives. This may include presentations on community engagement programs, environmental conservation efforts, and other social responsibility activities.

##### **Company Structure and Key Departments:**

An overview of the company's organizational structure, including key departments and their functions. This helps new employees understand the broader framework within which they will operate.

## 4.1.3 TYPES OF ORIENTATION

### a. Formal Orientation

#### ii. Departmental Level

Formal orientation at the departmental level is more specific and focuses on the new employee's immediate work environment, team, and job-specific expectations.

Example: Maybank

##### 1. Introduction to the Department:

- At Maybank, new hires receive a thorough introduction to their respective departments. This includes an overview of the department's role within the bank, its objectives, and how it contributes to the overall success of Maybank.
- Managers might conduct tours of the department, introducing new employees to their colleagues and explaining the layout of the workspace.

##### 2. Job-Specific Training:

- New employees undergo job-specific training tailored to their roles. This could include training on the banking systems, software applications, and tools that they will use daily.
- For example, a new hire in the credit department would receive training on credit analysis software and risk assessment tools.

##### 3. Departmental Policies and Procedures:

- Each department at Maybank has its own set of policies and procedures. New employees are briefed on these specifics, such as approval processes, reporting hierarchies, and internal communication protocols.
- This ensures that employees understand their responsibilities and the expectations of their roles within the department.

##### 4. Mentorship and Support:

- Maybank often assigns new hires a mentor within their department. This experienced colleague helps the new employee acclimate to the department, providing guidance, answering questions, and offering support.
- Mentorship programs can significantly enhance the onboarding experience by offering personalized support and fostering a sense of belonging.

##### 5. Performance Expectations and Evaluation:

- Clear communication about performance expectations, key performance indicators (KPIs), and the evaluation process. This includes setting initial goals and providing a timeline for performance reviews.
- Managers provide regular feedback and support to ensure new employees are on track and meeting departmental standards.

## 4.1.3 TYPES OF ORIENTATION

### b. Informal Orientation

Informal orientation is less structured and focuses on helping new employees acclimate to their new workplace through social interactions and casual guidance. This type of orientation is crucial for building relationships and a sense of community within the company.

#### **Example: AirAsia**

##### **1. Buddy System:**

- AirAsia employs a buddy system where each new hire is paired with an existing employee who acts as their “buddy”. The buddy helps the newcomer navigate the workplace, introduces them to colleagues, and answers any informal questions about day-to-day operations.
- This system helps new employees quickly feel part of the team and fosters a supportive work environment.

##### **2. Social Events and Team Building Activities:**

- New employees at AirAsia are often invited to social events, such as team lunches, coffee breaks, and after-work gatherings. These events provide opportunities for informal networking and relationship building.
- Team-building activities, like group challenges and outings, help integrate new employees into the team and encourage collaboration and camaraderie.

##### **3. Open-Door Policy:**

- AirAsia promotes an open-door policy where new employees are encouraged to approach managers and senior staff with any questions or concerns. This informal approach fosters open communication and helps new hires feel comfortable seeking guidance.
- Regular informal check-ins by managers to ensure new employees are settling in well and to address any immediate concerns they might have.

##### **4. Peer Learning:**

- New hires are encouraged to learn from their peers by observing and engaging in daily tasks. This informal learning approach helps them pick up on the nuances of the job and the company’s work culture.
- Employees might shadow a colleague for a day to understand the workflow and best practices.

##### **5. Internal Communication Platforms:**

- AirAsia utilizes internal communication platforms, such as Slack or Microsoft Teams, where new employees can join informal chat groups, ask questions, and participate in discussions. This helps them stay connected and informed about what’s happening within the company.
- These platforms often have channels dedicated to social interaction, hobbies, and interests, helping new hires find common ground with their colleagues.

## 4.1.3 TYPES OF ORIENTATION



### Employee Orientation Best Practice Ideas

Be Polite and Friendly

Initiate Engaging Sessions

Warmly Address Queries

Make Use of Audio Visual Modes

Establish Personal Connection

Be Precise and Clear

Diversify to Involve Maximum Information

Express Company's Expectations

Highlight Employee's Contribution



## 4.2 CONCEPT OF TRAINING AND DEVELOPMENT IN ORGANIZATION

Training and development are essential for organizations because they enhance employee performance, boost morale, and increase job satisfaction, leading to higher productivity and innovation. These programs help employees stay updated with industry changes, ensuring compliance and reducing risks.

Additionally, they support career development, reduce turnover, and improve customer satisfaction by equipping employees with necessary skills and knowledge. Investing in training and development also enhances an organization's reputation, attracting top talent and fostering a positive corporate image, ultimately contributing to long-term growth and sustainability



**WHY TRAINING IMPORTANT?**

## 4.2.1 DEFINITION OF TRAINING

Training refers to the process of teaching employees the specific skills, knowledge, and competencies needed to perform their current job roles effectively. It focuses on enhancing the immediate performance of employees by providing practical, hands-on instruction related to their tasks and responsibilities. Training can take various forms, including on-the-job training, workshops, seminars, online courses, and simulations, and is often tailored to address particular job requirements or deficiencies.



**WHAT IS TRAINING ?**

## 4.2.2 COMPARISON BETWEEN TRAINING, DEVELOPMENT & EDUCATION

TRAINING	DEVELOPMENT	EDUCATION
<b>Focus:</b> Short-term and job-specific.	<b>Focus:</b> Long-term and career-focused.	<b>Focus:</b> Theoretical and knowledge-based
<b>Objective:</b> To enhance employees' current job performance by teaching them specific skills and knowledge required for their immediate tasks and responsibilities.	<b>Objective:</b> To prepare employees for future roles and responsibilities, enhance their overall capabilities, and support their career growth.	<b>Objective:</b> To provide a broad understanding of concepts, theories, and principles that may not be directly applicable to specific job roles but are essential for overall intellectual and professional development.
<b>Content:</b> Practical, hands-on, and directly related to the job.	<b>Content:</b> Broader, covering skills and competencies that are not only job-specific but also relevant to career advancement and personal growth	<b>Content:</b> Academic and conceptual, often involving formal coursework and degrees.
<b>Duration:</b> Often short-term, ranging from a few hours to a few weeks.	<b>Duration:</b> Long-term, ongoing, and continuous	<b>Duration:</b> Long-term, structured over months or years.
<b>Example:</b> A software company providing a training session on the latest version of a programming language used in their projects.	<b>Example:</b> Leadership development programs that equip employees with skills needed to take on managerial or executive roles in the future.	<b>Example:</b> An employee pursuing a part-time MBA to gain a comprehensive understanding of business management principles.

## 4.2.2 COMPARISON BETWEEN TRAINING, DEVELOPMENT & EDUCATION

### TRAINING

Training is the process focused on improving employees' skills and knowledge to enhance their immediate job performance. It involves:

- **Specific Skills and Knowledge:** Training is centered around the practical application of skills and knowledge directly related to the tasks employees perform in their current roles.
- **Short-Term Goals:** The aim is to quickly bring employees up to speed with the necessary competencies to meet job requirements efficiently.
- **Practical Methods:** Methods such as hands-on workshops, simulations, role-playing, and on-the-job training are commonly used to provide employees with real-world experience.
- **Immediate Impact:** The primary goal is to improve performance and productivity in the short term, ensuring that employees can perform their tasks more effectively and efficiently.



### DEVELOPMENT

Development focuses on the long-term growth and progression of employees, preparing them for future roles and broader responsibilities. It involves:

- **Holistic Growth:** Development programs aim to enhance overall capabilities, including leadership, strategic thinking, and problem-solving skills.
- **Career Advancement:** The objective is to equip employees with the tools and knowledge needed to progress in their careers and take on higher-level positions within the organization.
- **Continuous Learning:** Development is an ongoing process, often involving mentorship, coaching, stretch assignments, and leadership programs.
- **Future Readiness:** The focus is on long-term potential and readiness for future challenges and opportunities, rather than immediate job performance.



## 4.2.2 COMPARISON BETWEEN TRAINING, DEVELOPMENT & EDUCATION



### EDUCATION

Education provides a broad foundation of knowledge and theoretical understanding, often through formal academic programs. It involves:

- **Conceptual Understanding:** Education emphasizes the acquisition of theoretical knowledge and principles that may not be directly applicable to specific job roles but are essential for overall intellectual growth.
- **Structured Programs:** It typically involves structured programs such as degrees, diplomas, or certifications offered by educational institutions.
- **Long-Term Investment:** Education is a long-term commitment, requiring significant time and effort to complete, often over several years.
- **Broad Application:** The knowledge gained through education can be applied in various contexts and is valuable for overall professional and personal development.



## 4.2.3 PURPOSE/BENEFITS OF TRAINING & DEVELOPMENT TO THE ORGANIZATION

### 1. Enhanced Employee Performance

- Purpose: Equip employees with the necessary skills and knowledge to perform their jobs effectively.
- Benefits: Improved performance and productivity, leading to higher quality work and efficiency.

### 2. Increased Employee Satisfaction and Morale

- Purpose: Provide opportunities for personal and professional growth.
- Benefits: Higher job satisfaction, increased motivation, and reduced turnover rates, fostering a positive work environment.

### 3. Addressing Skill Gaps

- Purpose: Identify and address skill deficiencies within the workforce.
- Benefits: Ensures employees have the up-to-date skills required to meet the demands of their roles, reducing errors and enhancing overall competence.

