

## **Managing employees towards organizational success : A case study of entrepreneurs in the Southern Province**

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### **Abstract**

*Southern Province of Sri Lanka comprises three districts, namely Matara, Galle and Hambantota. The entrepreneurs in these districts play an important role in the economic development. The employees are a key resource who positively contributes to the success of these entrepreneurs. However, this aspect has not been adequately studied to date. Therefore, an attempt was made to study how the entrepreneurs in the southern province manage their human resources in achieving success of the organization. Survey method was used to collect data from ten medium level entrepreneurs selected randomly. The interviews were focused on five major areas namely; policies and practices co-operate culture and contribution of employees, performance of employees and organizational goals, teamwork and contribution to decision making. It was found that the entrepreneurs who adhered to these practices effectively have been able to cultivate positive attitudes, effective communication, high level of trust and confidence, low level of absenteeism and turnover within their organizations. Hence it was concluded that managing employees in a strategic way could lead to the achievement of organizational objectives and success.*

### **Introduction**

The southern province is one of the cultural and economic centers of ancient Sri Lanka. The region represent a cross section of landforms, agro-ecological zones, soil groups and human settlements. Matara is one of the three main districts in the region. It is the popular belief that, people in the Southern Province are generally creative and innovative. If creativity is the seed that inspires entrepreneurship, innovation is the process of entrepreneurship (Holt, 1998). The entrepreneurs in the region play a key role towards the country's development and advancement of the living standard of the people and wealth creation of Sri Lanka. Of the total population of 2.34 million in the province (Department of Census, 2004), 2.7% account for entrepreneurs (ILO, SIYB Project, 2000). These entrepreneurs are engaged in the production of food and beverages, textile apparel and leather, wood and wooden products, tea, rubber and plastics, manufacturing, construction, trade and hotel, mining and quarrying, transport and services industries (Department of Census, 2004). Most of these industries are small scale and only a few can be categorized as medium scale. These enterprises have provided livelihood for the majority of the labour force in the area, and contributed economic benefits to the province in particularly and the country in general. Entrepreneurs in manufacturing leather products, food and beverages, trade and hotel sector are relatively important to the Southern Province. Every organization is using resources: manpower, money, machinery, material, methods, market and information to achieve their organizational mission and objectives. The same applies to the southern entrepreneurs too and the human resource is vital for any organization to be successful. As the Vice President of Human Resources at Toyota Motor Manufacturing in George Town, Kentucky puts it: "People who are behind our success and machines don't have new ideas to solve problems, or grasp opportunities". Only people who are involved can make a difference...." Every auto plant in the U.S. has basically the same machinery. But how people are utilized and involved differs from one company to another. The work force gives any company its true competitive edge (Dessler, 2002). The fact is that work gets done through process executed by people; both success and problems are usually the result of what lots of people do, not just by one person (Brue greg, 2002). If you don't pay careful attention to both people and processes, improvement will not happen. Further one should understand people are assets, rather than a cost (liabilities) and people represent an investment with extraordinary potential for return. Shifting the perspective on people from liabilities to assets is the base for this research paper.

Literature reveals that the available research studies on entrepreneurial practices are very few in Sri Lanka. Thus, carrying out research in the field of entrepreneurial practices is important. Perera and Ambalangodage (2003) have identified five best entrepreneurial practices followed by entrepreneurs in the south namely; customer satisfaction, risk taking and bearing, dealing with human beings, adapting to environmental changes and management by wandering around. But one essential ingredient of any successful entrepreneur is the ability to handle people effectively. It is important that managers have a highly developed sense of human perception and understanding of the staff, and their needs and expectations. According to the discussion we have had in managing people, all

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entrepreneurs expressed that our job is dealing with human beings rather than work. Further, we really have to know individuals well, particularly know what their problems are. It was revealed that all employees of sampled organization came from the area where the organization is located. Family concept was implemented. The family concept implies that all family members are working for the same organization. Employees, who have positive attitudes towards the organization as well as management, have confidence and trust on what they do. Entrepreneurs believe that it is the key for employee high performance. Likert (1967) refers to three broad classes of variables relating to the human and operations of companies (i) Casual (ii) Intervening (iii) End results. Casual variables are independent variables, which can be amended by the organization and its management. Intervening variables indicate the internal health of the organization. End result variables indicate the final outcome and reflect the influences of intervening variables. Further, the end result variables reflect the achievement of the organization success. It was recognized that by using casual variables (e.g. Management policies) these organizations are trying to impress the intervening variables and thereby result will be positive. It was revealed that Southern entrepreneurs believe that intervening variables are keys for the success; thereby casual variables could be improved. The nature of casual variables they adapt and through nature of intervention they achieve the end results successfully. (Perera and Ambalangodage, 2003). In this connection the study focused on how southern province entrepreneurs are managing their employees towards the success of their organizations

### Methodology

The researchers adopted the survey method as their research methodology. Ten organizations were selected as the research site purposefully based on easy access to the organizations. Furthermore, ten organizations were selected so as to represent entrepreneurs in different industries namely: Food and Beverages, textile apparel and leather, tea rubber and plastic, manufacturing and trade and hotel. The profile of ten organizations is given in Table 01.

