CURRENT ISSUES MANAGEMENT

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Current Issues Management

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CHAPTER 1

Objective: to enable the readers

(1) realize that domestic and international current happenings encompassing government/ non-government bodies must have proper management in order to be successful in their pursuit, and this is possible through the knowledge of current issues management with its correct undertakings.

(2) be aware that bribery involves not only the receiver but also the giver, and a person or a team must possess courage, sincerity and commitment to confront the illicit activity.

(3) analyze the various perspectives such as ethnocentric, geocentric etc. to find out the one that will be feasible not only to our local businesses but also to foreign investors in Malaysia.

Contents:

(1) The role of Current Issues Management (CIM).
(2) Multinationals to Transnationals
(3) The international key managerial and technical positions: -
   a. Host country nationals
   b. Parent country nationals
   c. Third country nationals
Current Issues Management and its Purpose

Current Issues Management (CIM) deals with the current occurrences of organizations be it government/non-government that are of relevance domestically and internationally. Each happening needs to be managed logistically through its associations with the relative bodies and organizations. Human factors are the causes of these happenings that can lead an organization to succeed or to be defeated and which are determined by human efforts and perseverance.

The knowledge of CIM enables the organization to pursue the correct undertakings and paths and places it in the right direction in order to reach its goal. A person will feel frustrated, demotivated, and at a loss after struggling his/her best to solve a problem but to no avail due to the wrong approach and poor acquisition of information.

Bribery is in progress in a department of an organization; the giver and the receiver are known to most of the staffs; corruption is in the air but nothing seems to materialize and no action is being pursued to obstruct and put a stop to the loathsome behaviour. This is due to the wrong attitudes of the workers and their shortage of the right knowledge that have developed through the mismanagement of their undesirable leaders of weak characters in the organization.

Courage, sincerity and commitment must be implanted in an individual or a team in order to arrive at a termination of corruption which otherwise will slowly become an acceptable organizational culture.

Certain related issues and activities, be it business, technology, management, or politics that are volatile in nature, need to be updated from time-to-time so as to
place an organization or a country in a competitive position that can improve its present situation financially or economically.

Thus knowledge of CIM will inspire a leader to become more alert, active and ignite a more responsible feeling towards his or her operations that will finally benefit the organization. Proper managing of the current activities will result in an appropriate enforcement of control that is of great importance and necessity to any type of organization.

**Multinationals to Transnationals**

International businesses have been around for a long time. But it wasn't until the mid 1960s that Multinational Corporations (MNCs) became commonplace. These corporations are companies that maintain significant operations in more than one country simultaneously but all are managed from one base in a home country.

An MNC may have operations in many different nations but each is considered as a separate enterprise, which resembles a miniature version of the parent company. It imitated rapid growth in international trade. It usually has subsidiaries and manufacturing facilities throughout the world. The fast expanding global environment today is extending the reach and goals of MNCs to build an organization of vast scopes known as the Transnational Corporation (TNC).

This type of organization doesn't need to replicate its domestic successes by managing foreign operations from its home country. TNC rather decentralizes decision-making in each operation to the local country that is it takes place at the local level. Typical nationals are hired to run operations in each country, and its products and marketing strategies are uniquely tailored to that country's culture.
A good example of a transnational is Nestle' with operations in most of the countries on the globe. It is undoubtedly the world's largest food company; still its managers match their products to their consumers. Thus Nestle' sells products in parts of Europe that are not available in certain parts of Asia, while Proton Malaysia, a popular car producer, markets its products in the British market that differs in both taste and texture from the Malaysian version.

A MNC has operations in many different nations but the move to borderless management is an attempt by organizations to increase efficiency and effectiveness in a competitive global marketplace. Managers of multinational and transnational organizations have become increasingly global in their perspectives and accept the reality that national borders no longer define corporations; only some politicians and the general public are rather slower in accepting this fact.

For example the 1992 recession in the U.S. brought considerable negative reactions against the number of Japanese products because many American politicians and their union leaders believed that the sale of the Japanese products were depriving jobs from the people and even there was the public outcry of 'Buy American'. The reality is the so-called Japanese products that were protested by the critics were made in the U.S., and the irony is that in one instance Honda employed more than 10,000 Americans at its plants in central Ohio and was actually exporting Accords back to Japan.

A Global corporation hires the best people for jobs irrespective of national origin. It sees the world as its labour source as well as its market place leading to tremendous diversity in its workers. Many of the critical differences affecting Human Resource Management (HRM) policies are related to feedback and performance evaluation methods, lines of authority, and information management. HRM policies that work well in one environment may not be the same in another.
A company's national origin is no longer an accurate measure of where it does business or the national origin of its employees, and typical characteristics of such companies are Toyota and Siemens, which hire thousands of people in the U.S. Thus the concept of 'Buy American' fails to grasp the changing global environment.

In general three sources of employees for an International assignment are used for key managerial and technical positions. They are:

- **Host country nationals (HCN)** - are workers from the local population. A worker from Brasilia employed by a US firm operating in Brazil would be considered a Host country national. Sometimes they are referred to as local nationals.

- **Parent country nationals (PCN)** are sent from the country in which the organization is Headquartered. These people are usually referred to as expatriates. A US manager on Assignment in Argentina is an expatriate or parent country national.

- **Third country nationals (TCN)** - are from a country other than where the parent Organization's headquarters or operations are located. If the US firm employed a manager from Great Britain at facilities in Kuwait, he or she would be considered a third country national.

An MNC usually adopts the ethnocentric perspective that is using the HRM policies from the home country and the new MNC practising ethnocentric believes all key personnel should be of parent country national because it believes its ways of doing things are superior than others.

This is common with well-established foreign organizations especially the Japanese. The Japanese believe that every executive in Japanese owned
businesses needs to be occupied by a Japanese national while around 31% of the senior management positions by the host country (US, Malaysia, etc.). In Japan it is otherwise, that is foreign companies has 80% of the management positions occupied by local Japanese.

A true global corporation is likely to practise a geocentric orientation that is seeing the world as its labour market - the place of hiring its key personnel, and there is no national boundary for staffing its overseas operations.

Besides the above two perspectives, Polycentric is a significant development of responsiveness to local market needs, often accompanied by manufacturing plants overseas and local marketing subsidiaries. This has considerable autonomy (self-government) and the HR challenge is to integrate and combine local managers into the overall corporate culture, e.g. the KFC.

Questions:

1. What are the contributions of CIM to public/private organizations?
2. How does the knowledge of CIM benefit the various categories of workers?
3. Should Malaysia encourage the utilization of ethnocentric perspective among her foreign companies or geocentric should be practiced. Make your selection with reasons.


**Objective**: to enable the readers

1. understand the authenticity of performance.
2. know the indication of "value added" in relation to productivity.
3. comprehend the attitudes and performances of subordinates which are the sources that may attract customers of the organizations.
4. analyse the correct way of judgment on efficiency

**Contents**:

1. Productivity Improvement and evaluation.
2. Market Position and comparison, and the effect of obsolescence
3. Personnel Development and Employees' attitudes.
4. The linkage of staff morale to performance.
Management on How to Judge Real Performance

According to Peter Drucker, the rate of return on investment is probably the best index of the profitability of an organization. But because of rapidly rising prices, much depends on when the investment is made. Assets created in 1990 would clearly cost far more than those purchased in 1960. Sometimes the percentage of profit on sales is used to judge profitability. This can be very misleading because it does not tell you about the percentage return of profit on the total money you have laid out for a project. One disadvantage of concentrating wholly on the percentage of profit on capital employed in a big organization with many divisions especially is that the managers concentrate on improving the ratios of the profit on investment of their own particular division with no regard for the best interests of the whole organization. In addition there can be interminable and wasteful arguments about allocation or division of costs and capital.

Productivity Improvement

This is to increase output rather than input and one should recognize that capital as well as labour contributes to productivity improvement. A good measurement for productivity is the 'value added' index.

'Value added' means sales billed less cost of goods and services purchased from other producers. This eliminates the effect of goods purchased from outside, resulting in a large figure.

Market Position and Comparison

The measurement of market position would be the percentage of the sales of one's products to the total available business. An examination of these figures over a number of years will give a very good indication of the efficiency, or otherwise, of the sales and marketing divisions. It would be advisable to have an
appraisal committee periodically to come up with the comparison of the organization's products with its competitors. Technological improvements are happening all the time and one should make every effort to stay ahead and be careful to replace those products that are subject to obsolescence.

Obsolescence is a big factor and the cost of new and up-to-date equipments completely offset the provision normally made for depreciation. Constant improvement in process, products and personnel is compulsory if the technical superiority of an organization is to be maintained. Adequate provision for research and development of products is important and its expenditure ratio to, for example, the total turnover must be compared with those of other progressive organizations.

**Personnel Development and Employees' Attitudes**

Systematic training of managers and specialists to fill the present and the future needs of an organization is a necessity. The manpower requirements should be planned ahead in order to have provision for retirements, separations and also for corporate growth and expansion.

A good approach to measuring the effectiveness of personnel development programs is to have a list of managers who have been hired from outside and those who have attained their positions through the company's own training programs.

A company that is so organized has two men trained and ready to fill each executive place in cases of transfer, retirement or departure from the organization.
It is not an easy task to judge employee attitudes or morale but indications of these attitudes would be the rate of labour turnover, the amount of absenteeism and the number of suggestions given by them.

Public responsibility refers to a company that must give stability of employment as well as job opportunities to its employees, and this is like placing itself in the community in a way of becoming a good citizen. Other important factors of public responsibility to the community are:

- Its local purchases
- its contribution to local charities
- its responsiveness to issues such as pollution
- the participation of its leading employees in civic organizations within the community

The number of applications for employment is also a good indication of how an organization is regarded especially by the public.

Criteria for Defining Performance

The average sales of a salesman and its comparison with other salesmen would be a good basis for evaluating the performance of a salesman. The ratio of accountants to production workers and a comparison of this ratio with other similar organizations is a good guide to judge the efficiency of an accounts section. Only there should be a very careful treatment over such comparison in order to avoid becoming misled due to the existence of factors such as the varying degrees of mechanization.
The ratio of current assets to current liabilities, used to assess the ability of an organization to make payments, can be misleading because so much depends on the organization's borrowing powers granted by the banks and other financial institutions. The borrowing facilities available would not appear in any financial statement.

A good criterion for efficiency would be the ratio of selling expenses of public relations, advertising, etc. to the total value of sales.

The management must develop objectives and standards for time and materials, which are continuously checked with actual performance. This tells us that it is the executives who are really running the business rather than the business running the executives.

The morale of an organization is also important. Employees should feel that the organization is a good place to work in. Morale is difficult to access, but if employees are anxious to get jobs for their siblings in the same organization and if they follow with a smile even when they are facing difficulties, then this indicates that the morale of the organization is high.

It is important to know why customers buy from one organization and not another. Often top management is not aware of what exactly its advantages are and sometimes it does not even recognize its loss until it is too late.

Questions:

1. What are the factors that visualize Public Responsibility to the community?
2. Why is it significant to know customers do their purchasing from one company and not another?
CHAPTER 3

**Objectives**: to help the readers

(1) realize the true meaning of adversities
(2) pursue the necessary steps to manage adversities.
(3) be aware that problems may be inevitable but success can still be the answer.
(4) become enthusiastic in their goal achievement.