### 4. Adaptation to Technological Changes

- Purpose: Keep employees updated on new technologies and industry trends.
- Benefits: Enables the organization to stay competitive and leverage new tools and technologies for operational efficiency.

### 5. Career Development & Succession Planning

- Purpose: Prepare employees for future roles and leadership positions.
- Benefits: Creates a pipeline of qualified candidates for internal promotions, ensuring business continuity and retaining institutional knowledge.

### 6. Improved Organizational Culture

- Purpose: Promote a culture of continuous learning and improvement.
- Benefits: Fosters an environment where employees feel valued and engaged, leading to a more cohesive and innovative organization.



## 4.3 TRAINING APPROACH AND ITS COMMON METHODS.

A training approach is a structured strategy used by organizations to enhance the skills, knowledge, and competencies of their employees. The aim is to improve performance, ensure compliance with standards, and prepare employees for future challenges. A well-designed training approach considers the needs of both the organization and the employees, ensuring that the training is relevant, effective, and engaging.

Common methods of training are:

### ON THE JOB TRAINING APPROACH

- i. Coaching**
- ii. Mentoring**
- iii. Job rotation**
- iv. Apprenticeship**
- v. Role play**

### OFF THE JOB TRAINING APPROACH

- i. Lectures and conferences**
- ii. Simulation exercise**
- iii. In-basket training**
- iv. e-Learning**
- v. Case study**





## 1. Coaching

Coaching is a personalized training method where an experienced employee, often a manager or senior colleague, provides guidance and feedback to a less experienced employee. The goal is to improve specific skills, enhance performance, and achieve professional growth.

- **Process:**
  - Identifying specific areas for improvement.
  - Setting clear, achievable goals.
  - Providing regular, constructive feedback.
  - Monitoring progress and adjusting coaching strategies as needed.
- **Advantages:**
  - Tailored to individual needs.
  - Immediate application of new skills.
  - Continuous feedback and support.
- **Example:** A sales manager coaching a new salesperson on effective sales techniques, customer interaction strategies, and closing deals.



## 2. Mentoring

Mentoring involves a long-term relationship where a more experienced employee (mentor) supports and guides a less experienced employee (mentee) in their personal and professional development.

- **Process:**
  - Establishing a trust-based relationship.
  - Sharing experiences, insights, and advice.
  - Setting long-term career goals.
  - Providing continuous support and encouragement.
- **Advantages:**
  - Comprehensive personal and professional growth.
  - Enhanced career development.
  - Stronger organizational loyalty and engagement.
- **Example:** A senior engineer mentoring a junior engineer, offering career advice, sharing technical knowledge, and helping them navigate the corporate culture.





### 3. Job Rotation

Job Rotation is a training method where employees are periodically moved between different roles or departments within the organization to gain a broad understanding of various functions and develop diverse skills.



- **Process:**
  - Planning rotation schedules.
  - Providing initial training for each new role.
  - Monitoring and evaluating performance.
  - Gathering feedback to improve the rotation program.
- **Advantages:**
  - Enhanced versatility and skill development.
  - Improved understanding of different business functions.
  - Increased job satisfaction and employee engagement.
- **Example:** Rotating employees through marketing, sales, and customer service departments to develop a comprehensive understanding of the business operations.

### 4. Apprenticeship

Apprenticeship is a structured training program that combines on-the-job training with classroom instruction. It is typically used for skilled trades and technical fields.

- **Process:**
  - Enrolling in a formal apprenticeship program.
  - Combining hands-on training with theoretical education.
  - Working under the supervision of a skilled professional.
  - Gradually increasing responsibilities and tasks.
- **Advantages:**
  - Comprehensive skill development.
  - Direct application of learned skills.
  - Formal recognition through certification or licensing.
- **Example:** An aspiring electrician completing a four-year apprenticeship program that includes both practical training and classroom studies.



## 5. Role Play

Role Play is an interactive training method where employees act out specific scenarios to practice and develop their skills in a controlled environment.

- **Process:**
  - Defining the scenario and roles.
  - Enacting the scenario with participants playing different roles.
  - Observing and providing feedback.
  - Discussing and analyzing the experience to reinforce learning.
- **Advantages:**
  - Practical, hands-on experience.
  - Improved problem-solving and interpersonal skills.
  - Safe environment to practice and learn from mistakes.
- **Example:** Customer service representatives participating in role-playing exercises to handle difficult customer interactions and practice conflict resolution techniques.





## 1. Lectures and Conferences

Lectures and Conferences are traditional training methods where experts share their knowledge and insights with a large audience, providing theoretical and conceptual understanding of specific topics.

- **Process:**
  - Planning and organizing the event.
  - Inviting subject matter experts to deliver lectures.
  - Providing opportunities for questions and discussions.
  - Distributing supplementary materials and resources.
- **Advantages:**
  - Access to expert knowledge.
  - Exposure to new ideas and trends.
  - Networking opportunities with peers and industry leaders.
- **Example:** Attending a conference on digital marketing trends, where industry experts present the latest strategies and technologies.

## 2. Simulation Exercise

Simulation Exercises involve creating realistic scenarios that mimic real-world challenges, allowing employees to practice and develop their skills in a risk-free environment.

- **Process:**
  - Designing realistic scenarios that replicate actual job conditions.
  - Using software, equipment, or mock setups to simulate the environment.
  - Engaging participants in the simulation and guiding them through tasks.
  - Debriefing to discuss outcomes, challenges, and learning points.
- **Advantages:**
  - Safe environment for experimentation and learning.
  - Realistic practice without real-world consequences.
  - Enhanced problem-solving and decision-making skills.
- **Example:** Pilots using flight simulators to practice emergency procedures and improve their response to critical situations.

### 3. In-Basket Training

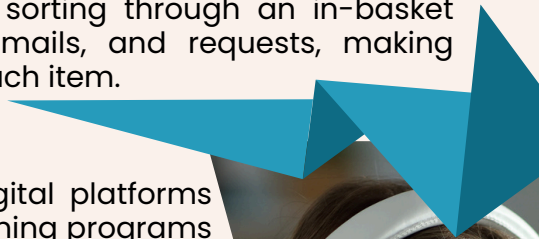
In-Basket Training is a simulation exercise where trainees are given a set of tasks, messages, and issues that might be found in an actual in-basket of a specific job role, requiring them to prioritize, organize, and resolve them.

- **Process:**
  - Preparing a realistic in-basket with various items such as emails, memos, reports, and requests.
  - Providing instructions and time limits for the exercise.
  - Observing how participants handle and prioritize tasks.
  - Evaluating performance and providing feedback.
- **Advantages:**
  - Develops organizational and time management skills.
  - Realistic practice of job-related tasks.
  - Enhances decision-making and prioritization abilities.
- **Example:** A manager trainee sorting through an in-basket filled with various memos, emails, and requests, making decisions on how to address each item.

### 4. E-Learning

E-Learning involves the use of digital platforms and online resources to deliver training programs that employees can access at their convenience.

- **Process:**
  - Developing or selecting e-learning content and courses.
  - Providing access to online training platforms.
  - Allowing employees to learn at their own pace and schedule.
  - Monitoring progress and assessing knowledge through quizzes and assessments.
- **Advantages:**
  - Flexibility and convenience.
  - Cost-effective and scalable.
  - Interactive and engaging content.
- **Example:** Employees completing mandatory compliance training through an online learning management system (LMS) that includes videos, interactive modules, and quizzes.



## 5. Case Study

Case Study training involves analyzing real or hypothetical business scenarios to develop problem-solving, analytical, and decision-making skills.

- **Process:**

- Selecting or developing relevant case studies.
- Presenting the case study to participants.
- Facilitating group discussions and analysis.
- Drawing conclusions and lessons learned.

- **Advantages:**

- Encourages critical thinking and analytical skills.
- Real-world application of theoretical concepts.
- Interactive and collaborative learning experience.

- **Example:** MBA students analyzing a case study on a company's strategic decision to enter a new market, discussing the challenges and developing potential solutions.



# EXERCISE:



## ORIENTATION, TRAINING, AND DEVELOPMENT

Read the sentences and circle true (T) or false (F).

- 1 On-the-job training methods, such as coaching and mentoring, are typically more practical and hands-on compared to off-the-job training methods. T / F
- 2 Job rotation involves moving employees between different roles or departments to gain a broad understanding of the organization and develop diverse skills. T / F
- 3 E-learning is an off-the-job training method that provides employees with the flexibility to learn at their own pace and on their own schedule. T / F
- 4 The primary objective of training is to prepare employees for future roles and long-term career growth. T / F
- 5 In-basket training is a simulation exercise where trainees handle realistic job-related tasks, such as emails and memos, to develop organizational and time management skills. T / F
- 6 Mentoring typically involves a short-term relationship focused on improving specific job-related skills. T / F
- 7 Simulation exercises allow employees to practice and develop their skills in a risk-free environment that mimics real-world challenges. T / F
- 8 Case study training is an on-the-job training method that involves analyzing real or hypothetical business scenarios to develop problem-solving skills. T / F
- 9 Off-the-job training methods, like lectures and conferences, provide employees with access to expert knowledge and networking opportunities. T / F
- 10 Apprenticeship programs combine on-the-job training with classroom instruction to provide comprehensive skill development for specific trades or technical fields. T / F

# ANSWERS



## ORIENTATION, TRAINING, AND DEVELOPMENT

1. **True**
2. **True**
3. **True**
4. **False** (The primary objective of training is to improve employees' current job performance by teaching them specific skills and knowledge needed for their immediate tasks and responsibilities.)
5. **True**
6. **False** (Mentoring typically involves a long-term relationship focused on personal and professional development, career guidance, and broader skills enhancement.)
7. **True**
8. **False** (Case study training is an off-the-job training method that involves analyzing real or hypothetical business scenarios to develop problem-solving, analytical, and decision-making skills..)
9. **True**
10. **True**






# CHAPTER 5

## PERFORMANCE APPRAISAL



### LEARNING OUTCOME:

-  Explain the concept of performance appraisal for employees
-  Discuss the methods of performance appraisal
-  Interpret the common errors in performance appraisal



## 5.1 THE CONCEPT OF PERFORMANCE APPRAISAL FOR EMPLOYEE

Performance appraisal is a systematic and periodic process that evaluates an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. This concept serves multiple purposes within an organization and plays a critical role in the management and development of human resources.