**Table 01- The profile of Ten Organizations**

Name of Organization	Duration of the Business	No of Awards	Nature of Buyers and Product	Average Number of Employees	Location
D Samson Industries Ltd (DSI)	42 years	10	Manufacturing leather products	1250	Galle
Fibretec	18 years	04	Fibre Glass Products	225	Matara
Silicon Coating (Pvt) Ltd. (Nippolac)	25 years	07	Paint Manufacturing Industry	200	Matara
Lucky Lanka Dairies (Pvt) Ltd	15 years	04	Diary Products	110	Matara
Milton Hotel and Travels	17 years	03	Hotel Service	65	Galle
Midigama Fruit Farm Ltd.	07 years	01	Eco fruit farming	60	Matara
K.G. Gunawardena & Company (Pvt) Ltd.	11 years	01	Rubber & Plastic	200	Matara
Adaradeniya Estate Private Ltd.	25 years	10	Tea	800	Matara & Galle
Abeywickrama Tea Factory	04 years	-	Tea	110	Matara
Sena Shoe Industry	15 years	-	Manufacturing Shoes	60	Galle

Source: Sample Survey, 2005

During their long history, the Ten organizations have acquired managerial and resource capabilities which have been blended within the spirit of entrepreneurship, enabling them to venture into value-added products for both the local and foreign market. The organizations characterized the features of typical Sri Lankan Southern business culture. The study focused on four variables namely, policies and practices, cooperate culture and contribution of employees, performance and rewards, teamwork. Interview and observation methods were used for data collection of these variables. Collected data were analysed especially qualitatively.

### Results and Discussion

#### Policies and Practices

The policies and practices are applicable for managing people in the areas of recruiting, screening, training, rewarding, appraising and other areas of Human Resource Management. The results of these practices will obviously lead to organizational performance. The Chairman of the Commercial Bank, Sri Lanka (Annual Report, 2002) says, "The key factor behind our success has been the bank's highly motivated and dynamic team. Commercial Bank's Human Resource Policy is carefully designed to bring out the best in our team". In line with this quotation, one can conclude that human resource and policies are key variables to achieve Business Excellence. Employee friendly policies used here do not mean only written documents. While a policy manual may contain statements of general guidelines, employees often perceive the manual as a "rule book" prescribing very specific actions permitted in very specific situations. All the efforts required to create a successful organization

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depend upon policies that are related to employees. It was found that the philosophy behind entrepreneurs in making employee policies is:

- People are mature, responsible individuals who want to contribute
- Our work environment is based on mutual respect, personal satisfaction and growth opportunities for every one
- Continuing education is an on going commitment that involves everyone.

This philosophy leads to developing effective employee policies and it would ensure retention of employees and also to attract right employees for the organization. Further, it was found that labour market conditions, organizational characteristics, and legal aspects are important when developing and implementing employee policies. Changes in the labour market create both constraints and opportunities. There are many different approaches that organizations can follow when confronted with these challenges. The researchers were able to find out the common pattern of employee policies in relation to selected organizations in the areas of recruitment, training and development, welfare facilities and grievances. Recruiting efforts were more successful when recruiter's are carefully chosen and trained (Dessler, 2002). Entrepreneurs have always been concerned with attracting and selecting the right type of employees. The attention they pay in attracting new employees depends on many factors such as relative attractiveness of the vacancy and general state of the labour market. In the recruitment literatures, the medium of advertising a vacancy varies. Newspapers, magazines, radio and televisions, and point of purchase (promotional materials at recruiting locations) are among them. It was found that one of the media used to publish the vacancies were through organization's employees. The characteristics such as personality, informedness, and credibility were the influencing factor when taking a decision to fill a vacancy. The reason for such a policy is to attract employees from the area where the organization is located.

Training and development are the most important human resource management practice for preparing the company to achieve excellence by having competitive advantage. Further, to deal with technological, social and quality challenges, employees must have a well-developed base of interpersonal and technical skills. The entrepreneurs of selected organizations were providing opportunities for their employees on general training on their jobs. Even though these entrepreneurs have identified the training needs of different specific areas, they were not in a position to provide that training to the employees. Hence it was found that there was a gap in relation to fulfilling the training requirements of the employees. Welfare facilities have been implemented by covering a wide range of activities such as providing transport facilities, loan schemes, meals and canteen facilities, sanitary facilities, good working environment, donation schemes, participating in family events, and annual trips. The philosophy behind these welfare policies, according to the research findings, is to develop one family concept. Entrepreneurs believed that these practices are critical factors with regard to motivation of employees towards the direction of the organization.