**Contents**:

(1) Existence of an adversity is just a challenge
(2) The correct path of managing the adversity
(3) The importance of the four steps that can transform organizational adversities into valuable products and services.
(4) The restructuring of affected organizations by adversities to better placement.
Adversities and their Challenging Steps

A calm approach is needed for managing adversity, and an emotional reaction to it may result in oversight or misinterpretation of the critical issues leading to wrong approaches to counter the adversity. As discovered by a writer that an adversity can be changed into an advantage if an organization abides by the required steps that can help it to overcome challenges and strengthen its standing. To handle adversity means to objectively analyze the situation before making any strategy. The following steps have proven to be effective and successful for the organization while facing the adversity.

Step 1 Recognizing

Companies that are hit by adverse conditions should be prepared to face reality and be ever willing to accept the change. The first step towards handling adversity is to recognize the problems and the affected organizations should recognize the root causes. It is quite common for people in these organizations to be emotionally stressed and begins to be involved in unproductive work. A car distributor, for example, that was experiencing a drop in the demand of its products due to its country’s economic recession, tried to rationalize the slowdown.

Several meetings were held by the management to reason out the non-feasible market situation. Actually, the members were pointing fingers at one another for the poor performance. The finance division was being blamed for its inaccurate costing, while the marketing people were accused of having poor coordination and unproductive marketing strategy. Those who were blamed were being protective of themselves. This caused the company to be distracted from resolving its problem.
The effective way is to analyze the cause of the problems and find solutions. Thus, the first step of managing adversity requires courage to face the reality of the situation.

**Step 2 Reassessment**

Adversity enables organizations to reassess themselves, and those affected should reassess their strengths and weaknesses. They should be aware of their vulnerabilities that are easy areas for attack, criticisms or easy injuries, in order to consolidate themselves. Questions from companies should be forwarded especially during sales decline and such questions are:

- What is the present level of our customer service? Are we meeting their expectations? What are the necessary steps to be pursued to divert them from our competitors?

- What are the key weaknesses and strengths of our products and services? What would be the best improvements that can become attractions to customers?

- Is it the price or the quality that contributes to the downfall?

- What is the standing of the company's productivity comparatively?

An example of how reassessment exists due to adversity was in the case of the western cars. The good market of the Japanese cars in Malaysia has forced the Mercedes, Fiat, Volvo etc. to reassess their strategy because of the strong competition by the Japanese companies which not only provide comfort and better prices but also better designs and structures in their products acceptable to the Malaysians.
Step 3 Repositioning

Repositioning helps the organization to continue surviving and compete in the relevant market. Companies restructure and reposition themselves in order to be closer and more responsive to customers.

Repositioning is the coming up of new strategies so as to achieve a competitive advantage in the market. This is important especially in a changing environment. Any change in organizations often provides opportunities and at the same time threats that must be evaluated to enable them to reposition themselves. Major things need to be explored by organizations and they are:

- How effective are our marketing strategies and what are the needed actions?
- Are our new products or services accessible to the new markets? Which types are really marketable?

Step 4 Recharging

This final step involves renewal. When adversity envelopes an organization, great reduction in sales occurs, profits disappear and the future trembles. Most of the subordinates feel less motivated and the will to fight for the company’s survival declines. They start loosing confidence in the company. This is the correct time for recharging where strong leadership is a necessity. Leaders with good vision are able to elicit resources in workers and would not hesitate to liven up their spirits to confront the challenges. Workers are being encouraged to put in their best efforts to turn around the company. These leaders are able to build up the workers’ faith and trust in the company and at this stage they must be fast enough to transfer themselves from the reassessment and repositioning positions. Eventually they should be presenting solutions to those people with problems and normally with good receptions.
Questions:

(1) Describe the effective ways Reassessment, one of the steps to overcome an adversity, should be implemented.

(2) It is common for a person to encounter adversities during his/her work life. An entrepreneur with three years of business operation (a mini market) discovers that its business performance is not up to the level of its other competitors. What would be the good practice by the entrepreneur to improve his current standing? Discuss.
CHAPTER 4

**Objective**: to make the readers

1. update their knowledge on the current happenings of organizational development and administrative system in Malaysia.

2. work as a team for the discussion.

3. participate and voice out their opinions sincerely on the discussed, relevant topic.

**Contents**:

A) The Five-Day-Week System

- the benefits gained by the workers that may lead to good performances if the system is adopted.

- losses suffered by non-government organizations, and the rising expenditures on the related families caused by the system.

B) Unemployment

- it needs immediate attention.

- causes of unemployment which may be due to internal and external factors.

- the selective attitude of job seekers

- the abundant cheap resources
Discussion on Recent Happenings of Proper Attention and Management
- The Five-Day Week System
- Unemployment - causes of internal or external factors

The Five-Day Week System

The present working days of the government and non-government bodies appear to be moving towards the five-day week job system which is part of the incentives for the employees. The system is believed to benefit both the employer and the employees through the increase in productivity.

As a Malaysian would it be advisable for Malaysian organizations to pursue the above recommended system or they should just continue with their current practices that is subordinates would be practising the system only during the first and third week of each month. What are the positive and the negative effect of the system?

The Positive Effect

An extra one-day holiday for the workers by an organization during their working days is equivalent to receiving a bonus. The five-day-week job system would motivate the workers to perform efficiently and effectively. They would put in all efforts to complete their tasks and fulfill their responsibilities within the required time allotted to them before they go on their two-day holidays weekly.

On the financial side, the organization would be benefitting by saving expenditures on electricity, water, and other consumptions, while the employees would not be wasting their money traveling to their offices every Saturday. Workers would also have extra time to attend to their parents and children which can lead to building up good family relationship. When workers are satisfied with
their jobs, better performances are expected and on the whole better productivity to the organization.

**Unemployment**

Unemployment is the current issue that needs immediate attention especially by the administrators of the countries affected in order to return to the situations of the earlier days. Two specific reasons that appear to be the relative causes can either be of the internal factors (poor country's administration; technology changes; economic recession; people's 'selective attitudes' towards job acquisition; the merging of non-government organizations such as commercial banks) or of the external factors (poor economic situation of the neighbouring countries; their rich resources; the practice of ethnocentrism by foreign investors).

**The Selective Attitudes**

More Malaysians are becoming highly educated presently. They have reached the university level of various categories that is they are the Bachelor, Master, and Doctorate of Philosophy holders. The existence of various local universities have enabled the people to be within easy reach to pursue their education. This is a sign of progress by Malaysia. On the other hand these graduates are rather reluctant to fill up job vacancies that are available, though within their capabilities, because of their selective attitudes. They feel that those offers are low in status as well as earnings, and they possess better qualifications.

They prefer to remain jobless rather than occupy their time with useful work. This uncalled-for pride and egoistic behaviour have caused unemployment to rise and which simultaneously has turned the situation otherwise for the foreigners in the country golden opportunities have arrived for them. The foreign workforce are forever willing to carry out any type of jobs even the 'filthy' ones such as garbage
collection and performing hard-labour tasks as in the construction areas (housing development) at low rates of payment. Thus the outcome is ‘outsiders’ are securing employment increasingly while the locals (Malaysians) are facing difficulties in confronting unemployment. The case has arisen due to the faults of our own people for being selective in their career choice especially the inexperienced fresh graduates who still insist on acquiring jobs that they assume will be justifiable with their qualifications.

Rich Resources

Some countries are fortunate enough to own resources that can boost their economy, which in a way influence employment rate of other fellow countries. An example of this current happening is when China practises the open-door-policy. Numerous investors not only from Europe but also from Asia including Malaysia have flocked to China to penetrate her market. This is because of the presence of good costs of operations contributed by her rich resources namely the workforce with low payment. A number of foreign investors have closed down their companies in Malaysia together with the local ones who have diverted their attention to the new locations to seize business opportunities of better productivity. The result is the sudden increase in unemployment in Malaysia due to the migration of those investors to other lucrative territories. New businesses and attractions must be developed to allure new investors into the country in order to overcome the unwelcoming situation that can lead to job openings.

Questions:

1. Would it be advisable for Malaysia to completely change to the five-day-week system with her current economic situation. Discuss.

2. Briefly describe one of the external causes of unemployment.
CHAPTER 5

Objective: to enable the readers
(1) comprehend the contributions of Emotional Intelligence (EI) to jobs.
(2) appreciate the value of EI.
(3) realize the linkage between a company’s success and the EI of leaders.
(4) know and understand the various components of EI that are of significance to a leader.

Contents:
(1) The importance of Emotional Intelligence to leaders and jobs.
(2) The five components of EI and their hallmarks.
(3) The effects and influences of each component on people and organization.
The Importance of Emotional Intelligence

The most effective leaders are similar in one crucial way that is they have a high degree of Emotional Intelligence. This does not imply that Intelligence Quotient (IQ) and technical skills are irrelevant, but they mainly appear as admission capabilities, that is, they are the entry-level requirements for executive positions. Emotional Intelligence has been referred to as the sine qua non of leadership. It is indispensable. A person may have undergone the best training at his organization, furthermore he possesses an incisive and analytical mind together with a supply of bright ideas, but still he will not qualify to become a great leader if he is deprived of emotional intelligence. It is true that cognitive skills such as long-term vision is particularly important. According to Daniel Goleman when the ratio of technical skills, IQ, and emotional intelligence were calculated as ingredients of excellent performance, still emotional intelligence proved to be twice as important for all levels of jobs.

Emotional intelligence plays an increasingly important role at the highest levels of the company, that is, the higher the rank of a person considered to be prominent, the more emotional intelligence capabilities appear as the reason for his/her effectiveness. Emotional intelligence not only distinguishes outstanding leaders but is also connected to strong performance. Thus telling us that there is a linkage between a company’s success and the emotional intelligence of its leaders. Anyone who wishes to develop his/her emotional intelligence is just a matter of pursuing the right approach.

There are five components of emotional intelligence and they are self awareness, self-regulation, motivation, empathy, and social skill as indicated in Figure 5-1. (Source: Daniel Goleman)
Table 5.1: The Five Components of Emotional Intelligence at Work

<table>
<thead>
<tr>
<th>Component</th>
<th>Definition</th>
<th>Hallmarks</th>
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| Self-Awareness  | The ability to recognize and understand your moods, emotions, and drives, as well as their effect on others. | • Self-confidence  
• Realistic self-assessment  
• Self-deprecating sense of humour |
| Self-Regulation | The ability to control or redirect disruptive impulses and moods. The propensity to suspend judgement – to think before acting | • Trustworthiness and integrity  
• Comfort with ambiguity  
• Openness to change |
| Motivation      | A passion to work for reasons that go beyond money or status. A propensity to pursue goals with energy and persistence | • Strong drive to achieve  
• Optimism, even in the face of failure  
• Organizational commitment |
| Empathy         | The ability to understand the emotional makeup of other people. Skill in treating people according to their emotional reactions | • Expertise in building and retaining talent  
• Cross-cultural sensitivity  
• Service to clients and customers |
| Social Skill    | Proficiency in managing relationships and building networks. An ability to find common ground and build rapport. | • Effectiveness in leading change  
• Persuasiveness  
• Expertise in building and leading teams |
The above components are further discussed below:

**Self-Awareness**

It is the first component of emotional intelligence. Self-awareness is defined as having a deep understanding of one’s emotions, strengths, weaknesses, needs and drives. People who have strong self-awareness are considered to be neither overly engaged in criticism nor are unrealistically hopeful. They do not belong to the radical group, and in addition they are honest not only with themselves but also with others.