Performance appraisal is a vital tool in human resource management that helps organizations manage and develop their workforce effectively. By systematically evaluating and providing feedback on employee performance, organizations can foster a culture of continuous improvement and achieve their strategic goals.



### WHAT IS PERFORMANCE MANAGEMENT

## 5.1.1 DEFINITION PERFORMANCE APPRAISAL TO EMPLOYEE

Performance appraisal is a **formal, systematic process** used by organizations to evaluate and document an employee's **job performance** and **productivity** over a specific period. This process involves comparing an individual's work against established standards, providing feedback, and identifying areas for improvement and professional development. It aims to **enhance employee performance**, align individual contributions with organizational goals, and support decision-making related to promotions, salary adjustments, and training needs.



## 5.1.2 THE PURPOSE OF PERFORMANCE APPRAISAL

### A. STRATEGIC PURPOSE

The strategic purpose of performance appraisal involves aligning individual employee performance with the long-term goals and strategic objectives of the organization.

Key Points:

- **Alignment with Organizational Goals:** Ensures that employees' goals and performance are aligned with the company's strategic plans and objectives, promoting overall organizational success.
- **Support for Strategic Planning:** Helps in workforce planning and talent management by identifying skills gaps and future talent needs.
- **Enhancing Competitiveness:** By aligning employee performance with strategic goals, organizations can enhance their competitive edge, improve innovation, and achieve sustainable growth.
- **Resource Allocation:** Facilitates effective allocation of resources, ensuring that key areas and projects receive the necessary focus and support.

**Example:** For a company like Petronas, the strategic purpose might involve aligning engineers' performance with the goal of enhancing drilling technologies to improve efficiency and reduce costs, thus supporting the company's long-term vision of becoming a leader in sustainable energy solutions.

## 5.1.2 THE PURPOSE OF PERFORMANCE APPRAISAL

### B. ADMINISTRATIVE PURPOSE

The administrative purpose of performance appraisal refers to the use of performance data to make administrative decisions related to employees.

Key Points:

- **Decision Making:** Provides a basis for making decisions regarding promotions, compensations, bonuses, transfers, and terminations.
- **Documentation:** Maintains a formal record of employee performance, which can be used for administrative purposes, such as verifying claims, justifying decisions, and defending against legal challenges.
- **Compliance and Accountability:** Ensures compliance with organizational policies and standards, holding employees accountable for their performance.

**Example:** In a company like Petronas, administrative purposes might involve using performance appraisal outcomes to decide on salary increases, bonuses, or promotions for engineers based on their contributions to specific projects and their achievement of performance targets.

## 5.1.2 THE PURPOSE OF PERFORMANCE APPRAISAL

### C. DEVELOPMENT PURPOSE

The development purpose of performance appraisal focuses on enhancing employee skills, knowledge, and competencies through feedback and training.

Key Points:

- **Identifying Training Needs:** Helps identify areas where employees need further training or development to improve their skills and performance.
- **Career Development:** Assists in planning and facilitating career development paths for employees, aligning their growth with the company's needs.
- **Improving Performance:** Provides feedback and support to help employees overcome weaknesses and build on their strengths, fostering continuous improvement and personal growth.
- **Motivation and Engagement:** Encourages employees by recognizing their achievements and providing constructive feedback, boosting morale and job satisfaction.

**Example:** For an engineer at Petronas, the development purpose might involve identifying the need for advanced training in new drilling technologies or leadership skills, creating a development plan that includes workshops, courses, or mentoring programs to help the engineer advance their career and contribute more effectively to the company's goals.

## 5.1.3 THE SOURCES OF EMPLOYEE'S PERFORMANCE APPRAISAL

### a. Immediate Supervisor / Manager

Feedback and evaluation provided by the employee's direct supervisor or manager. **Example:** At Petronas, an engineer's immediate supervisor might evaluate their performance based on the completion of projects, adherence to safety standards, and innovation in problem-solving.



#### **Detail Knowledge**

Supervisors usually have a comprehensive understanding of the employee's job role, responsibilities, and performance.



#### **Objective Assessment**

Supervisors can provide an objective assessment based on observable behaviors and outcomes.



#### **Performance Management**

They can link performance to organizational goals, offering insights into how well the employee contributes to strategic objectives.



#### **Development Guidance**

Supervisors can provide actionable feedback and guidance for career development and improvement.

### b. Peer/ Team Members

Feedback and evaluation provided by colleagues who work alongside the employee. **Example:** At Petronas, an engineer's team members might provide feedback on their ability to collaborate on projects, share knowledge, and support team goals.



#### **Collaborative Insight**

Peers can offer valuable insights into the employee's teamwork, collaboration, and interpersonal skills.



#### **Daily Interaction**

Peers interact with the employee regularly, providing a perspective on daily performance and behavior.



#### **Balanced View**

Peer feedback can balance the supervisor's perspective, highlighting aspects of performance that may not be visible to supervisors.



#### **Constructive Feedback**

Colleagues can provide constructive feedback on how the employee's actions affect team dynamics and project outcomes.

## c. Subordinate / Employees

Feedback and evaluation provided by employees who report directly to the individual being appraised.

**Example:** At Petronas, subordinates of a project manager might provide feedback on the manager's communication skills, ability to delegate tasks, and support for professional development



### **Leadership Assessment:**

- Subordinates can provide insights into the employee's leadership, management style, and ability to motivate and support their team.



### **Work Environment:**

Subordinates can share their experiences regarding the work environment and how the employee contributes to or detracts from it.



### **Empowerment and Support**

Feedback from subordinates can highlight the employee's effectiveness in empowering and supporting their team.

## d. Self-Appraisal

A process where employees evaluate their own performance, identifying strengths, weaknesses, and areas for improvement.

Example: At Petronas, an engineer might perform a self-appraisal to evaluate their own performance on a recent project, considering their technical skills, project management abilities, and adherence to safety protocols.



### **Self-Reflection**

Encourages employees to reflect on their performance, achievements, and areas needing improvement.



### **Personal Goals**

Helps employees set personal development goals and take ownership of their career progression.



### **Alignment**

Ensures that employees' views on their performance align with organizational expectations.



### **Honesty and Awareness**

Promotes honesty and self-awareness, which are critical for personal growth.

## e. Customer Appraisal

Feedback and evaluation provided by customers who interact with the employee and are impacted by their work. **Example:** At Petronas, a sales engineer might receive feedback from clients regarding their responsiveness, technical knowledge, and ability to solve customer problems effectively.



### **Customer Perspective**

Offers insights into how well the employee meets customer needs and expectations.



### **Service Quality**

Provides an assessment of the quality of service or product delivered by the employee.



### **Improvement Areas**

Identifies areas where customer satisfaction can be improved through changes in employee performance or behavior.



### **Customer Relations**

Highlights the employee's ability to build and maintain positive relationships with customers.





## 5.2 THE COMMOND METHODS OF PERFORMANCE APPRAISAL

### a. Forced Distribution Method / Forced Choice Method / Forced Ranking Method

**Definition:** The forced distribution method, also known as "stack ranking" or "rank and yank," is a performance appraisal system where employees are ranked into predetermined performance categories.

Key Points:

- **Predefined Categories:** Employees are divided into categories such as top performers, average performers, and low performers. A typical distribution might be 20% top performers, 70% average performers, and 10% low performers.
- **Comparative Evaluation:** This method forces managers to compare employees against each other rather than against a fixed set of standards.
- **Performance Differentiation:** Helps in distinguishing high performers from low performers, ensuring that top performers are recognized and rewarded.
- **Controversial:** Can lead to competition among employees, potentially fostering a cutthroat environment and reducing collaboration.

**Example:** At a sales company, employees might be ranked based on their sales numbers:

- Top 20%: Exceeds targets by 20% or more.
- Middle 70%: Meets targets or slightly below.
- Bottom 10%: Consistently fails to meet targets.

**Advantages:**

1. Clear Differentiation: Makes it easy to identify top and bottom performers.
2. Focus on Excellence: Encourages high performance and improvement.
3. Resource Allocation: Helps in deciding resource allocation like training and development for different performance groups.

**Disadvantages:**

1. Morale Impact: Can demoralize employees in the lower categories.
2. Competitive Environment: May foster unhealthy competition and reduce teamwork.
3. Bias and Inaccuracy: May not accurately reflect individual performance due to forced categorization.