It was found that every organization in the sample has been implementing an effective grievance handling procedure by adopting different approaches such as informal meeting with individuals, maintaining a complain and suggestion system. Researchers felt that these procedures are much more similar to effective counselling services. This has contributed to improve the employee-employer relationship. Whilst the grievance handling procedure provides an opportunity for employees to resolve grievances, it has assisted employees to cope with work related stress and to balance their job related responsibilities with other obligations.

### **Corporate culture and contribution**

The term employee relation is used for a set of activities generated by companies that attempt to meet the needs and values of employees. In some areas, like employee safety, employer's actions are regulated by Sri Lankan Labour Laws. In other areas, however, employers having the discretion to choose how benevolent they wish to be in terms of providing employee health, employment security, working conditions, and assistance with none work problems. Recognizing the employee as a 24-hour human being and translating that into the corporate culture is an enormous undertaking that requires serious, long-term commitment by the company. The strategies, tactics, mechanism adopted by the organizations to establish employee relations were, participating in social activities, call by name, family concept, recognition of village culture, respecting employees, recognizing talents, competence, and skills. Many entrepreneurs expressed that they could gain competitive advantage by establishing a strong and positive image in employee relationship. Employee dignity demands a workplace that is comfortable, encouraging, flexible and rewarding. Provision of an environment in which employees could satisfactorily balance their obligations, their duties as family members and their larger social responsibilities as a citizen is the theme followed by the entrepreneurs in the province.

### **Performance of Employees and Organizational Goals**

Performance management is the process by which companies ensure that employees are working towards organizational goals. This certainly serves as one of the means to gain competitive advantage.

This process entails

- Specifying the types of performance that are necessary for effective organizational functioning, particularly in accordance with the strategy
- Measuring that performance accurately
- Feedback to employees on their performance that encourages continuous improvement.

The reward system is the key driving force that makes employee to work in an effective and efficient manner. By designing pay and benefit policies of human resources management, organizations can minimize the cost and unpleasantness associated with terminating employees.

Performance measurement systems of those are fewer bureaucracies with less forms, rules and review layers. The reason may be that these are medium scale organizations and thereby entrepreneur himself could measure the performance of employees informally. Salary increments, promotions, incentives, bonus, recognition and other benefits are rewarded based on performance. Hence, every employee in the organization knows that contributing to organizational success will result in getting these rewards and recognitions. This organizational culture is critical to ensure the survival and growth of these organizations.

### **Teamwork**

Teamwork is a more productive tool to produce high quality and cost efficient employees. Teamwork also tends to improve job satisfaction, motivation and employee morale. An American society for Training and Development HRD executive survey received responses from 230 HRD executives about teamwork results. The survey found that:

- productivity improved by 77% of the respondent companies
- quality improvements due to team-work were reported in 72% of the companies
- waste was reduced by 55% of the firms
- job satisfaction improved by 65% of the respondents' firms
- customer satisfaction was improved by 57%

Additional benefits cited by respondent in this research included more efficient production scheduling, improved production goal setting, and increased ability of team members to resolve their own disputes. By examining the manufacturing and service processes in most organizations, one could find compartmentalize functions, fragmented task and sequential, simplified activities that reflect the old Henry Ford assembly-line design. But in the 21<sup>st</sup> century, most modern work processes are more complex. They are nonlinear and can't be simplified into strings of quick, sequential task. The productivity and quality that companies want often require a high degree of collaboration among people, department, and functions. The selected entrepreneurs believed that the achievement of organizational goals and objectives is a dream without getting the corporation from various groups in decision making. Hence, group decisions are taken about task and processes, diagnosing and solving problems and choosing, implementing actions and changes. But the study revealed that even in the group, entrepreneurs play a dominant role in decision making, especially with regard to strategic issues of the organization. However, entrepreneurs' opinion was that through group decisions they are able to improve the productivity and quality with time. Further, it was emphasised by the entrepreneurs that group decisions are one of the effective instruments to improve job satisfaction, customer satisfaction, and reduce waste, employee turnover and absenteeism. On the other hand effective communication, developing positive attitudes toward the organization, high level of confidence and trust among employees also result from the group decision-making process.

### **Conclusions**

Managing employees towards reaching goals of an organization could be identified as one of the best management practices of the entrepreneurs of Southern Province in Sri Lanka. The research was focused on four major variables: policies and practices, corporate culture and contribution, performance of employees, teamwork and contribution to decisions. It was found that these practises have contributed to cultivate positive attitudes, effective communication, high level of confidence and trust, low level of absenteeism and turnover and achievement of given targets among these organizations. Hence, entrepreneurs must use human recourses efficiently to achieve the organizational success.

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