People with a high degree of self-awareness realize that their feelings affect them, other people, including their job performance. A self-aware person with tight schedules will plan his work proactively so as to be able to produce a smooth work flow contribution. It is also realized that another person with high self-awareness will be able to work with a demanding client. She is capable of bringing herself under calm endurance. She will understand the client’s impact on her moods. She will control her emotions (disgust or anger) and put in her best efforts to be constructive.

A person who is highly self-aware understands the extension of his or her values and goals. He is aware where he is heading and why; he is not easily captured by an attractive job offer of good financial standing because this is not compatible with his working principles. On the other hand a person who is deficient in self-awareness has the tendency to lead himself to inner turmoil by suppressing buried values. He simply accepts and signs on the job contract without scrutinizing the details of the agreement due to the high salary that is offered. Self-aware people usually coordinate their decisions with their values and the result is they often find their work to be of enthusiasm.
A distinct indication of self-awareness is a candid behaviour and an ability to appraise oneself realistically. People with high self-awareness have the ability to speak accurately and openly, but this does not mean that they make confession or are effusive about their emotions and the stress they face while performing their jobs. Self-aware candidates are honest and frank in admitting to failure. They can accept it courteously. Failure does not weaken their spirits to achieve their goals, instead it is more of a challenge for them to succeed in their pursuance. Self-aware people can perceive their limitations and strengths and in addition they feel comfortable talking about them. They do not shy away from constructive criticism, instead they have a hunger for it. By contrast people with low self-awareness interpret the valuable advice needed for their improvement rather as an intimidation or a sign of failure.

Another distinguished character of self-aware people is the revelation of their self-confidence. They have a firm grasp of their capabilities and do not easily give themselves up to failure. They are calculative the types of jobs they would handle they are aware the types of risks they will be encountering. They will not invite a challenge that they realize they cannot handle alone. Self-aware people have the skill to present ideas persuasively even to their superiors. They will not take 'yes' for an answer, instead they will voice out their opinions should they feel they deserve to do so. At the same time they will not wander into territories where they believe they are weak.

It is of great value for an organization to have self-aware people in its workplace, but it is not surprising for us to come by those senior executives who often do not give self-awareness the credit it deserves while looking for potential leaders. Some executives fail to give due respect to employees who openly acknowledge their shortcomings because they are considered timid and feeble in their actions.

On the other hand it is undeniable that people generally admire and respect candour and furthermore leaders are constantly required to make judgment calls
that need a candid appraisal of capabilities not only of others but also of themselves.

Self-Regulation

Our emotions are driven by biological impulses which happen to us naturally. They cannot be avoided, however, they can still be managed if we regulate ourselves accordingly. Self-regulation is the component of emotional intelligence that releases us from becoming prisoners of our feelings.

Bad moods and emotional impulses are common in a conversation, and people with self-regulation can find ways to control them and to channel them in useful methods. An executive who has just finished watching a poor presentation of a marketing paper by his team of staffs to the company's board of directors. The gloomy situation that followed might have caused him to pound on the table in anger or he might maintain a grim silence staring at those responsible for their undue job of expectation before walking out the board room disappointingly.

A person who is gifted with self-regulation would choose a different approach. He would acknowledge the team's poor performance without jumping to any hasty conclusion. He would consider the reasons for the failure. Does it happen because of the economic recession -caused by the world or certain related countries? Should there be any mitigating factors over the occurrence? After considering these questions he would address the team together, and provide his opinions. A thorough analysis would follow and later he would present the necessary path to overcome the problem together with a well-considered solution.

Self-regulation is of importance to leaders. Firstly, when people are in control of their feelings and impulses are able to create an environment of trust and fairness, and at the same time politics and infighting are sharply reduced where
productivity is high. Talented people who flock to the organization are dedicated to their work, and are not tempted to leave for other organizations. Turnover because of dissatisfaction is on the decline. Fewer bad moods at the top mean the same applies to the rest of the subordinates throughout the organization, and this is an indication of self-regulation.

Secondly, self-regulation is significant for competitive reasons. It is undeniable that today’s business is full of skepticisms and changes that are volatile. It is common for most companies today to merge and break apart regularly. Technology transforms in a confusing manner. People who have mastered their emotions are ready to move with the changes. When a new program is launched, they can accept it calmly and without panic, instead they try to analyse the change. They even consult the executives concerned about the new program. As the initiative progresses they are able to move with it and sometimes they can even lead the way.

Self-regulation can even enhance integrity to leadership, and this is not only a personal virtue but also alleviate the strength of the organization. Most of the bad things that transpire in companies are a function of impulsive behaviour. The signs of emotional self-regulation are:

- a propensity for reflection and thoughtfulness
- comfort with ambiguity and change
- integrity, that is an ability to refuse to any impulsive urge

Self-regulation does not often get its due. People with considered responses are sometimes judged as a lack of passion. People with fiery temperaments are often believed to be dynamic leaders, and their outbursts are considered their distinct features of charisma and power.
But when they climb the ladder, their impulsiveness often works against them and their dignity begins to decline. We should remember that extreme displays of negative emotion will not make a person a good leader.

Motivation

Motivation is important for people to understand because it causes, channels, and sustains people’s behaviour. Their motivations are not easy to discern because they are complex and sometimes irrational in their behaviour. Most organizational managers have discovered through experience that people (subordinates) are very responsive to praise and encouragement which can be expressed both in words and also actions. They will put in their best efforts in the organization if they feel successful in their work.

Most people are also self-motivated and seek the freedom and autonomy to perform their jobs in their own way. We should, however, bear in mind that motivation is not the only influence on a person’s performance level. The individual’s abilities and role perception that is his understanding of the necessary behaviours for high performance achievement and satisfaction are involved. Thus motivation, abilities, and role perception are interrelated.

Many different views of motivation exist and managers find it difficult to utilize current knowledge to improve their understanding on the individual behaviour. It has been suggested by Lyman Porter and Raymond Miles that the use of systems perspective of motivation will help to ease the managers’ problem. Systems perspective means that the entire set, or system, of forces operating of the employee must be considered before the employee’s motivation and behaviour can be adequately understood. Porter and Miles believe the system consists of three sets of variables affecting motivation in organizations and they are: Individual characteristics, job characteristics, and work situation characteristics.
Individual characteristics are the interests, attitudes (towards self, job, and aspects of the work situation), and needs a person brings to the work situation such as security, social, and achievement. Apparently people differ in these characteristics, and so the cause for the differences in their motivations. A person for example may desire prestige, and thus a job with an impressive title may motivate him, while another who may crave for money, may be motivated by a job with a high salary.

Job characteristics appear as attributes of the employees' tasks, and this is inclusive of the amount of responsibility, the variety of tasks, and the extent to which the job itself has characteristics that satisfy people. Most people find jobs that are intrinsically satisfying will be more motivating for them than the ones that are otherwise.

Work situation characteristics are factors in the work environment of the individual. A worker may have peers of good spirits that are cooperative and full of encouragement for him or her to produce high standard performance, or there may be colleagues who discourage him to increase productivity. Another common factor is superiors who are appreciative of their workers high performances may reward them, or there may be superiors who are rather indifferent towards their workers high contributions. Organization's culture that foster concern for members of the organization may result in higher motivation rather than the culture that encourages cold working atmosphere.

The trait that drive all effective leaders to achieve is motivation. Their achievements are beyond expectations, be it for their own or for others. Most people are motivated by external factors such as a big salary or the status that comes for being part of a prestigious company. Unlike those with leadership potential, they are motivated by an embedded desire to achieve for the sake of achievement.
Leaders can be differentiated between those who are motivated by the drive to achieve and those who are driven by external rewards. The first obvious indication is the enthusiasm for the work itself. Such people search out creative challenges, desire to learn, and take great pride in a job that is well performed. They also display strong energy to implement things better, and these people appear restless with the present situation. They are inquisitive about why things are carried out this way and not another. They have high anxiety to explore new approaches to their work.

Other traits in relation to people who are driven to achieve are: forever raising their rate of performance, and they like to keep gaining. An employee who combines self-awareness with internal motivation will realize her limits but this does not mean that she will simply try to arrange for objectives that seem too easy to fulfill.

It happens by nature that people who are driven to do better also seek a way of tracking progress for themselves, their group or team, and not forgetting their organization. By contrast, people with low achievement motivation are often not clear about results. People with high motivation remain optimistic even when their undertakings have not yet shown any sign of success. After a setback or a shortcoming a person will usually feel depressed and frustrated, but the situation can be overcome by combining self-regulation with achievement motivation.

It is difficult to admit defeat, and it has become more of a 'culture' to some executives to blame the failure of their venture on circumstances outside their control. On the other hand, there are also others who can accept the setback as evidence of personal failure. In order to recognize high levels of achievement motivation in their people, it is advisable for those executives to look for one great evidence –commitment to the organization.
When people love their job for the work itself, they often feel committed and obligated to the organizations that have enabled the work to be available. Committed employees are likely to stay with an organization even though they are pursued by prestigious companies with better offers. It is definite that optimism and organizational commitment are fundamental to leadership.

**Empathy**

It is not difficult to recognize Empathy, one of the dimensions of emotional intelligence. Outstanding teachers and mentors are not forgotten by people who receive help and guidance from them. They are highly appreciated and respected, and at the same time are implanted in the people's heads. Teachers and mentors are aware when can good performances be expected from these people, and what are the needed actions to be taken to overcome their adversity. This incites good spirits in the people who feel motivated and it indicates how effective feedback is worked out. Thus a practical display of empathy.

A leader does not consider empathy as adopting other people's emotions to be one's own and simultaneously trying to please everybody. This would obstruct any useful action. It is believed that empathy means having thoughtful considerations over employees' feelings while in the process of making intelligent decisions.

Presently empathy is particularly important as a component of leadership because of the increasing use of teams, besides the rapid pace of globalisation, and the growing need to retain talent. Teams are often entrusted with reaching a consensus. Even two people find it difficult to reach a decision and the situation aggravates as the numbers increase. A group comprising of five members can form an alliance but it is inevitable for clashing agendas to set in. A group leader must be able to sense and understand the viewpoints of each member attending the group meeting or a discussion.
For instance, an executive was appointed to lead a troubled team who did not complete the assigned project on time that is to renovate the tea-room in the accounts department of a company. The group was in turmoil, overloaded by work and missing deadlines. Tensions were high among the members. Restructuring the procedures alone would not bring the group together and become an effective part of the company. Several steps were taken by the executive such as listening to the members of the group individually to find out the cause of their frustrations. What are the obstructions and provocations did they encounter. During his meeting with the group, he managed to make them voice out frankly about their disappointments, and he even helped them raise constructive complaints. It can be viewed that empathy enabled him to understand the emotional makeup of the team. The result was not only better collaboration among the members because of the correct approach and response by the executive but also enhanced the company’s business, as the team was invited to attend to other clients who appreciated their contributions.

Globalisation has caused empathy to be of rising importance for business leaders. Cross-cultural meeting can easily lead to misunderstandings. For example, a German guest speaker who appeared serious and addressed his Asian audiences during his speech opening with a strong and loud voice. In addition questions were answered without any smile. This would be considered as being arrogant and unfriendly by the Asians while the gesture would be normal to the speaker’s countrymen.