## 5.2 THE COMMOND METHODS OF PERFORMANCE APPRAISAL

### b. Graphic Rating Scale

**Definition:** The graphic rating scale is a commonly used performance appraisal method that involves rating an employee's performance on a continuum, usually ranging from "poor" to "excellent" across various performance criteria.

Key Points:

- **Performance Criteria:** Criteria might include job knowledge, quality of work, punctuality, teamwork, and communication skills.
- **Rating Scale:** Typically a numerical or descriptive scale (e.g., 1-5 or "poor" to "excellent").
- **Ease of Use:** Simple and straightforward to administer, making it popular among managers.
- **Quantifiable:** Provides a quantitative measure of performance that can be easily compared over time or across employees.

**Example:** An employee's communication skills might be rated on a scale of 1 to 5:

- 1: Poor
- 2: Below Average
- 3: Average
- 4: Above Average
- 5: Excellent

**Advantages:**

1. **Simplicity:** Easy to understand and use.
2. **Standardization:** Allows for standardized performance measurement across the organization.
3. **Comparability:** Facilitates comparison between employees and over time.

**Disadvantages:**

1. **Subjectivity:** Ratings can be subjective and influenced by the evaluator's biases.
2. **Lack of Detail:** Doesn't provide detailed feedback on specific behaviors or actions.
3. **Halo Effect:** Overall impressions of an employee can affect ratings across all criteria.

## 5.2 THE COMMOND METHODS OF PERFORMANCE APPRAISAL

### c. Critical Incident Technique (CIT) / Critical Incident Method

**Definition:** The Critical Incident Technique (CIT) involves documenting specific incidents where an employee's behavior significantly contributed to success or failure in their job performance.

Key Points:

- **Behavior Focused:** Focuses on specific behaviors rather than general performance.
- **Detailed Records:** Requires maintaining detailed records of both positive and negative incidents.
- **Objective Evaluation:** Provides objective data for performance appraisal, reducing bias.
- **Actionable Feedback:** Helps in providing specific, actionable feedback to employees.

**Example:** For a customer service representative, a critical incident might be:

- **Positive Incident:** Successfully resolving a complex customer complaint, resulting in customer satisfaction.
- **Negative Incident:** Mishandling a customer query, leading to a formal complaint.

**Advantages:**

1. **Specific Feedback:** Provides specific examples of behavior for feedback and improvement.
2. **Objective Data:** Reduces subjectivity by focusing on concrete incidents.
3. **Development Focus:** Helps identify training and development needs.

**Disadvantages:**

1. **Time-Consuming:** Requires ongoing documentation and can be time-consuming.
2. **Consistency:** May be difficult to ensure consistency in recording incidents across managers.
3. **Frequency of Incidents:** Some employees might have more documented incidents than others, not reflecting overall performance accurately.

## 5.2 THE COMMOND METHODS OF PERFORMANCE APPRAISAL

### d. Behaviorally Anchored Rating Scale (BARS)

**Definition:** The Behaviorally Anchored Rating Scale (BARS) combines elements of the traditional rating scales and critical incident techniques to create a more structured and detailed appraisal system. It uses specific behavior examples as anchors along a scale.

Key Points:

- **Behavior Examples:** Each performance level is defined by specific examples of behavior.
- **Structured Evaluation:** Provides a clear structure for evaluating performance, making it easier to differentiate between different levels of performance.
- **Reduced Bias:** Reduces subjectivity by focusing on specific, observable behaviors.
- **Development Oriented:** Helps in identifying specific areas for improvement and development.

**Example:** For a customer service role, the scale might have levels like:  
1: Rarely meets customer needs, often causes dissatisfaction.  
2: Occasionally meets customer needs, sometimes causes dissatisfaction.  
3: Usually meets customer needs, rarely causes dissatisfaction.  
4: Consistently meets customer needs, occasionally exceeds expectations.  
5: Always meets and frequently exceeds customer needs.

**Advantages:**

1. Clarity: Provides clear standards for performance evaluation.
2. Behavior Focused: Focuses on specific, observable behaviors, reducing ambiguity.
3. Feedback Quality: Enables high-quality, detailed feedback.

**Disadvantages:**

1. Complexity: Can be complex and time-consuming to develop and implement.
2. Training Requirement: Requires training for managers to use effectively.
3. Rigidity: May not be flexible enough to accommodate all types of jobs or behaviors.

## 5.2 THE COMMOND METHODS OF PERFORMANCE APPRAISAL

### e. 360-Degree Feedback

**Definition:** 360-degree feedback is a comprehensive appraisal method that collects feedback on an employee's performance from multiple sources, including supervisors, peers, subordinates, and sometimes clients.

Key Points:

- **Multiple Perspectives:** Provides a well-rounded view of an employee's performance from various perspectives.
- **Feedback Sources:** Can include feedback from supervisors, peers, subordinates, and customers.
- **Comprehensive Evaluation:** Offers a comprehensive evaluation of an employee's performance, strengths, and areas for improvement.
- **Development Focus:** Primarily used for personal and professional development rather than administrative decisions.

**Example:** An employee at a consulting firm might receive feedback from:

- Supervisor: Evaluating leadership and project management skills.
- Peers: Assessing teamwork and collaboration.
- Subordinates: Providing insights into management and supportiveness.
- Clients: Giving feedback on client interaction and service quality.

**Advantages:**

1. **Comprehensive Feedback:** Provides a holistic view of performance.
2. **Balanced Perspective:** Reduces individual biases by incorporating multiple viewpoints.
3. **Developmental Insights:** Offers detailed insights into areas for personal and professional development.

**Disadvantages:**

1. **Complexity:** Can be complex and time-consuming to administer and manage.
2. **Potential for Bias:** Feedback from peers and subordinates can be influenced by personal relationships or biases.
3. **Feedback Quality:** Requires careful management to ensure feedback is constructive and focused on development.

## 5.3 THE COMMOND ERROR IN PERFORMANCE APPRAISAL

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3. **Feedback Quality:** Requires careful management to ensure feedback is constructive and focused on development.

## 5.3 THE COMMOND ERROR IN PERFORMANCE APPRAISAL

### a. Recency Error

**Definition:** Recency error occurs when an evaluator focuses too heavily on an employee's most recent behavior or performance rather than considering the entire appraisal period

**Example:** An employee who had an exceptional performance in the last month of the appraisal period might receive an overly positive evaluation, despite having an average performance for the rest of the year. Conversely, an employee who made a significant mistake just before the appraisal might be rated lower, despite consistent high performance earlier.

#### **Prevention Strategies:**

- **Regular Documentation:** Keep regular performance records throughout the appraisal period.
- **Frequent Feedback:** Provide ongoing feedback rather than waiting for the annual appraisal.
- **Balanced Review:** Encourage evaluators to review notes and records from the entire appraisal period.

### b. Central Tendency

**Definition:** Central tendency error occurs when an evaluator avoids using the extreme ends of the rating scale, resulting in all employees being rated around the middle of the scale.

**Example:** In a graphic rating scale from 1 to 5, an evaluator might rate most employees as 3 (average), regardless of whether they are actually performing at a 1 or a 5 level, to avoid confrontation or judgment errors.

#### **Prevention Strategies:**

- **Training:** Provide training for evaluators to recognize and avoid central tendency bias.
- **Clear Criteria:** Establish clear performance criteria and provide examples for each rating level.
- **Review Process:** Implement a review process where multiple evaluators or a panel reviews ratings to ensure accuracy and fairness.

## 5.3 THE COMMOND ERROR IN PERFORMANCE APPRAISAL

### c. Contrast Error and Similar-to-Me Error

**Definition:** Contrast error occurs when an evaluator compares an employee's performance to that of other employees rather than against the set performance standards.

**Example:** An average performer might be rated highly if they are compared to a group of underperformers, or a good performer might be rated lower if compared to a group of exceptional performers.

#### Prevention Strategies:

- **Standard-Based Evaluation:** Ensure that appraisers use set standards and criteria for evaluations.
- **Training:** Train evaluators to focus on objective performance criteria rather than relative comparisons.

**Definition:** Similar-to-me error occurs when an evaluator rates an employee more favorably because they share similar characteristics, backgrounds, or interests with the evaluator.

**Example:** An evaluator who enjoys golf might rate an employee who also plays golf more favorably, regardless of the employee's actual job performance.

#### Prevention Strategies:

- **Awareness Training:** Train evaluators to recognize and avoid biases based on similarities.
- **Objective Criteria:** Use objective, measurable criteria for evaluations to minimize personal biases.
- **Diverse Evaluation Panels:** Use diverse evaluation panels to balance out individual biases.

### d. Halo Effect and Horn Effect

**Definition:** The halo effect occurs when an evaluator's positive impression of an employee in one area influences their ratings in other areas.

**Example:** If an employee is very punctual, the evaluator might rate them highly in unrelated areas like teamwork and creativity, even if their performance in these areas is average.

#### Prevention Strategies:

- **Separate Criteria:** Ensure each performance criterion is evaluated independently.
- **Training:** Train evaluators to be aware of and avoid the halo effect.
- **Multiple Evaluators:** Use multiple evaluators to balance out individual biases.

**Definition:** The horn effect occurs when an evaluator's negative impression of an employee in one area negatively influences their ratings in other areas.

