Executive Report

Human Capital Management

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**Diagnosis**

After two years in operations, none of the profitability targets set for each of the subsidiary companies had been met. When AGC decided to go global, it was anticipated that each if the subsidiaries would have broken even after the first two years so that they would be able to run independently apart from the global headquarters. Additionally, the company’s abroad branches were incurring extremely high training costs without a proportional increase in productivity. This trend was baffling considering that there had been no interruptions in the operations due to industrial action, legal troubles or economic anxiety that could have affected demand. By all intents and purposes, the business environment was ideal for doing business which led management to conclude that the problem was from within.

After a close analysis of the company’s standard operating procedures, I realized that the staffing policy was not ideal for running a multinational corporation in a market with stiff competition. The first misstep was sending over managers from the central headquarters to head the regional divisions. Despite their impressive curriculum vitae, they were culturally unequipped to deal with the vastly different cultures they encountered in their new postings. Secondly, there was little effort put into retaining employees in such a competitive market which led to high labor turnover rates across the board. The lengthy training period for rehired employees regardless of the time they had been away was an unnecessary waste of resources. On the other hand, the lack of extra training for employees coming back from lengthy vacations meant that they lagged behind albeit by a small margin. Additionally, it was shortsighted for the organization not to keep track of the labor turnover of its employees. In a multinational organization of 84,000 employees, the human resource department had an obligation to pay closer attention to the employment patterns in order to curb migration.

**Intervention**

It was clearly necessary to review the company’s human management strategy in order to get back on track with the vision for expansion. The first step was solving the crisis at the top levels of management. In order to provide cultural nuance in management for a better understanding of the regional markets, the company had to locally source for management staff who had extensive experience in the three markets. These new employees were brought in to work side by side with those sent in from the headquarters who were already well versed with the company operations to create balance.

Since the company was losing constantly losing employees and hiring afresh with no notable tracking system, I recommended the introduction of an employee database. This database was meant to keep tabs on the labor turnover patterns of the organization. In addition to this, it was advisable for the company to start conducting entry and exit interviews. Entry interviews are important for understanding the motivation of an employee and gauging their commitment to the organization (Wright, 2011). Exit interviews, on the other hand, are important in understanding the reasons for an employee wanting to leave the organization and what can be changed in order to prevent future departures (Buller, 2012).

The training program at AGC and its subsidiaries had also proven to be counterproductive. The training retraining regulations for returning employees stipulated that they had to be trained for a period similar to that of new employees which was driving up the training costs. As the change manager, I recommended that the company set up a different training program for rehired employees that would take a shorter period. Former employees only need a refresher course on any new technological changes and thus extensive training is wasted on them. Additionally, it was important to also provide refresher courses to employees coming back from lengthy vacations as well as paternity and maternity leave. Therefore, I advised that these latter group should be brought up to speed by a designated colleague from their respective departments as and when such a need arose.

**Evaluation**

Within a month of my recommendations, the company had set up a comprehensive database that monitored the entry and exit of employees. This database also records the information from entry and exit interviews in order to enable the human resource function to better understand the employees. The effectiveness of the change management plan was also measured with the use of the key performance indicators (KPIs) such as, the rate of employee satisfaction, increase in productivity and the general increase in the company’s performance. There have been major changes where necessary as highlighted by exiting employees who felt that the workplace environment needed improvements. The employees have noticed these positive changes I their work environment and the feedback to the three human resource departments has been encouraging to say the least. The employees also appreciate the management additions since they feel understood and represented. In addition to this, the company has drastically cut down on training costs. The increased morale among the employees and the decreased training costs are starting to have an impact as seen by the marginal profits posted by two Subsidiary A and Subsidiary C. Subsidiary B is also expected to break even by the next financial quarter. Therefore, it would be accurate to say that the human management strategies implemented are working well.

References

Buller, P. F. (2012). Strategy, human resource management and performance: Sharpening line of sight. *Human resource management review*.

Wright, P. M. (2011). Exploring human capital: putting ‘human’back into strategic human resource management. *Human Resource Management Journal*.