Empathy is an antidote and people practising it have a deep understanding of the existence and importance of cultural and ethnic differences. Empathy, however, also plays a key role in the retention of talent particularly in today’s mechanized world. Empathy is a must for leaders to develop and retain good people especially the type of workers a company is having today. When skilful and efficient people leave, they also bring the company’s information and knowledge with them.
This is where teaching and mentoring become important roles. They do not only lead to better performance but also increase job satisfaction and help to reduce turnover. Outstanding teachers and mentors would be remembered most of the time by people who have received help and guidance from them. These teachers and mentors know when to push for better performance and when to hold back. They are able to design themselves to good movements.

Empathy in action is being demonstrated in the way they motivate those under their protection. It should be realized that leaders with empathy do more than sympathize with people around them, they use their knowledge to alleviate their companies in various significant ways.

**Social Skill**

Social skill, like empathy, is a component of emotional intelligence that concerns a person's ability to manage relationships with others. It is not just a matter of friendliness, but it is friendliness with a purpose that is moving people in the direction you desire such as an agreement on the new working schedule for the workers of the finance department.

It is a tendency for social skilled people to have a wide circle of acquaintances: they have special talent to communicate and develop good relationship with all kinds of people that is the talent to build rapport. An executive of a company, for example, was really strict with his subordinates. He would see that his tasks and responsibilities were carried out appropriately. He ensured that his subordinates attended to and implemented their duties in accordance to his instructions. By contrast, he did not mind joining his workers for a drink at the nearby food stall after office hours and even treated them to some snacks. He mingled freely with the workers during this time, and also acquired information with regards to their
progress and job satisfaction. Such a person knows when is the right time to place his actions.

People with social skill tend to be very effective at managing relationships when they can understand and control their own emotions and also can comprehend the feelings of others. They are skilful at managing teams (their empathy at work), and are expert persuaders that is a manifestation of the combination of self-awareness, self-regulation, and empathy.

Socially skilled people do not confine themselves only to colleagues within their areas while at work. They mix around widely even with outsiders -those who have no connections to their jobs. They do not believe in limiting the scope of their relationship arbitrarily because they realize that needed help can come from anyone.

It would be unwise to regard 10 and technical ability as insignificant elements in strong leadership. However the recipe would be incomplete without emotional intelligence components. It may consume a lot of time to learn them, but the outcome is beneficial to both parties -the individual as well as the organization.

Questions:

1. How does Emotional Intelligence help a person to become an authentic leader? What are its contributions?
2. Define the meaning of Empathy. What are its hallmarks?
CHAPTER 6

Objective: to make the readers

1. realize the important roles of customers towards the future growth of an organization.
2. understand the meaning of customers.
3. know why customers are termed as organization assets.
4. be aware of the management of customer behavior leading to satisfaction not only of customers but also of employees is required.

Contents:

1. The nature of customers.
2. How customers work in the process of creating value.
3. The various categories of customers during a purchase.
4. The internal and external customers of an organization.
5. The needed requirements that can provide quality customer service.
6. Priority to customers is compulsory.
Who are the customers of an organization?

People that received the products or services

Organization members and shareholders

Consumers of goods and services

Internal customers

External customers

Receive quality products or services that is to fulfill their wants and necessities
Understanding the Customers' Wants

- To ensure that their wants and desires are available
- Their tastes are prioritized
- Their needs to be understood
- To welcome their suggestions, comments and opinions
- Attention be given to their needs for comfort
The Importance of Customer Service

- In general (it can be said that) around 4 – 6 % of the customers who are not satisfied with the products or services make complaints.

- The tendency for every customer tends to inform his or her other colleagues (average of 7–10), regarding the service received from an organization.

- It is undeniable that cost is one of the elements able to attract more new customers rather than retaining the existing ones.

- Satisfactory customer service enables an organization to raise its price appropriately.

- Good and quality customer service helps an organization to increase its market annually (around 6 – 7 %).

- If complaints of customers are attended to, it is without doubt that majority of them (8 out of 10) will return to the related organization.
The Necessities for An Organization
to Give Preference to Customers

Study aspects:
- Who are customers?
- Why is it necessary to give preference to customers?
- Ways of identifying customers’ wants.
- How to make an organization customer-oriented?
Requirements that enable a person to provide quality service

- **Attitude**: always positive, like to work for others, able to adapt oneself, fond of challenges and new experiences
- **Skills, knowledge and experience**: always upgrading one’s skills and knowledge, ability to communicate and ability to contact people
- **Practice**: give priority to test, always quick in action, and forever consider customers are always right
- **Life philosophy**: enthusiastic in contributing and the related contributions are of quality
Why is it necessary priorities be given to customers?

- The existence of organization is due to the availability of customers.
- Customers are the most important people in work.
- Customers seem to be the goal of work and organization.
- Customers help organizations and by providing good service is actually helping themselves.
- Their actions or behavior are forever correct.
An Acquisition of A Foundation for Customer Service by An Organization

- To create a service strategy for customers.
- To form an effective customer-oriented.
- Introducing an efficient service-preparation-system.
- To inculcate customer-oriented culture (to urge or impress a habit, for example, persistently)
- Control customers' wants
- Assess customer satisfaction
- Workers who are successful in producing quality service to customers are rewarded.
Questions:

i. What are the necessary actions of a supervisor in order to make an organization become customer-oriented?

ii. State and elaborate the relevant factors that may be compulsory in building the foundation for customer service.
Objective: to enable the readers

a. understand the ways a compensation should be operated.
b. acquire the knowledge of total-compensation.
c. know that equity, internal or external, must be practiced in compensation.
d. realize that good compensation is the key factor which can develop subordinates to be dedicated and feel committed.

Contents:

a. The outcome of compensation (good/bad) on an organization.
b. The components of total compensation.
c. The several criteria for developing a compensation plan.
d. Types of Pay-for-Performance Plans.
e. Workers’ Compensation Scheme.
Compensation

Compensation is what employees receive or being rewarded for their contribution to the organization. It helps the organization achieve its objectives if it is managed properly that can further obtain, maintain, and retain a productive workforce. Employees are likely to leave if compensation is inadequate or mismanaged, and which is the cause of job dissatisfaction. In severe cases it may lead to high turnover, increase absenteeism, more grievances, cause strikes, poor productivity, thus unfulfilled strategic plans. Wages and salaries must be internally and externally equitable in order to have a correct pay component of compensation.

Internal equity is the ranking of jobs based on their relative worth within the firm which is determined through job evaluation techniques. Wage and salary surveys are conducted by most firms in order to acquire a fair compensation rate. This is external equity. Those surveys enable relevant companies to know about the pay by other employers for specific key jobs in the same labour market. In general the labour market is the surrounding area within commuting distance from which the employer recruits. Once internal and external equity have been determined, jobs are priced to ensure their specific pay levels that may be grouped into rate ranges for easier administration.

It is normal for organizational analysts to use wage and salary surveys as benchmarks against which they compare compensation levels. Unfortunately these surveys sometimes go out of date especially in a fast-changing labour market, thus other sources may be required. This does not mean that this information easily turns obsolete. It is and will be of value when employers are compiled frequently, and the information will be current enough for use by compensation analysts.
Another source of compensation data that can be acquired is through the association of employers that surveys their member firms. Finally, surveys are conducted by professional bodies or associations (medical doctors, lawyers etc.) to gain possession of compensation data for highly specialized jobs.

However, besides being outdated another problem occurs when job titles and underlying descriptions used in the surveys do not coincide with the employer’s job requirements, making comparisons less accurate.

**Total Compensation**

Total compensation is the package of quantifiable rewards an employee receives for his or her labors. It comprises of three components as indicated in Figure 7.1.

Figure 7.1
Each relative proportion of a firm varies extensively. The first and largest element of total compensation to most companies is base compensation. This is the fixed pay a worker receives on a regular basis, either in the form of a salary, that can be paid weekly or monthly, or as an hourly wage. The second component is programs designed to reward employees for good performance. It is called pay incentives. These incentives are in various forms that include bonuses and profit sharing. The final component is benefits, which is also known as indirect compensation. Benefits encompass a variety of programs such as health insurance, vacations, and unemployment compensation. A special category of benefits called perquisites, or perks, are available only to employees with some special status, usually upper-level managers of the organization. Perks commonly found in a company are a car, a computer, a special parking space, and company-paid social club memberships.

Compensation is the most important cost in most firms. The effectiveness with which compensation is allocated can bring a significant difference in gaining or losing a competitive edge. For example, an established electrical firm provides generous compensation to its finance and marketing personnel but not to its research and development staff who are rather underpaid. This ‘unjust action’ may cause the company to be deprived of the talented workers who migrate to other organizations of the competitors with attractive offers. The strategic issues for the firm involve with the amount that is paid and who gets paid, and furthermore they affect the costs of all financial statements.
Developing A Compensation Plan

There are various criteria for developing a compensation plan and some of them are:

Internal versus External Equity

Internal equity refers to the perceived fairness of the pay structure within a firm. External equity refers to the perceived fairness of pay relative to what other employers are paying for the same type of labour. In considering internal versus external equity, managers can use two basic models - distributive justice and the labour market. Distributive justice means that some employees compare their input ratio to that of employees in other firms (external equity); but majority compare their ratios to those of their colleagues in the same organization (internal equity). According to the labour market model the wage rate for an occupation is set at the point where the supply of labour equals the demand for labour in the marketplace. Thus external equity is achieved when the firm pays its employees competitively for the type of work they do.

Fixed versus Variable Pay

Fixed pay is a form of variable pay in a predictable monthly payment. Variable pay fluctuates according to some pre-established criterion. Certain employee groups, such as salesmen, may be getting their variable pay as high as 100 percent. The higher the form of variable pay, the more risk sharing there is between the employee and the firm. However, the fixed pay is the rule in majority of the Malaysian organizations mainly because it reduces the risk to both the employer and the employee.
Monetary Versus Non-monetary Rewards

It is difficult to accept that most employees, government or non-government organizations, rank pay low in importance. This is because we realize that people may rank pay higher than they care to admit, while in practice, money, be it cash or shares, the effective reward that has been invented for men today. Unlike cash or payments such as stocks or a retirement plan that can be converted into cash in the future, non-monetary rewards are intangible that include interesting work, challenging assignments, and public recognition.

Most human resource management researchers and practitioners agree that pay is the symbol an organization values. For instance, most research-oriented universities base faculty promotion primarily on the number of papers a faculty member has published in leading academic journals. The result is that teachers/lecturers at these universities spend a great deal of time producing papers for publication which are incentives for them in order to obtain the needed rewards. It is as expected that employees at all levels do such things that they believe will be rewarded with pay increment.

Generally, companies that emphasize monetary rewards want to reinforce individual achievement and responsibility, while those emphasizing non-monetary rewards prefer to reinforce commitment to the organization. Thus, a greater emphasis on monetary rewards is popular among firms encountering a volatile market with low job security, firms emphasizing sales rather than customer service, and firms trying to create a competitive climate internally. Companies relying more on non-monetary rewards are found to have a relatively stable workforce, emphasizing customer service and loyalty instead of fast sales growth, and wanting a more cooperative atmosphere to exist within the firm. It should also be realized that during an economic recession or a downturn in company profits, some companies offer non-monetary rewards as a means of retaining employees, whose only alternative to getting a raise is through securing
a new job. Companies that are financially squeezed by the recession develop creative non-monetary methods to reward their employees, for instance providing flexible work arrangements, overseas transfers, or attending short-term courses.