**Example:** If an employee consistently misses deadlines, the evaluator might rate them poorly in areas like communication and problem-solving, even if they excel in those areas.

#### Prevention Strategies:

- **Separate Criteria:** Evaluate each performance criterion independently.
- **Training:** Train evaluators to recognize and avoid the horn effect.
- **Multiple Evaluators:** Involve multiple evaluators to provide a balanced assessment.



## 5.3 THE COMMOND ERROR IN PERFORMANCE APPRAISAL

### e. Leniency and Strictness Errors

**Definition:** Leniency error occurs when an evaluator rates all employees higher than their actual performance to avoid conflict or to be liked.

**Example:** A manager rates all employees as “exceeds expectations” to maintain a positive atmosphere, even though some employees are only meeting or failing to meet expectations.

#### Prevention Strategies:

- **Clear Standards:** Use clear performance standards and criteria.
- **Training:** Provide training to evaluators on accurate and fair appraisal practices.
- **Review Process:** Implement a review process to ensure ratings are justified and accurate.

**Definition:** Strictness error occurs when an evaluator rates all employees lower than their actual performance, being overly critical or demanding.

**Example:** A manager rates all employees as “needs improvement” because they have very high standards and believe no one is performing at an adequate level. mployee’s actual job performance.

#### Prevention Strategies:

- **Clear Standards:** Use clear and realistic performance standards.
- **Training:** Train evaluators to provide balanced and fair assessments.
- **Review Process:** Implement a review process to check for overly critical evaluations.

### f. Bias, Stereotype, and Prejudice

**Definition:** Bias, stereotype, and prejudice are cognitive distortions that can significantly impact the fairness and accuracy of performance appraisals. They involve preconceived notions or attitudes that affect an evaluator’s judgment, leading to unfair treatment of employees.

**Example of bias:** An evaluator might favor employees who share similar hobbies, leading to higher ratings for those individuals regardless of their actual performance.

**Example of strerotypes:** An evaluator might rate a younger employee lower because they believe younger employees lack experience, despite evidence of strong performance.

**Example of prejudice:** Prejudice in performance appraisal involves preconceived opinions or attitudes toward an employee based on characteristics such as race, gender, age, or other personal attributes.

#### Prevention Strategies:

- **Diversity Training:** Implement training programs on diversity, equity, and inclusion.
- **Objective Standards:** Use clear, objective performance standards and criteria.
- **Review and Accountability:** Establish a review process to identify and address prejudicial ratings and hold evaluators accountable.

# EXERCISE:



## PERFORMANCE APPRAISAL

Read the sentences and circle true (T) or false (F).

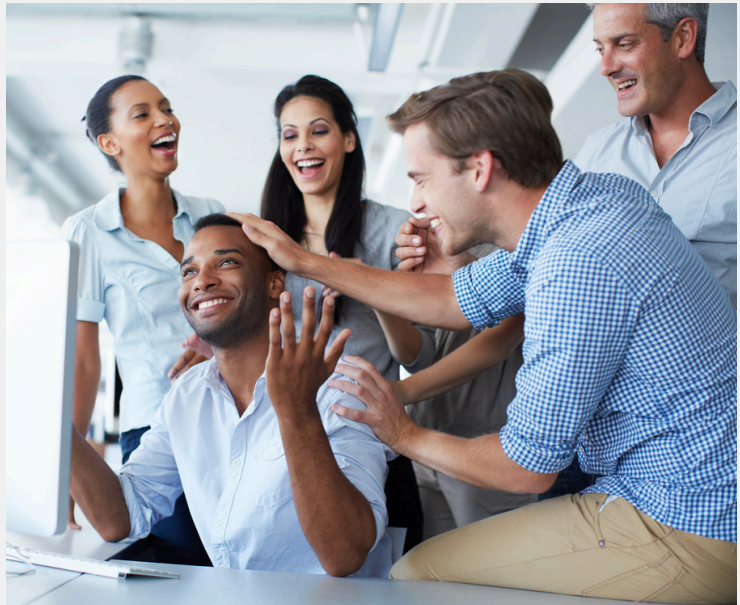
- 1 Performance appraisals are used only for administrative purposes such as promotions and salary increases. T / F
- 2 The Forced Distribution Method requires evaluators to rank employees into predetermined performance categories. T / F
- 3 The Graphic Rating Scale method is typically more subjective and less structured than the Critical Incident Technique. T / F
- 4 One advantage of the Behaviorally Anchored Rating Scale (BARS) is that it reduces bias by using specific behavior examples as anchors. T / F
- 5 Recency error occurs when an evaluator focuses on an employee's entire performance period rather than recent events. T / F
- 6 Central Tendency error leads to all employees being rated at the extremes of the rating scale. T / F
- 7 The Halo Effect occurs when an evaluator's overall positive impression of an employee influences their ratings on all criteria. T / F
- 8 Leniency error involves giving uniformly low ratings to employees regardless of their actual performance. T / F
- 9 360-Degree Feedback collects performance information from multiple sources, including supervisors, peers, and subordinates. T / F
- 10 Bias, stereotype, and prejudice can lead to unfair and inaccurate performance appraisals. T / F
- 11 The Critical Incident Technique focuses on documenting specific incidents that are indicative of overall performance. T / F
- 12 Using objective criteria and evidence-based standards can help mitigate errors in performance appraisals. T / F

# ANSWER



## PERFORMANCE APPRAISAL

1. **False** (They are also used for strategic and developmental purposes.)
2. **True**
3. **True**
4. **True**
5. **False** (Recency error occurs when the evaluator focuses too heavily on recent events)
6. **False** (It leads to all employees being rated around the middle of the scale.)
7. **True**
8. **False** (Leniency error involves giving uniformly high ratings.)
9. **True**
10. **True**
11. **True**
12. **True**



# CHAPTER 6




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## COMPENSATION MANAGEMENT

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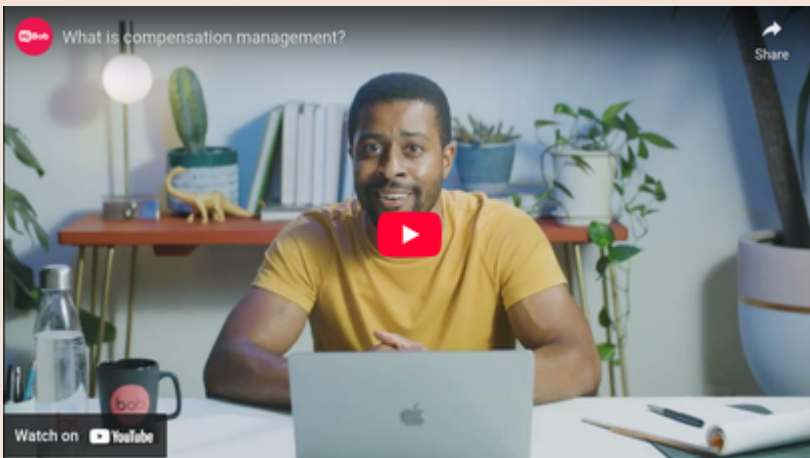
### LEARNING OUTCOMES:-

-  Explain the concept of compensation for employee
-  Provide benefits to employees
-  Provide on differences in reward in employee's compensation.

## 6.1 DESCRIBE COMPESTION FOR EMPLOYEES

Employee compensation includes the total package of financial and non-financial rewards given in return for work, encompassing base pay (salaries and hourly wages), variable pay (bonuses and commissions), benefits (health insurance, retirement plans, paid time off), equity compensation (stock options, RSUs), non-financial rewards (recognition programs, career development), and perks (company car, tuition reimbursement).

For example, a mid-level software engineer at a tech company might receive a base salary of \$90,000 annually, a performance-based bonus of up to 10% of their salary, health and dental insurance, contributions to a 401(k) plan, 20 days of paid vacation, stock options, and opportunities for professional development and training.



### WHAT IS COMPENSATION MANAGEMENT

## 6.2 THE COMPONENT OF COMPENSATION

### A. FINANCIAL COMPENSATION

#### i. Direct financial compensation

**Direct financial compensation** refers to the monetary benefits that employees receive directly from their employers for the work they perform. This includes:

- **Base Salary:** A fixed amount of money paid to an employee by an employer in return for work performed. Typically expressed as an annual amount.
- **Wages:** Payments based on the number of hours worked or the quantity of items produced. Wages are typically paid on a weekly or bi-weekly basis.
- **Bonuses:** Extra payments awarded to employees for achieving specific goals, meeting performance targets, or for exceptional performance. Bonuses can be annual or periodic.
- **Commissions:** Payments given to employees, often in sales roles, based on the quantity of sales they generate. This encourages higher performance as earnings are directly tied to performance.
- **Overtime Pay:** Additional pay for hours worked beyond the standard workweek. Typically higher than the regular rate to compensate for extra time.
- **Profit Sharing:** A system where employees receive a portion of the company's profits. This can be a significant motivator, aligning employees' interests with those of the company.