Centralization versus Decentralization

The locations of pay decisions are decided by the organizations themselves. In a centralized system, pay decisions are strictly controlled in a central location, normally the Human Resource department. In a decentralized system, the decisions are normally delegated to managers of each unit. It is more appropriate to have centralized pay when it is cost-effective and efficient to hire compensation specialists who can be located in a single place, as well as be made responsible for salary surveys, bonus reception, and recordkeeping. Furthermore, during periods of climbing expenditures it is a tendency for companies to centralize their compensation functions.

Too much centralization may lead to more negative effects. A centralized system maximizes internal equity, but is rather weak in handling external equity. Thus it would be healthier for large and diverse corporations to be served by a decentralized pay system. For example a big well known automobile company, with branches all over Malaysia, is dealing with an estimated 9,000 employees. Its Human Resource Director together with his deputy are stationed in Kuala Lumpur, at the company's headquarters. In order to minimize the company's rules, regulations and red tape, and in addition, to smoothen out the pay flow, the company has delegated each branch to be responsible for its own pay decisions. Nowadays human resource professionals at large companies are soliciting more input on compensation from executives, supervisors, and even employees.
Performance versus Membership

Firms that emphasize performance-contingent compensation may use sales commissions, cost-saving systems, bonuses, or merit pay. Firms that emphasize membership-contingent compensation provide similar wage to every employee in a given job. Employees may be paid by the hours of work and salary progression.

The relative emphasis on this criteria depends largely on the organization's culture and beliefs. If the emphasis is solely on performance, rewards are based directly on doing a better job, innovation, productivity, and profitability.

Types of Pay-For-Performance Plans

Pay-for-performance plans can be designed to reward the performance of the individual, team, business unit or plant, the entire organization, or any combination of these. An organization will find itself in a better situation.

Individual-Based Plans

Individual-based pay plans are the most widely used pay-for-performance plans in industry, and the commonly used is merit pay. Its use is almost universal. Merit pay consists of an increase in base pay which is normally given once a year. Ratings by supervisors on employees’ performance are used to determine the amount of merit pay granted. For instance, performance of subordinates are classified as "below average; average; and above average", and the subordinates may receive 0%; 10%; and 13% pay increment respectively. Once an employee acquires the merit pay increment, it remains a part of his base salary throughout his tenure with the firm.
Another individual-based plan is bonus programs which is also known as lump-sum payments. Bonuses are financial incentives given on a one-time basis and do not raise the employee's base pay permanently. They tend to be larger than merit pay increases since the employer does not face a high risk of making a permanent financial commitment. Bonuses can also be given to employees who achieve certain significant projects, for example, when a challenging project is completed before the agreed due date and within or below the allotted budget.

It has been discovered that most medium-sized companies provide lump-sum payments commonly to their employees who are at the upper end of the salary range.

Awards is also an individual-based plan. They are one-time rewards, similar to bonuses, but are usually given in the form of a tangible prize, such as a computer, a sponsored vacation, or a three-night stay at a five-star hotel.

One of the advantages of individual-based plans is that rewarded performance is likely to be repeated: a widely accepted theory of motivation can tell us why higher pay leads to higher performance. People are fond of doing those things that are rewarded. Money is the key factor to most people, thus employees are likely to elevate their work performance when there is a strong linkage between pay and performance. Since money is a highly appreciative reward, employees will put in their good efforts to achieve certain performance level that will give them in return the desirable reward.

Another major advantage is that financial incentives can shape an individual's goals. Organizations, besides being interested in the performance level of their employees, are also concerned about the concentration of their efforts. A pay incentive can help make employees' behaviour consistent with the organization's goals. For example, a meat supplier has a salesman who has a good market for chicken but whose customers hardly return to the business dealings. The
supplier may introduce a pay incentive technique that gives a higher sales commission to those salesmen who are able to retain their purchasers. This technique would motivate the sales employees to provide good attention to their customers instead of just selling their products.

Other advantages of the individual-based plans are they help the firm achieve individual equity, and they fit in with an individualistic culture. However disadvantages are also encountered in the plans such as: they may promote single-mindedness; employees do not believe in the pay and performance connection; they may work against achieving quality goals; and may cause employees to promote inflexibility.

**Team-Based Plans**

Team-based plans attempt to support other efforts to increase the flexibility of the work force within a firm. These plans normally reward all team members equally based on group outcomes. The advantages found are the plans foster group cohesiveness, and they facilitate performance measurement. Disadvantages, on the other hand, include possible lack of fit with individualistic cultural values, social pressures to limit performance, difficulties in identifying meaningful groups, and inter group competition leading to a decline in overall performance.

**Plant-wide Plans**

Plant-wide plans reward all workers in a plant or business unit based on the performance of the entire plant or unit. These plans are generally referred to as gain-sharing programs because they return a portion of the company's cost savings to the workers, usually a lump-sum bonus. The plans help to elicit active employee unit, and increase the level of cooperation but the weakness is they protect employees who are low performers.
Corporate-wide Plans

This is the largest type of incentive program and is based on the entire corporation's performance. It is a pay-for-performance plan that uses a formula to allocate a portion of declared profits to employees.

Profit distributions are used to fund employees' retirement plans, and they are implemented on a quarterly or annual basis. The employees seldom receive profit distributions in cash, and no attempt is made to reward workers for productivity.

The Benefits of Workers' Compensation

This scheme compensates employees for injuries or illnesses occurring on the job. These benefits are:

Total disability benefits - partial replacement of income lost as the result of a work-related total disability.

Impairment benefits - benefits for temporary or permanent partial disability, based on the degree and duration of the impairment. Injuries are classified as scheduled or non-scheduled. Scheduled injuries are those in which a body part (such as an ear or a finger) is lost; there is a specific schedule of payments for these injuries. Unscheduled injuries are other injuries such as back injuries and these are dealt with on a case-by-case basis.

Survivor benefits - in cases of work-related deaths, the worker's survivors receive a burial allowance and income benefits.

Medical expense benefits - workers' compensation provides medical coverage, normally without dollar/ringgit or time limitations.
Rehabilitation benefits all states provide medical rehabilitation for injured workers, and many states provide vocational training for employees who can no longer work at their previous occupation as the result of a job-related injury or illness.

Questions:

1. Describe briefly monetary versus non-monetary rewards, a criterion that must be considered for developing a compensation plan.

2. Why does a company use the centralized system. State its advantages and disadvantages.
CHAPTER 8

**Objectives:** to make the readers

1. know who is the leader.
2. understand the power and influence of a person.
3. realize that a leader and a manager do not perform similar tasks.
4. know and comprehend the characteristics of a charismatic leader and a transformational leader.

**Contents:**

1. Definition of leadership.
2. Bases of power/ authority, and their connections to influence.
3. Differences between a manager and a leader, and the specific qualities of a successful leader.
4. Basic nature of leadership :-
   a. Traits and behaviors of leaders and their styles.
5. Types of Leaders :-
6. Their characteristics and feasibility.
Leadership

Leadership is important in all organizations. It is the energizer for organizational activities to happen. However we are sometimes confused between leaders and non-leaders such as managers. Leadership may be defined as the process of directing and influencing the task-related activities of group members. Leadership involves other people that is followers or subordinates. Status of leaders can be defined through the willingness of these followers to receive their directions. The non-existence of followers would mean that leadership qualities of a manager or a director are of no use. There is an unequal distribution of power among leaders and group members. Leaders have the authority to direct some of the activities of group members who are not in positions to act similarly towards the leaders. Besides giving legitimate orders or directions, leaders can also influence their followers or subordinates in a variety of other ways.

Power and Influence

Managers are appointed and their ability to influence is based on the formal authority inherent in their positions. On the other hand leaders may either be appointed or emerge from within a group, and they can influence others to perform beyond the actions permitted by formal authority. There are five bases of power to a manager:

Reward Power - the ability by a person (the influencer) to reward another (the influencee) for carrying out orders or meeting other requirements. Rewards however are best used to reinforce the desirable actions of workers and not as bribes to perform their tasks.
**Coercive Power** - the influencer's ability to punish the influencee for failing to fulfill the requirements. Punishment may range to the extent of losing a job. Coercive Power is used to maintain conformity among subordinates.

**Legitimate Power** - the power exists when the influence acknowledges that the influencer has a right or authority to exert influence, no doubt within certain limits, and the influence is obliged to accept.

**Expert Power** - the belief that the influencer has some relevant expertise which the influencee does not for example when we comply with the requirements of our lawyers, we are acknowledging their expert power which is usually applied to a specific subject area.

**Referent Power** - it is based on the influencee's desire to identify with or imitate the influencer. It may be held by a person or a group that is directly related to such factors as the amount of prestige and admiration the influence confers upon the influencer.

**Leaders and Managers**

"Organizational transformation begins with personal transformation. Organizations don't transform people do." By Richard Barrett.

The above quotation directly tells that a change will only happen when members of the organization themselves are ever willing to face and are wanting for the change to occur. Thus people are the root cause for any transformation and they are the agent for all organizational changes. In addition people are the determinants of those changes for the success or failure of the organization.
Corporate Leadership

A person who possesses full and great determination can become a manager and a good corporate leader. The likely unavoidable question is: What is the difference between a corporate leader and a manager?

Undoubtedly there is a linkage between the two roles but they are not necessarily the same. A number of managers are able to function as leaders i.e. by using their influence to meet their goals. However there are managers who just manage and finish off their time implementing management activities such as planning, processing information, communicating with customers, etc. that are only routine in nature. This sort of managers cannot be recognized as leaders.

In an organization a manager and a corporate leader can be differentiated based on two factors:

1. Influence - a leader uses an influence technique with effect. He can influence others for implementation of job and he has the ability to communicate and share the vision that he wishes with other organizational members in order to achieve the goal.

2. Authority - the authority that is used by a manager is formal and this usually accompanies his job. They are legal authority, authority to compensate, and force authority. A manager who is also a leader does not depend solely on the formal authority but uses more of the informal authority that is specialist authority, and reference authority or charisma. Presently a leader uses his authority to inform as well as his ability to communicate with ‘important’ people in the community.

There is no specific characteristic or behaviour that can determine a person as a good leader, whereas it all depends on the interaction that may be complex among other various qualities, and how to use it accordingly in a situation.
It has been discovered that various distinct characteristics help successful leaders to project the quality of their leadership. Among them are:

- **Strong determination to succeed and achieve their goals.**
  Desire for achievement and are highly optimistic; not easy to admit defeat. Prepared to receive responsibility and willing to venture into difficult tasks from time to time.

- **Sincere and a man of integrity.**
  A person that can be trusted; honest and ready to sacrifice for the purpose of organizational goal achievement.

- **Motivational leadership and possesses strategic thinking.**
  Can influence others to achieve his goal effectively. Forever alert to effective ways and methods that are meant for goal achievement.

- **Self-confident**
  Believe in one's abilities but at the same time is willing to accept other people's opinions.

- **Cognitive and analytical**
  Active mind and has the ability to integrate and interpret those information that need specific and accurate understanding.

- **Knowledgeable in one's field of pursuance**
  Looking forward to increasing one's industrial knowledge and other technical terminologies.

- **Creative and innovative.**
  Ability to create and produce new ideas that can overcome conventional views.
Flexible and adaptable.

Able to adapt to situations and followers' requirements without obstructing or damaging the purpose and achievement of the goal.

A leader, besides having a clear vision does not mind to be involved in unconventional activities and ready to face risks as long as he can fulfill his mission. He is much concerned about the welfare of his workers and knows how to place himself under control so that he is forever respected by the members of his organization including the general public. Thus, it can be noted that a leader has specific characteristic features that are different from an ordinary individual.

Management can usually identify potential leaders through the performance evaluation system. These leaders need to be trained in order to elevate their skills and abilities. They should be exposed to the ways and procedures of analyzing, having long-term planning and visualizing a situation as a whole in a creative manner because these are elements that can help them to build up their leadership more effectively. In addition the management should ensure that the organizational environment is conducive and can protect those leaders in their progress of development.

Potential leaders should motivate themselves and be aware of the 'systematic' ways a leader pursues his thoughts and actions, and furthermore they should be inserted with the moral values and ethical work culture. This is to prevent them from emerging as leaders who would abuse their power. A corporate leader is not an opportunist - a person who would not simply withdraw himself and join another corporate body should he run into difficulties. He would try to solve the problem reasonably.

A leader who behaves like a 'dictator' is inviting failure to his undertaking. A turnaround from his subordinates is inevitable, and soon his leadership status will be in a downfall.
In general potential leaders and managers should be self-disciplined and be implanted with priced values so that when they meet with their achievement they will become people of tolerance who are ready to face challenges in life and to self-regulate themselves that is to think before acting. It is realized that the key element of corporate effectiveness is leadership which also plays a central role in politics, sports and other human activities. Furthermore effective leadership is a key factor in organizational success.

Corporate Risk and Uncertainties

The more senior you are, the more risk you face. This is because the ownership of a corporate body can change. Corporate bodies can be bought or sold. The new owner normally has his/her own management team who knows the management style. Many people particularly managers may find the new change and the adjustments they have to make quite challenging. Those that are able to transform themselves will find a new sense of meaning in their work. Those who are unable to change will eventually leave or will feel less motivated - this is a sign of failure.

Qualities of Corporate Leader

: they have the ability to convince others
: they possess human relation skills
: they have negotiation skills
: they are good listeners
: they are problem solvers
: they can turn situation into opportunity
: they are elements of sacrifice
: they can be trusted
Leaders versus Managers

A leader creates mission and strategy
- focuses on objectives
- creative/innovative
- element of sacrifice
- effective use of resources
- uses informal power
- long term planning

A manager implements the mission and strategy
- follows general orders
- follows set procedures
- works as per requirement
- uses resources provided
- uses formal power given
- short term planning

Management is about coping with complexity while leadership is about coping with change. Leaders establish direction by creating a vision of the future.

Leadership- Its Basic Nature

Leadership is the process of influencing others in a group. It is a process whereby an individual influences other group members towards the attainment of organizational goals. Generally, it refers to the use of non coercive influence techniques. A leader is not a dictator who makes others do what they want through physical coercion or by threats of physical force.

It primarily deals with influencing behaviour, attitudes, or actions of others. It also entails using influence for a purpose that is to alter subordinates’ actions or attitudes that are related to specific goals. It is a two-way path.
As leaders influence subordinates, subordinates influence leaders. Subordinates accept leaders' influence because they respect, admire or like them and not because of their positions. Leadership exists in relation to followers.

**Traits and Behaviours**

Early researchers formulated the theory that leaders possess key traits that make them different from other people. They have key distinguishing traits; the traits are stable over time for example the past leaders like Alexander the Great, Abraham Lincoln seem to have possessed high levels of ambition together with clear visions where they wanted to go. According to Kirkpatrick and Locke, the leader's desire to influence others are due to personalized power motivation; and socialized power motivation.

Personalized power motivation is the desire to dominate others, demonstrated by an excessive concern with status. This can cause leaders to seek power in order to attain the desired shared goals. Socialized power motivation concentrated on achieving desired shared goals by cooperating with others especially their subordinates, and developing networks but not domination. Leaders are also known to have high cognitive ability and flexibility. In order to be successful they must have the 'right materials' that are not present in all people. They face demanding jobs with enormous pressures and grave responsibilities. Effective leaders have distinguished traits such as 'who they are' and distinctive behaviour that is their methods of performances may be unique.

Autocratic leadership is a style in which the leader makes all decisions unilaterally, while participative leadership is a style in which the leader allows
subordinates to take part in decision making and where they also get considerable degree of autonomy to complete routine activities.

The combination of the two styles may result in the following patterns of behaviour:


b. Permissive autocrat who makes decisions without consulting subordinates but gives workers a high degree of freedom in their work.

c. Directive democrat who makes decisions with input from subordinates but supervises workers closely.

d. Permissive democrat who makes decisions with input from subordinates and gives them a great deal of freedom in their work.

Leaders tend to adopt any of the above styles but the key is matching the style to the situation. Each style works best in certain environments with certain types of work.

Leaders are found to differ as to their concern with task or people. Those with high concentration on task are concerned with production, getting the job done, inducing rule following, and setting goals. This is the task-oriented style. Those who focus on people are primarily concerned with good relations, being liked, and engage in doing favours, explaining and assuring their welfare. This is to establish positive relations, and this is known as person-oriented style. Each dimension fits particular circumstances thereby establishing their effectiveness, because neither dimension is better than the other.
Leaders' attributions of followers' performance tell us of their perceptions of its underlying causes. How the leader sees his/her followers, the attribution made, affects followers' behaviour especially their job performance. The attribution process is most carefully carried out in cases of poor performance. The implication is that leadership lies as much in leaders' perceptions of those led.

**Charismatic Leaders**

History has helped us to realize and recognize of the many examples of individuals who seem to possess unusual and special skills that equip them for leading others. Charismatic leaders are noted for the following characteristics:

- self-confidence
- a vision
- extraordinary behaviour
- recognized as Change Agents. Status quo is the enemy of charismatic leaders.
- environmental sensitivity that is the leaders are highly realistic about the constraints imposed upon them and the resources needed to change things.

Leaders are considered charismatic based on the performance of their followers whose reactions are:

- above normal levels of performance
- high levels of devotion, loyalty, reverence towards leader
- full of enthusiasm and excitement for the leader and leader's ideas

Since charismatic leaders are considered as heroes, their followers feel very satisfied under their leadership and so the tendency for them to give their best contributions in order to come up with good performances is expected. However, the downside of charismatic leaders especially when they are misguided is inevitable. In addition charismatic leadership does not always fit in organizations.
People’s reactions to charismatic leaders tend to be polarized. It is common for people to either love them or hate them for example President Kennedy of US and Itzak Rabin of Israel who fall victims to assassination.

**Transformational Leaders**

Transformational leadership has the charisma of the charismatic leader that is the capacity to inspire followers with devotion and enthusiasm. The leaders have divine talent as well as other qualities such as:

- they articulate a vision that is they are able to express fluently and distinctly any task and responsibility to be shouldered by their followers
- they provide intellectual stimulation
- they provide individual consideration
- they provide inspirational motivation
- they arouse strong emotions and identification with themselves
- they transform their followers by teaching them

Transformational leaders inspire change in the whole organization, and unlike charismatic leaders, they may not make their followers too dependent on them. Their followers tend to engage in organizational citizenship behaviour. A good indication of a transformational leader is when his subordinates make such remarks "my leader is a man with dignity and he makes me feel proud to be associated with him ".

Leaders must be able to adjust their styles of leadership to the situation they are in. They need to have the ability to adjust their styles to accommodate or adapt their followers’ needs for guidance and direction. They should be alert to the needs for emotional support by the followers.
Questions:

1. Describe the sort of authority that can differentiate between a manager and a corporate leader.

2. Does a transformational leader possess better qualities than a charismatic leader? Discuss.
CHAPTER 9

Objectives: to help the readers

1. understand the roles played by Human Resource Management (HRM) in an organization.
2. realize certain key concepts must be applied by HRM which are important for goal achievement.
3. be more concerned about job satisfaction of employees which may affect an organization’s productivity.
4. comprehend a number of different authorities present in an organization and the ones that may be held by a human resource manager.
5. know the different elements of minor and major misconduct.

Contents:

1. The necessities of HRM and its objectives.
2. Job satisfaction of employees can influence their work performances.
3. The quality of work life and an organization’s code of ethics.
4. Authorities that are practiced by Human Resource department.
5. Types of Misconduct that occur at all levels of workers.
Human Resource Management

Most organizations as in Malaysia instruct their current job applicants to submit their applications to the Human Resource Managers. Who are they? Are they the final decision makers? What sort of operations do they implement?

Human resource management (HRM) plays a major role in clarifying the firm's human resource problems and develops solutions to them. It is oriented towards action, the individual, global interdependence, and the future. Presently it would be difficult to imagine any organization achieving and sustaining effectiveness without efficient HRM programs and activities. The HRM strategies must reflect clearly the organization's strategy regarding people, profit, and overall effectiveness. The human resource manager, including other managers, is expected to play a crucial role in improving the skills of employees and the firm’s profitability.

A number of key concepts must be applied by HRM for its strategic importance, and they are

- analyzing and solving problems from a profit-oriented, not only a service-oriented point of view.

- assessing and interpreting costs or benefits of such issues as productivity, salaries and benefits, recruitment, training, absenteeism, overseas relocation, layoffs and meetings.

- using planning models that include realistic, challenging, specific, and meaningful goals.

- preparing reports on HRM solutions to problems encountered by the firm.
- training the human resource staff and emphasizing the strategic
  importance of HRM and the importance of contributing to the firm's
  profits.

HRM strategic importance has increased, and this indicates that human resource
specialists must show that they contribute to the goals and mission of the firm.
The actions, language, and performance of the HRM function must be evaluated
and precisely communicated. The new strategic positioning of HRM implies that
accountability is a crucial factor.

HRM activities is the key to ensure that an organization will survive and prosper.
Several components such as performance, employee satisfaction, turnover, legal
compliance, etc. contribute to organizational effectiveness. In order to survive
and prosper, a firm must achieve reasonable goals in the related components.
Effectiveness in most organizations is measured on the basis of reaching goals,
employing the skills and abilities of employees efficiently, and ensuring the influx
and retention of well-trained, knowledgeable and trusted employees.

Universally managers recognize that human resources deserve attention
because they are a significant factor in strategic decisions of top-management
that lead to the future operations of the organization. Mission and strategy,
organizational structure, and HRM are the three important elements for firms to
be effective. However it is undeniable that people are the ones who do the work
and introduce ideas for the organization to survive. Without people even the most
capital-intensive and well-structured organizations will come to a standstill.
People play a major role in enhancing or limiting the strengths and weaknesses
of an organization.

Current environmental changes are often related to changes in human resources
such as education, labour market, work opportunities, and employees work
attitudes.
The function of HRM is to respond to these changes. It is essential for top managers to give first preferences to human resources in order to accomplish the HRM objectives with effect. Thus, management must regard the development of superior human resources as an indispensable competitive requirement that needs careful planning, hard work, and assessment.

**HRM Objectives**

Some of the contributions of HRM towards organizational effectiveness are

- Helping the organization reach its goals.
- Employing the skills and abilities of the work force efficiently.
- Providing the organization with well-trained and motivated employees.
- Increasing to the fullest the employee's job satisfaction and self-actualization.
- Developing and maintaining a quality of work life that makes employment in the organization desirable.
- Communicating HRM policies to all employees.
- Helping to maintain ethical policies and socially responsible behaviour.
- Managing change to the mutual advantage of individuals, groups, the organization and the public.