#### ii. Indirect financial compensation

**Indirect financial compensation** refers to non-wage benefits provided to employees as part of their compensation package. These benefits can have significant financial value and include:

1. **Health Insurance:** Coverage provided by the employer that can include medical, dental, and vision care. Reduces the financial burden of medical expenses for employees.
2. **Retirement Plans:** Contributions made by employers to retirement savings plans like 401(k)s or pensions, ensuring financial security for employees post-retirement.
3. **Paid Time Off (PTO):** Includes vacation days, sick leave, and holidays, allowing employees to take paid breaks from work for rest, illness, or personal reasons.
4. **Life and Disability Insurance:** Provides financial support to employees or their families in the event of death or disability, ensuring peace of mind and financial security.
5. **Employee Assistance Programs (EAPs):** Programs offering counseling and support services for personal issues, mental health, and other concerns, indirectly contributing to employees' financial and overall well-being.
6. **Stock Options:** The opportunity to buy company shares at a discounted rate, which can be financially beneficial if the company's stock performs well.
7. **Tuition Reimbursement:** Financial assistance for employees to further their education, enhancing their skills and career prospects while alleviating financial strain from education costs.

## 6.2 THE COMPONENT OF COMPENSATION

### B. NON FINANCIAL COMPENSATION

#### i. The Job/ Task

**Non-financial compensation related to the job or task** includes intrinsic rewards and the nature of the work itself. This encompasses:

1. **Job Satisfaction:** The feeling of fulfillment or enjoyment that comes from performing a job well. High job satisfaction can stem from meaningful work, recognition, and the opportunity to make a significant impact.
2. **Autonomy:** The degree of control employees have over their work and decision-making processes. Autonomy can increase motivation and job satisfaction by allowing employees to use their skills and judgment.
3. **Skill Variety:** The opportunity to use a variety of skills and talents in a job. Positions that allow employees to engage in different tasks can prevent monotony and enhance job satisfaction.
4. **Task Significance:** The perceived importance and impact of one's work. When employees believe their work matters and contributes to larger goals, it can increase motivation and satisfaction.
5. **Task Identity:** Completing a whole, identifiable piece of work from start to finish. This can give employees a sense of accomplishment and ownership over their work.
6. **Feedback:** Information about performance effectiveness. Constructive feedback helps employees understand how they are doing and where they can improve, fostering growth and development.

#### ii. Job Environment

Non-financial compensation related to the **job environment** focuses on the workplace atmosphere, culture, and conditions. This includes:

1. **Workplace Culture:** The values, beliefs, and behaviors that characterize an organization. A positive, inclusive culture can enhance employee engagement and satisfaction.
2. **Work-Life Balance:** The ability to balance work responsibilities with personal life. Flexible working hours, remote work options, and family-friendly policies contribute to better work-life balance.
3. **Recognition and Appreciation:** Regular acknowledgment and appreciation of employees' efforts and achievements. This can be through awards, verbal praise, or other forms of recognition.
4. **Career Development Opportunities:** Access to training, mentorship, and opportunities for advancement. Providing paths for career growth can increase employee loyalty and motivation.
5. **Supportive Leadership:** Managers and leaders who are supportive, communicative, and empathetic can significantly impact employees' job satisfaction and engagement.
6. **Physical Work Environment:** The actual working conditions, including office layout, equipment, and amenities. A comfortable, safe, and well-equipped work environment can improve productivity and satisfaction.
7. **Team Dynamics:** The relationships and interactions among colleagues. A collaborative, respectful, and supportive team can enhance job satisfaction and make the workplace more enjoyable.

## 6.2 BENEFIT OF COMPENSATION MANAGEMENT TO EMPLOYEE

### Statutory Benefit

- Set by labour system
- Minimum allotment to employee on employee right
- Provided by employers required to the laws

- EPF
- SOCSO
- Maternity protection
- Gazetted paid leaves

### Non Statutory Benefit

- Voluntarily by employers
- Without force
- Purpose to attract new talent and potential outside organization
- To increase employees satisfaction and motivate

- Time-off payment
- Health care
- Insurance
- Financial services
- Subsidies and services
- Allowances





## 6.2.1 ASCERTAIN THE STATUTORY BENEFITS

Statutory benefits are those mandated by law, ensuring minimum standards of benefits for employees. In Malaysia, several key statutes govern these benefits:

### A. EMPLOYEE PROVIDENT FUND ACT 1991

The Employee Provident Fund (EPF) Act 1991 mandates that both employers and employees contribute a portion of the employee's salary to a savings fund. This fund is intended to ensure financial security for employees upon retirement. The contributions are invested, and the accumulated amount is available to employees at retirement, or under specific conditions like purchase of a home or medical emergencies.

### B. SOCIAL SECURITY ACT 1969

The Social Security Act 1969 establishes the Social Security Organization (SOCSO), which provides social security protection to employees through the Employment Injury Insurance Scheme and the Invalidity Pension Scheme. These schemes offer financial protection in the form of cash benefits to employees who suffer from workplace injuries or occupational diseases, as well as providing pensions for permanent disability or invalidity.

### C. EMPLOYMENT ACT 1955

The Employment Act 1955 sets the framework for the terms and conditions of employment in Malaysia. Key provisions include:

- i. **Contract of Service:** This outlines the terms of employment between the employer and employee, including job responsibilities, duration of employment, and terms for termination of the contract.
- ii. **Payment of Wages:** The Act mandates the timely and full payment of wages to employees, typically on a monthly basis. It also governs deductions and conditions under which wages can be withheld.
- iii. **Recruitment of Women:** The Act includes provisions specific to the employment of women, such as restrictions on night work and ensuring safe working conditions.
- iv. **Maternity Coverage:** The Act provides for maternity leave and benefits. Female employees are entitled to a minimum of 60 consecutive days of maternity leave with pay, subject to conditions.
- v. **Gazetted Paid Leaves:** The Act mandates paid leave for public holidays, annual leave based on the length of service, and medical leave with certification from a medical practitioner.
- vi. **Normal Working Hours:** The Act specifies the standard working hours, which are generally 8 hours a day or 48 hours a week. It also governs overtime pay and rest days.

## 6.2.1 ASCERTAIN THE COMMON NON STATUTORY BENEFITS

Non-statutory benefits are those not required by law but are commonly offered by employers to attract and retain employees. These benefits enhance employee satisfaction and well-being.

### A. TIME OFF PAYMENT

This includes compensation for time off that goes beyond statutory requirements, such as:

- **Vacation Days:** Additional paid vacation days beyond what is legally mandated.
- **Sabbaticals:** Extended time off for personal development or rest, usually after a certain period of service.

### C. INSURANCE

Beyond statutory insurance, employers might provide:

- **Life Insurance:** Financial protection for employees' families in the event of the employee's death.
- **Disability Insurance:** Income replacement if an employee is unable to work due to illness or injury.
- **Critical Illness Insurance:** Lump-sum payments upon diagnosis of serious health conditions.

### E. FINANCIAL SERVICE

Financial services that can help employees manage their finances better, including:

- **Retirement Plans:** Contributions to private retirement schemes beyond statutory requirements.
- **Financial Planning Services:** Access to financial advisors for personal financial management.
- **Loans and Advances:** Short-term financial assistance in the form of loans or salary advances.

### B. HEALTH CARE

Employers may offer comprehensive health care benefits, such as:

- **Private Health Insurance:** Coverage for medical expenses not covered by public health services.
- **Dental and Vision Plans:** Specific insurance for dental and vision care.
- **Wellness Programs:** Programs promoting healthy lifestyles, including gym memberships, health screenings, and wellness workshops.

### D. ALLOWANCES

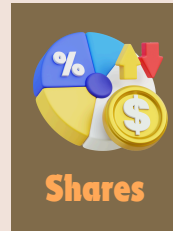
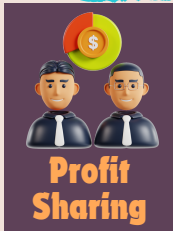
Additional payments to cover specific expenses, such as:

- **Transportation Allowance:** Compensation for commuting costs.
- **Housing Allowance:** Support for housing expenses.
- **Meal Allowance:** Daily stipends for meals.
- **Education Allowance:** Support for employees pursuing further education or for their children's education.

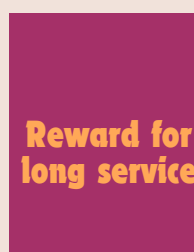
## 6.3.1 DESCRIBE REWARD IN EMPLOYEE'S COMPENSATIONS

Rewards in employee compensation encompass the various benefits and incentives provided to employees in return for their work, skills, and contributions to the organization. These rewards are designed to motivate, recognize, and retain employees, thereby enhancing their job satisfaction and overall engagement. Rewards can be broadly categorized into financial and non-financial rewards, each serving different purposes and catering to different aspects of employee needs.

### FINANCIAL REWARDS



### NON FINANCIAL REWARD



## 6.3.2 ASCERTAIN THE COMMON FINANCIAL REWARD



### a. Salary Increment

A salary increment is an increase in an employee's wage or salary, usually given annually or as a result of performance appraisals.

**Example:** After completing a successful performance review, Jane receives a 5% increase in her annual salary, recognizing her contributions and efforts over the past year.



### b. Profit Sharing

Profit sharing is a system where employees receive a share of the company's profits, often based on the company's performance over a specific period.

**Example:** At the end of the fiscal year, Tech Corp distributes 10% of its profits among employees. John, an engineer, receives a \$2,000 bonus as his share of the company's profit for the year.



### c. Commissions

Commissions are financial rewards based on performance, typically used in sales roles where employees earn a percentage of the sales they generate.

**Example:** Sarah, a sales representative, earns a 5% commission on every sale she makes. This month, she closed deals worth \$50,000, earning her an additional \$2,500 on top of her base salary.



### d. Shares

Offering shares means giving employees a portion of the company's stock, aligning their interests with those of the company and potentially benefiting from the company's growth.

**Example:** As part of his compensation package, Alex receives 500 shares of the company's stock. Over time, as the company grows, the value of his shares increases, providing him with additional financial rewards.



### e. Bonus

A bonus is an extra payment given to employees, often at the end of the year, to reward them for their contributions.

**Example:** During the holiday season, Maria receives a \$1,000 year-end bonus for her outstanding performance and dedication throughout the year.



## 6.3.2 ASCERTAIN THE COMMON NON FINANCIAL REWARD



### a. Performance award

A performance award is a recognition of an employee's outstanding performance, which can be in the form of trophies, certificates, or other symbolic rewards.

**Example:** At the annual company meeting, Tom receives the "Employee of the Year" award along with a plaque and public recognition from the CEO.



### b. Letter of appreciation

A letter of appreciation is a formal acknowledgment of an employee's hard work and contributions, often personalized and signed by a senior manager or executive.

**Example:** After successfully leading a major project, Laura receives a heartfelt letter of appreciation from her manager, highlighting her leadership and dedication.



### c. Rewards for long service

Long service rewards recognize employees who have stayed with the company for an extended period, demonstrating loyalty and commitment.

**Example:** On his 10th work anniversary, David receives a commemorative watch and a thank-you note from the company's CEO, acknowledging his decade of service.



### d. Sponsorship to seminars, conferences, and overseas tours

Sponsorship for professional development opportunities such as seminars, conferences, and overseas tours helps employees grow their skills and knowledge.

**Example:** Recognizing her potential, the company sponsors Emily to attend an international marketing conference in Paris, covering all travel and accommodation expenses, providing her with a valuable learning experience.



# EXERCISE:



## COMPENSATION MANAGEMENT

Read the sentences and circle true (T) or false (F).

- 1 Direct financial compensation includes bonuses and profit sharing. T / F
- 2 The Employee Provident Fund Act 1991 is a non-statutory benefit. T / F
- 3 Indirect financial compensation can include health care and insurance. T / F
- 4 Non-financial compensation includes elements such as the job environment and the task itself. T / F
- 5 Time off payment is considered a statutory benefit. T / F
- 6 A letter of appreciation is a common financial reward. T / F
- 7 The Employment Act 1955 covers maternity coverage and gazetted paid leaves. T / F
- 8 Financial services provided by the employer are considered a non-statutory benefit. T / F
- 9 Sponsorship to seminars, conferences, and overseas tours is a common non-financial reward. T / F
- 10 Recruitment of women is a component covered under the Employee Provident Fund Act 1991. T / F
- 11 The Critical Incident Technique focuses on documenting specific incidents that are indicative of overall performance. T / F
- 12 Using objective criteria and evidence-based standards can help mitigate errors in performance appraisals. T / F

# ANSWER:



## COMPENSATION MANAGEMENT

1. **True**
2. **False** (The Employee Provident Fund Act 1991 is a statutory benefit.)
3. **True**
4. **True**
5. **False** (Time off payment is considered a non-statutory benefit.)
6. **False** (A letter of appreciation is a common non-financial reward.)
7. **True**
8. **False** (Leniency error involves giving uniformly high ratings.)
9. **True**
10. **False** (Recruitment of women is a component covered under the Employment Act 1955.)
11. **False.** (Shares provided to employees are considered a form of financial compensation.)
12. **True**





# CHAPTER 7 INDUSTRIAL RELATION



## LEARNING OUTCOME:



**Discuss the background of industrial relation in Malaysia**



**Provide explanation on the concepts of trade union in organization**



**Demonstrate industrial action in organization**



**Provide discussion on the method to solve industrial dispute in organization**



## 7.1. BACKGROUND OF INDUSTRIAL RELATION IN MALAYSIA

Industrial relations in Malaysia have evolved over the years, shaped by historical, economic, and political factors. The primary focus of industrial relations is to maintain harmonious relationships between employers, employees, and the government to ensure smooth business operations and economic stability.

The industrial relations landscape in Malaysia has developed significantly since the country gained independence in 1957. The evolution of industrial relations in Malaysia has been influenced by various historical, economic, and legislative factors.



### WHAT IS INDUSTRIAL RELATIONS?

## 7.1.1 DESCRIBE THE INDUSTRIAL RELATIONS

Industrial relations refer to the relationship between employers and employees in the workplace, including how they interact and negotiate to ensure mutual benefits and resolve conflicts.

**Example:** In Malaysia, a prominent company like Proton Holdings Berhad has an industrial relations department dedicated to maintaining good relationships with its employees. The company regularly engages in collective bargaining with the National Union of Transport Equipment and Allied Industries Workers (NUTEAIW) to negotiate terms of employment, wages, and working conditions. This helps prevent industrial disputes and fosters a collaborative work environment.



### MALAYSIAN INDUSTRIAL RELATIONS ACT 1967

## 7.1.2 TRIPARTITE SYSTEM IN MALAYSIA INDUSTRIAL RELATIONS

The tripartite system in Malaysia's industrial relations involves the collaboration between three key parties: the government, employers, and employees (or their representatives, such as trade unions). This system aims to balance the interests of all parties to promote fair labor practices and industrial harmony.

**Example:** In the case of Sime Darby Berhad, a leading Malaysian conglomerate, the tripartite system plays a crucial role. The company works closely with the Ministry of Human Resources and trade unions like the Malaysian Trades Union Congress (MTUC). For instance, during negotiations on minimum wage adjustments, Sime Darby representatives participate in discussions facilitated by the government, ensuring that the interests of both the company and its workers are considered. This tripartite approach helps in formulating policies that are acceptable to all parties, thereby reducing the risk of industrial disputes.



### TRIPARTITE SYSTEM IN MALAYSIA

## 7.2.1 TRADE UNION

A trade union is an organization formed by workers from related fields that work for the common interest of its members. It aims to improve workers' economic and social conditions through collective bargaining with employers.

**Example:** The National Union of Bank Employees (NUBE) is a prominent trade union in Malaysia representing employees in the banking sector. NUBE negotiates with various banks to secure better wages, working conditions, and benefits for its members.



## 7.2.2 TYPES OF TRADE UNION IN MALAYSIA

### a. Public Sector Trade Union

Public sector trade unions represent employees working in government and public services. They negotiate with government agencies for better employment terms.

**Example:** The Congress of Unions of Employees in the Public and Civil Services (CUEPACS) is a major trade union in Malaysia representing civil servants. CUEPACS engages with the government on matters like salary adjustments, pension schemes, and job security for public sector employees.

### b. Private Sector Trade Union

#### i. National Trade Union

National trade unions represent workers across a specific industry or sector on a national level.

**Example:** The Malaysian Trades Union Congress (MTUC) is an umbrella body representing a variety of national trade unions across different sectors in Malaysia, such as manufacturing, services, and transport. MTUC advocates for labor rights and influences labor policies at the national level.

#### ii. In-House Trade Union

In-house trade unions represent employees within a single company. They negotiate directly with the company management for better working conditions and benefits.

**Example:** The Malaysian Airlines System Employees Union (MASEU) is an in-house trade union representing employees of Malaysia Airlines. MASEU negotiates directly with the airline's management on issues like wages, working hours, and employee benefits.

### c. Employer's Trade Union

Employer's trade unions, also known as employer associations, represent the interests of employers. They negotiate on behalf of employers with employee trade unions and engage in collective bargaining to ensure favorable business conditions.

**Example:** The Malaysian Employers Federation (MEF) is an employer's trade union representing the interests of employers in Malaysia. MEF provides guidance to employers on labor laws, industrial relations, and human resources management, and represents employers in negotiations with trade unions.

## 7.2.3 ASCERTAIN THE FUNCTIONS OF TRADE UNION

Trade unions have several key functions, including collective bargaining, dispute resolution, protecting workers' rights, providing legal assistance, and advocating for better working conditions and benefits.

**Example:** The National Union of Plantation Workers (NUPW) functions to protect the rights of plantation workers in Malaysia. NUPW engages in collective bargaining with plantation companies to secure fair wages, safe working conditions, and benefits such as housing and healthcare for its members.

### 5 functions of Trade Union

#### 1. Collective Bargaining

Trade unions engage in collective bargaining with employers to negotiate better terms of employment, including wages, working hours, and conditions.

#### 2. Dispute Resolution

Trade unions play a critical role in resolving disputes between employees and employers. They mediate conflicts and represent employees in grievance procedures to ensure fair treatment.

#### 3. Protection of Workers' Rights

Trade unions work to protect the rights of workers by ensuring that employers adhere to labor laws and employment standards. They advocate for safe working conditions, fair treatment, and protection against unfair dismissal.

#### 4. Legal Assistance

Trade unions provide legal assistance to their members, offering advice and representation in legal matters related to employment, such as wrongful termination, workplace discrimination, and compensation claims.

#### 5. Advocacy and Campaigning

Trade unions advocate for policy changes and labor reforms that benefit workers. They campaign for improvements in labor laws, social security, and workplace safety standards at both national and international levels.

## 7.2.4 TRADE UNION MEMBERSHIP

Trade union membership typically involves joining a union related to one's industry or company. Members pay dues to support the union's activities and receive benefits such as representation in disputes, access to legal advice, and participation in collective bargaining.