**Employees' Job Satisfaction and Self-Actualization**

Employees are human with feelings who are not similar to computers or documents, and for them to be productive they must feel that the job is right for their abilities and they are being treated fairly. Majority of the employees consider the job as a major source of personal identity that is spending most of their waking hours at work and getting to and from work. Satisfied employees are not automatically more productive. Nevertheless, both satisfied and dissatisfied employees may perform equally in quantitative terms, for example the packaging of chocolates of equal amount per hour by workers of the chocolate products
producing company. However, dissatisfied employees tend to be absent more often, to send in resignation more frequently, and to produce lower quality work than satisfied workers.

**Quality of Work Life**

Quality of work life in general, is a concept referring to several aspects of the job experience. These include such factors as management and supervisory style, freedom and autonomy to make decisions on the job, satisfactory work environment, pleasant work atmosphere, job safety, and satisfactory working hours. Basically, a sound quality of work life program assumes that a job and the work environment should be structured to meet as many of the worker's needs as possible. People need to have a stake in their work and that employees will respond when employers pay attention to their personal needs and their work situations.

Ethical policies can be maintained if the human resource manager shows by example that each employee is important and will be treated ethically. This means that any activity of the HRM will be fair, truthful, and honorable; people will not be discriminated against, and all of their basic rights will be protected. These ethical principles must apply to all HRM activities. Employees and employers besides maintaining ethical standards, are also expected to be socially responsible. For example, few business organizations in Malaysia have advanced their contributions in the forms of food and medicines to the Aids Fund for the Palestinians who are now the 'victims of undeclared war'.

The expected fairness and equitable treatment are usually stated in the code of ethics of an organization, and some of them that are normally practiced are:

- to maintain the highest standards of professional and personal conduct.
- to strive for personal growth in HRM.
- to support the organization's goals and objectives for developing the HRM profession.
- to instill in other members and the public a sense of confidence about the conduct and intentions of the employer.
- to maintain loyalty to the employer.
- to uphold laws and regulations that are in relation to the employer's activities.
- to maintain the confidentiality of privileged information.
- to improve public understanding of the role of HRM.

The setting up of code of ethics for HRM by an organization is to promote and maintain the highest standards of personal conduct and professional standards among the employees and the employers. By adhering to the code the organization is able to gain confidence from the public in its integrity and service of HRM professionals.

Changes

Various categories of changes are happening speedily in most organizations, and they can be changes in technology, economy, workforce behavior etc. Organizations that are involved must be able to respond and manage the relevant changes effectively. New trends and changes have occurred in telecommuting, child care, quality of work life programs, pay for skills, union-management negotiations, including other HRM fields of interest. The existence of these trends and changes are linked to the emergence of new lifestyles and an aging population. The changes have caused the HR managers to initiate new, flexible approaches and use them effectively without jeopardizing the survival of the organization. HR managers must cope with trends and changes while still contributing to the organization. Programs, procedures, and strategies that we
develop to take advantage of new opportunities or solve new problems are becoming obsolete faster than ever.

The world today may appear slow and uncomplicated compared with what it is predicted to become within the next few years. We may have more control and less ambiguity at present than we are likely to have for the rest of our lives.

The Role of Human Resource Department

HR is a service department that assists the organization, its managers, and its employees. HR managers and specialists, being members of a service department, do not have the authority to manage other departments. Instead, they have staff authority, which is authority to advise, not direct, other managers. Line authority is the right to direct the operations of departments that make or distribute an organization's products or service. Those who possess line authority are sometimes called line or operating managers. Line managers make decisions about production, performance, and people. They determine promotions, job assignments, and other people-related decisions. HR specialists advise operating managers and other staff managers who are ultimately responsible for the performance of their employees.

Staff authority though advisory but is powerful. A manager may reject the advice over an HR issue from the HR department. So the manager bears the full responsibility for the outcome that may lead to employee relations problems. In order to avoid disruptive consequences, managers usually consider the HR department's advice and follow it. As a result, the department has considerable influence in forming the actions of other departments' managers.

Top management may replace staff authority with functional authority over specific issues. Functional authority is the right given to specialists to make the final decision in specified circumstances. This usually happens when highly
technical or routine decision is a necessity which allows the HR department to make decisions that would otherwise be made by other managers. For example, if each department manager at Proton were to make separate decisions about employee benefits, excessive costs and inequities would be the result. Thus, top management of Proton makes its HR department to determine the benefit package. If those managers disagree with the department's actions, they can still ask top management to review and even veto the plans. Otherwise, the department makes the decisions in relation to employee benefits to ensure control, uniformity, and the use of its expertise. The HR department no longer advises once it exercises functional authority. However, the use of functional authority is subject to review by top management.

The use of line, staff, and functional authority results in a dual responsibility for human resource management. Both line and HR managers are responsible for employee productivity and the quality of work life. HR departments are responsible for creating a productive climate by finding ways to enhance the organization's quality of work life through its activities and advice to other managers.

It is common for employees to make faults and errors during their undertakings. This does not confine only to the first line workers but it happens to all levels of employees including the top management. Strengths and weaknesses of employees are discovered through these mistakes which may result in improvements and new ideas by the organization. However, when workers are not performing to the level of expectation the organization needs to find out its reasons. Usually this is indicated in the misconduct of the employees where an analysis by the organization is required. The image of a department may be tainted because of the misconduct of the workers that may lead to lower productivity of the organization.
Two types of misconduct that normally happen are:

**Minor Misconduct**
- Late for work
- Leave office without permission
- Absent from work without permission and acceptable reasons
- Action and behaviour that are contrary to the work procedures
- Abandon incomplete tasks and duties without permission
- Borrow money from the company and is served with disciplinary action

**Major Misconduct**
- Often late for work
- Often take leave for more than two days
- Not honest and cannot be trusted
- Insubordination i.e. refuse to adhere to instructions without proper reasons as an individual or as a team
- Often leave one's work place during office hours without the supervisor's permission
- Sleeping during working hours

It is significant for companies to give priorities and take immediate actions over the misconduct at an earlier stage so that current situations will not aggravate. Instead better ways and systems might be introduced to overcome the undesirable occurrences that will benefit the employees as well as the employers.
Questions:

(1) It is inevitable for employees to make mistakes and this is common in most organizations. Describe Misconduct in relation to the above mistakes.

(2) A company is able to operate with the expected fairness and equitable treatment if its code of ethics is maintained. Mention this code of ethics which also helps to promote the professional standards among employees and the employer.
CHAPTER 10

Objectives: to enable the readers
1. comprehend the definition of Impeachment.
2. know how a court proceeding in relation to impeachment is implemented.
3. realize the importance of honesty.

Contents:
1. The requirements of clear job instructions and regulations by workers.
2. How and why does Impeachment arise in an organization.
3. Impeachment and its proceedings; the enabling provision of Section 155 of the Evidence Act.
Impeachment

Impeachment is a court proceeding to discredit the credibility of a witness. The enabling provision is section 155 of the Evidence Act which states that the credit of a witness may be impeached by the opposing party or the party which calls him with the consent of the court. The latter is normally uncommon.

The impeachment procedure is derived through case law. This is usually implemented by taking the witness' evidence in court and comparing it to his previous written or oral statement. The judge must be asked for leave to commence impeachment proceedings.

The judge is shown the previous statement of the witness that is supposed to be different from his evidence in court. The witness remains in the box as the proceeding progresses.

The judge compares the statement and evidence, in order to decide whether material discrepancy exists. If the judge is satisfied that it does, the witness will be asked if he has made the earlier statement. If he denies it, the person who received the statement, for instance a police officer, would be called to testify.

On the contrary if the witness admits making the statement, he will be shown the contradictions and asked which is correct and why such a difference occurs. It is at the discretion of the judge to decide if the explanation is reasonable and acceptable. However, the decision will only be made at the end of the case. Meanwhile, the witness will go on presenting his testimony as usual.

The judge decides whether the witness should be impeached when the case ends. If he does not, the evidence is accepted. If impeachment is prosecuted, the entire evidence is discredited and has no merit at all. Even the undisputed information are considered tainted and not taken into account.
The Evidence Act also allows for impeachment to be carried out through witnesses to testify about the person being unworthy of credit, or proof that he has been bribed to give evidence.

Once a person has been impeached he can later be charged with perjury in court or if he had made a false written statement, for giving false evidence.

Questions:

1. The knowledge of Impeachment may be advantageous to all lines of workers. Discuss.

2. The judge will only decide to impeach or not at the end of the case. Describe briefly the way an Impeachment Proceeding is conducted.
CHAPTER 11

Objectives: to help the readers
1. know the members of Social Security Organization (SOCSON).
2. Understand the purpose of the establishment of SOCSO.
3. Realize the difference between SOCSO and Employees Provident Fund (EPF).

Contents:
1. The coverage of SOCSO for Malaysian employees.
2. The two schemes of SOCSO;
   - The Employment Injury Insurance Scheme.
   - The Invalidity Pension Scheme.
3. The different benefits gained as a member of SOCSO and EPF.
Social Security Organization (SOCSO) of Employees

Employees' Social Security

Employees' Social Security Act was first introduced in 1969, and its coverage was limited to only certain areas in Malaysia. Presently, it applies to all Malaysian employees throughout the country in all industries in the private sector who are earning less than RM2,000 on their first appointment. The only exception is foreign workers are no longer protected by SOCSO since 1993, and instead their employers are required to buy insurance to cover their liabilities. This principle is applied to employee members, i.e. even if the wages of an individual worker at a subsequent date are raised above the RM2,000 level he still remains a member of SOCSO and continues to contribute monthly.

An employee who is not required to become a member of SOCSO because his salary for his first job exceeded RM2,000 can choose to become a member, on condition his employer agrees to contribute on his behalf. Mutual agreement is compulsory.

Public sector workers are exempted from the Social Security scheme since 1983 because they are covered by the Pensions Act and are entitled to medical benefits under their scheme of service.

The main purpose of the Employees' Social Security Act is to establish an insurance system so that employees involved in an accident at work or who develop a work-related disease will be provided with compensation and financial assistance. SOCSO provides a form of compulsory insurance coverage for workers. However, if the worker does not have an accident during his working life, nor does he get any industrial disease, his contributions to the Organization are not remunerable. Employers are responsible for registering their employees as members of the Social Security Organization and to remit the mandatory

85
contributions monthly to the Organization. Any employer who fails to register and to make contributions is liable to be prosecuted.

SOCSO operated two types of schemes i.e. the Employment Injury Insurance Scheme; and the Invalidity Pension Scheme.

The Employment Injury Insurance entitles the worker to treatment at any clinic on the SOCSO panel or at the government hospitals. The expenditures incurred are paid by SOCSO. The worker who is certified unfit for work for not less than four days will be paid a temporary disablement benefit while he is on medical leave. If the employment-related accident causes the employee to be certified as permanently disabled, he will be awarded either a lump sum payment or a monthly pension (base on the amount due to him). If an employee happens to be severely incapacitated where a constant personal attendant is required to take of him, he is entitled for an allowance for such a purpose. If an accident leads to the death of the employee, his dependants are entitled to a monthly benefit over a certain period of time including a funeral benefit. SOCSO even helps to provide facilities for physical rehabilitation of injured workers and also gives vocational training to disabled workers in order to help them find suitable jobs.