**Example:** Employees of Tenaga Nasional Berhad (TNB), Malaysia's largest electricity utility company, can join the Tenaga Nasional Union (TNU). By becoming members, TNB employees gain access to collective bargaining, legal support, and various union-organized welfare programs.

**PERHIMPUNAN PERDANA  
KESATUAN & PERSATUAN TNB**  
(PETNB, KPPPTNB, TNBJOU)

**PEKERJA DAN  
ISU-ISU SEMASA TNB**

Semua ahli-ahli  
PETNB, KPP & TNBJOU  
Dipam-pat hadir  
beramal-ramai

**TARIKH : 15 DISEMBER 2011 (KHAMIS)**  
**MASA : 5.30PM**  
**TEMPAT : DEWAN SERBAGUNA, KOMPLEK SUKAN  
TNB, BANGSAR, KUALA LUMPUR**  
**ANJURAN : JAWATANKUASA BERSAMA PERSATUAN  
& KESATUAN TNB (PETNB, KPPPTNB, TNBJOU)**

Speakers Corner

  
Persatuan Eksekutif  
Tenaga Nasional Berhad

  
Kesatuan Pecentuman Pekerja-  
Pekerja Tenaga Nasional Berhad

  
Tenaga Nasional Berhad  
Junior Officers Union



## 7.2.5 THE REASON WHY EMPLOYEES JOIN THE TRADE UNION

Employees join trade unions for various reasons, including the desire for better wages and benefits, job security, protection of rights, legal support, and a collective voice in negotiations with employers.

**Example:** Employees at Proton Holdings Berhad might join the Proton Employees Union (PEU) to ensure they have a collective voice in negotiations with the company's management. By joining PEU, employees can work towards securing better wages, improved working conditions, and additional benefits such as health insurance and retirement plans.

### 5 reason why employee join the Trade Union

#### 1. Better Wages and Benefits

Employees join trade unions to secure higher wages and better benefits through collective bargaining. Unions negotiate with employers to ensure fair compensation and comprehensive benefits packages.

#### 2. Job Security

Trade unions help protect employees from unfair dismissal and provide job security. They ensure that terminations are justified and that proper procedures are followed.

#### 3. Protection of Rights

Employees join trade unions to protect their rights in the workplace, such as the right to safe working conditions, fair treatment, and non-discrimination.

#### 4. Legal Assistance

Trade unions offer legal assistance to their members, providing advice and representation in disputes with employers, such as issues related to workplace discrimination, harassment, and unfair labor practices.

#### 5. Collective Voice

Employees join trade unions to have a collective voice in negotiations with employers. This collective power allows them to influence decisions that affect their work conditions, job roles, and overall employment terms.



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## 7.3.1 INDUSTRIAL ACTION IN ORGANIZATION

Industrial action refers to collective measures taken by employees or employers to enforce demands or address grievances related to work conditions, wages, or other employment terms. It is typically used as a last resort when negotiations and discussions fail to resolve conflicts. Industrial action can significantly impact the operations of an organization and is governed by labor laws to ensure that it is conducted legally and fairly.

**Example:** In Malaysia, one notable instance of industrial action occurred in 2018 when employees of Malaysia Airlines (MAS) threatened to go on strike due to disputes over wages and working conditions. The industrial action was aimed at pressuring the management to meet the demands of the employees, represented by the Malaysian Airlines System Employees Union (MASEU). The threat of a strike brought attention to the issues faced by the employees, leading to renewed negotiations and eventually a resolution.



## 7.3.2 METHODS OF INDUSTRIAL ACTIONS

### a. PICKET

Picketing involves workers assembling outside their workplace to protest against certain employment conditions or actions taken by their employer. Pickets are usually peaceful demonstrations where employees display placards and chant slogans to draw public attention to their grievances.

**Example:** In 2019, employees of Tenaga Nasional Berhad (TNB) organized a picket outside the company's headquarters in Kuala Lumpur. The picket was in response to the management's decision to change certain employment terms without consulting the union. The employees, led by the Tenaga Nasional Union (TNU), used the picket to voice their dissatisfaction and demand a reversal of the changes.

### b. STRIKE

A strike is a more severe form of industrial action where employees stop working to pressurize their employer into meeting their demands. Strikes are typically used when other methods of negotiation and resolution have failed. Strikes can be partial or full, depending on the number of employees involved and the duration.

**Example:** In 2012, workers at the national automotive company Proton Holdings Berhad went on strike to demand better wages and working conditions. The strike, organized by the Proton Employees Union (PEU), resulted in a temporary halt of production at Proton's manufacturing plants. The industrial action forced the management to engage in negotiations with the union, leading to an agreement that addressed some of the workers' demands.



## 7.3.2 METHODS OF INDUSTRIAL ACTIONS

### c. LOCK OUT

A lock-out is an industrial action initiated by employers where they prevent employees from entering the workplace. It is usually a response to a strike or the threat of a strike, aimed at putting pressure on the employees to accept the employer's terms.

**Example:** In 2014, a lock-out occurred at a plantation company in Malaysia when the management locked out workers who were protesting against changes in their employment contracts. The National Union of Plantation Workers (NUPW) was involved in the dispute, and the lock-out lasted for several days. It drew attention from the Ministry of Human Resources, which intervened to mediate the conflict and help both parties reach a resolution



## 7.4.1 METHODS TO SOLVE INDUSTRIAL DISPUTE IN ORGANIZATION

### a. DIRECT NEGOTIATION

Direct negotiation involves the parties in dispute (e.g., management and employees) coming together to discuss and resolve their issues without any third-party intervention. This approach encourages open communication and a mutual agreement through discussions and compromises.

**Example:** In Malaysia, a notable instance of direct negotiation was seen when Malaysian Airlines faced disputes with its employees over wage cuts and restructuring plans in 2015. The company engaged in direct talks with the employees' union to address their concerns, which led to a mutual agreement on several issues, thus averting a potential strike.

### b. CONCILIATION

Conciliation involves the intervention of a third party, often a government-appointed officer, who helps the disputing parties to reach a voluntary agreement. The conciliator does not impose a solution but facilitates communication and negotiation between the parties.

**Example:** In 2017, the Industrial Relations Department of Malaysia facilitated conciliation between Tenaga Nasional Berhad (TNB) and its employees who were unhappy with the changes in their employment terms. The conciliator helped both parties communicate more effectively, leading to an amicable resolution without the need for formal arbitration.



## 7.4.1 METHODS TO SOLVE INDUSTRIAL DISPUTE IN ORGANIZATION

### C. MEDIATION

Mediation is similar to conciliation but typically involves a more structured process with a professional mediator who guides the parties towards a mutually acceptable solution. The mediator may suggest solutions but does not have the authority to enforce them.

**Example:** In 2018, the Malaysian company Sime Darby Plantation engaged a professional mediator to resolve a dispute with its workers over safety and working conditions. The mediator conducted several sessions with both parties, helping them to understand each other's perspectives and come to a consensus on the necessary improvements.

### D. ARBITRATION

Arbitration involves a neutral third party, known as an arbitrator, who listens to both sides of the dispute and makes a binding decision. Unlike mediation and conciliation, the arbitrator's decision is final and enforceable by law.

**Example:** In 2016, a dispute between the employees of Telekom Malaysia and the management over unfair dismissal was resolved through arbitration. The case was brought before the Malaysian Industrial Court, where an arbitrator reviewed the evidence and arguments from both sides before delivering a binding decision in favor of the employees, resulting in their reinstatement and compensation.



# EXERCISE:



## Industrial Relation

Read the sentences and circle true (T) or false (F).

- 1 The tripartite system in Malaysian industrial relations involves only the government and employers T / F
- 2 Trade unions are formed to represent the interests of employers. T / F
- 3 Public sector trade unions in Malaysia represent employees working in government-owned entities. T / F
- 4 In-house trade unions are a type of private sector trade union in Malaysia. T / F
- 5 An employer's trade union is formed by employees to negotiate with their employers. T / F
- 6 A picket is a method of industrial action where employees stop working entirely. T / F
- 7 Conciliation is a method of solving industrial disputes where a third party imposes a binding decision. T / F
- 8 Mediation involves a neutral third party suggesting solutions but not imposing them. T / F
- 9 Arbitration results in a binding decision that both parties must adhere to. T / F
- 10 Direct negotiation requires the involvement of a third party to facilitate discussions. T / F
- 11 Employees join trade unions primarily for social reasons. T / F
- 12 Industrial relations in Malaysia are shaped by laws and regulations specific to the country. T / F

# ANSWER



## Industrial Relation

1. **False** (The tripartite system involves the government, employers, and employees (or their representatives).)
2. **False.** (Trade unions are formed to represent the interests of employees.)
3. **True**
4. **True**
5. **False** (An employer's trade union is formed by employers to represent their collective interests)
6. **False** (A picket involves employees gathering outside their workplace to protest, but they do not necessarily stop working.)
7. **False.** (Conciliation involves a third party helping the disputing parties reach a voluntary agreement without imposing a decision.)
8. **True**
9. **True**
10. **False.** (Direct negotiation involves the parties in dispute resolving issues among themselves without third-party intervention.)
11. **False.** (Employees join trade unions primarily to protect their interests and rights, such as better wages, working conditions, and job security.)
12. **True**





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