The Invalidity Pension Scheme entitles the worker to a pension or a grant and other benefits if he becomes invalid from whatever cause, provided he has contributed to the Organization for a minimum period of time.

SOCSO, since 1982, also covers accidents incurred when workers are traveling to and from work or traveling on a journey for any reason directly related to their work. It is realized that road accidents are on the rise in the country and SOCSO cannot avoid itself from paying out a large proportion of its funds for this type of accident. In order to prevent fraudulent claims, it is compulsory for any traveling accidents to be reported to the police. Should the worker involved in the accident interrupt his journey to or from work for any reason, he is not entitled to
compensation from SOCSO. For instance if he visits a cafeteria to have his breakfast and is involved with an accident at its parking lot, he is not covered by SOCSO.

The Appellate Board which is independent of SOCSO attends to appeals by workers who are dissatisfied with SOCSO regarding decisions of payments.

It should be noted that the Employees Provident Fund (EPF) which also requires compulsory contributions from employers and employees, is not similar with SOCSO. The money contributed to EPF is kept in trust for workers until they retire and is a method of protecting them during their old age. Employees are entitled to withdraw their contributions from the Fund on reaching the age of 55. The Social Security Organization, however, provides a form of compulsory insurance coverage for workers. This means that if the worker does not meet with an accident during his working life, nor does he contact with any industrial disease, his contributions to the Organization, on the contrary, are not returnable.

SOCSO collects large sums of money monthly, and so it has been suggested that the quantum of the benefits it gives out should be increased. Since 1998 SOCSO has provided educational assistance for the school-going children of workers receiving benefits as a result of disablement. This new benefit was made possible in response to requests from the public and interested bodies.

Many complaints have been made against SOCSO for delaying payments to workers, and a number of causes have been discovered for such a situation, including the known fraudulent cases. Thus the Organization has to investigate every claimant carefully. Furthermore, SOCSO cannot approve claims without reports acknowledged by the medical practitioners who provide treatment to the employees concerned. It is common for hospital authorities to become frequently unable to complete their medical reports within a reasonable time frame. This is
due to the fact that public hospitals are heavily understaffed where doctors are often overworked.

The Social Security Organization also plays a part in trying to prevent industrial accidents and at the same time in encouraging employers to establish a safe and healthy working environment. This is one way of promoting awareness with the relevant bodies of the importance of safety at work and ways to reduce accidents.

Questions:

1. Why is it necessary for a worker with specified salary (less than RM2000) to join SOCSO?

2. Explain the Two Schemes that are operated under SOCSO.
CHAPTER 12

Objectives: to enable the readers

a. realize Malaysians of ‘Specific’ skills are still needed in Malaysia.
b. work as a team for the discussion
c. participate and voice out their opinions sincerely on the discussed relevant topic.

Contents:

i. Attracting Overseas Malaysians with specialized skills to return home with “special offers”.

ii. The positive and negative effects of the provision of perks to Malaysians and their country.

iii. The provision should be carefully renewed before its implementation.
Discussion: The "Special Offers" to the Malaysian Professionals/Specialists serving overseas.

A number of Malaysian professionals and specialists in important fields are contributing their services overseas. They might have been sponsored in their early days either for their lower or higher education by Malaysia. At the same time Malaysia is forced to bring in some foreign professionals and specialists in order to fill up her current needs. Thus the Malaysian government has suggested that "special offers" will be given to those professionals and specialists who originate from our country if they were to return home with their services. This is an incentive and a means of attracting them to serve their own people. Is this a justifiable action?

Overview - Positive and Negative

It is a wise action by the Malaysian government to provide special offers or perks to the Malaysian professionals and specialists serving overseas (MPSO) since this is a means of attracting them to return home. Malaysia is shortage of this category of workforce with high knowledge, skills and wide experience especially doctors and engineers whose services are highly demanded. These professionals may be receiving good compensation or payments abroad, and so such offers act as a tool to facilitate them during their career lives in their motherland. Their presence in Malaysia will help to reduce expenditures of 'importing' expatriates who will take some time to adapt themselves to the Malaysian culture. On the contrary the MPSO will not encounter with any problem to settle in Malaysia because they will not feel foreign to the living conditions here, and furthermore they will be serving their own people.
Another advantage is that communication breakdown will hardly arise especially with the rural folks because Bahasa Melayu is still the national language of Malaysia. They do not have to learn a new language. In addition the economic growth of the country can be improved if the MPSO were to take over the duties and responsibilities of the expatriates because cash-outflow will decline.

The MPSO will put in good efforts for their services because this is an honour for them to be invited home by the Malaysian government. The provision of the "special offers" will make them feel appreciated and motivated.

However it is unavoidable for disagreements to arise over the suggestion. Firstly the Malaysian government may have to reserve some allocations for the home-coming flight expenditures of the MPSO (totally or partially) that may include their families. Money that is to be used for the special offers can instead be utilized for further training or studies by especially the dedicated locals to acquire the needed skills and knowledge that can improve their performances resulting in good services to the country. This is a definite sign for an increase in productivity to the relevant professions. The work quality of the MPSO is questionable. Their return to Malaysia is not on the basis of being patriotic or the love for their country, but solely due to the good salaries and lucrative offer. An authentic Malaysian should try to further develop and progress his/her country and not providing services which should be conditional. It will not be a surprise for this category of people to repeat the previous lifestyle of pursuing their careers that is to migrate again to countries that hold better offers for their jobs in the future. Should they be regarded as the loyal citizens of Malaysia, or they are just a group of "opportunists". The present Malaysian professionals and specialists who have put in all efforts to serve the country from the very beginning of their professions will feel less motivated over the government's action. In fact their contributions have helped to administer Malaysia harmoniously.
Unfortunately they are not being appreciated and rewarded, instead those who left the country for greener pastures are being given the "undue" honour and respect! The provision of "special offers" or perks should not be practised.

Questions:

a. Is the incentive scheme by our government to those professionals and specialists of Malaysian origin justifiable, and will meet the government's objective of improving Malaysian's standard of service? How? Give your reasons.
CHAPTER 13

**Objectives**: to help the readers

a. understand easily the reasons for the formation of the Employees Provident Fund (EPF).
b. realize the contributions of EPF to its members.
c. comprehend the ways the fund of the contributors are being managed.

**Contents**:

a. The role of EPF and the workers under its coverage.
b. The process of EPF as required by law.
c. The operation of the necessary three main accounts of EPF.
d. The availability of Provident Funds in other countries.
e. The management of EPF, its withdrawals including its dividends.
The Eligibility of the Employees Provident Fund

The first thing to realize if you are in the private sector, or are a non-pensionable government servant or a foreign worker (but not a maid or an expatriate), is that you are entitled to Employees Provident Fund (EPF) savings. You can be a temporary worker or paid daily. As long as you are a "worker" you have to contribute.

The Role of EPF

The main role of the EPF is to provide financial security to its members, especially after retirement, through a compulsory savings scheme. Contributors can withdraw their EPF savings at age 55 to enjoy a comfortable life by having a regular income upon retirement. As supplementary benefits, members are allowed to utilize part of their savings for house ownership, children's education and healthcare.

The EPF is the world's oldest national provident fund. It was established under the EPF Act 1951 on October 1 1951 and the first contributions, totaling RM2.6 million, were received in July 1952.

When the EPF was set up, its aim was to safeguard the financial and savings interests of the lower income group of private sector employees. The scheme originally covered workers of 16 years of age and above who earned not more than RM400 and were on the payroll of an employer with a staff of over 10. By the 70s, the scheme was extended to all workers except for pensionable public sector employees. Presently the scheme covers all non-pensionable employees in the public sector.
**The EPF Process**

Your employer has to remit 12 per cent of your salary in addition to the 10 percent that is automatically deducted from your pay to the Fund. This is required by the law and is mandatory under the EPF Act 1991. If either you or your employer, or both, would like to contribute more than the statutory rates, this is also possible.

If your company is not making EPF contributions for you, report its non-compliance immediately to the EPF. When you start work with any organization, it must register you with the EPF. You will then be issued with an EPF membership number. This number stays with you throughout your working career, even if you switch jobs. In the event of default by your employer go to the EPF promptly with relevant documents to prove that you are an employee of that company. These include, for example, your letter of employment and your monthly pay-slips.

Companies that fail, first of all, to notify the EPF of their existence within 30 days of incorporation face a fine of up to RM2,000. If they do not register with the EPF within the first week of paying out salaries to staff, they can be fined up to RM10,000.

The EPF itself has an enforcement division with officers who routinely make door-to-door checks on companies to ensure compliance with the EPF Act. Once your contributions are remitted on a regular basis, you can feel assured that you will have a considerable sum of money to provide for your needs once you retire at the age of 55.
The Three Accounts

In response to requests from contributors to be allowed to withdraw a part of their savings, the EPF decided to allow withdrawals to fulfill certain basic needs, such as housing and health care, which are indirectly related to retirement.

To streamline the withdrawal mechanisms, the EPF has in fact divided your money into three accounts, each of which can be used for different purposes.

Account 1, which makes up 60 per cent of your total savings, represents the money that you are guaranteed of having upon your retirement. You cannot withdraw the money in Account 1 before reaching 55 for any other purpose. However, in the interest of members who may prefer to exercise greater control over their savings, the EPF has, with effect from November 1996, opened door for members who have achieved a certain level of savings (a minimum of RM55,000 in their retirement account) to transfer certain amounts to invest with fund managers approved by the Ministry of Finance.

Account 11 consists of 30 per cent of your total savings and can be used to buy a house. Under the Housing Withdrawal Scheme, you can take out your money from this account to buy or build a house, or to reduce or settle the balance of a housing loan. You are allowed to withdraw only once for buying or building a house; but can withdraw once in every five years to reduce or settle the balance of your outstanding housing loan. In addition money from this account can be used for your children's education and yourself.

Account 111, which consists of 10 per cent of a contributor's total savings, can be used to pay your medical fees incurred because of a critical illness. The Medical Withdrawal Scheme under which members can take out money from this account has been provided to help members whose medical expenses are not covered by
their employers. This facility is not restricted to members themselves but is also available for use by their spouses, children, parents and siblings.

The EPF also provides a Physical or Mental Incapacitation Withdrawal Scheme designed to help workers who are disabled while still contributing to the Fund. Under this scheme, they can take out all their savings immediately.

Leaving the Country Withdrawal Scheme is meant for foreigners and Malaysians who denounce their citizenship, and it allows such members to withdraw all their savings. The EPF does not impose any restriction on the withdrawal of savings of foreigners. They are entitled to all their savings when they leave, and can still return to work in the country later if they desire.

Upon the death of a member who was still contributing to the Fund, his savings are automatically given to whomever the member had nominated as his beneficiary. Should there be no beneficiary, then the next-of-kin will receive the money.

According to the EPF, most members have not nominated beneficiaries for their EPF savings, and this has resulted in complications in payments to the next-of-kin. Problems have arisen when a member has nominated his beneficiary before getting married, for instance, and forgotten to change the name subsequently. This means the person who was named early on is still entitled to the money, and not the member’s wife or immediate family.

Every time you receive a statement from the EPF, you are reminded to update your beneficiary nomination. It is beneficial to read your twice-yearly statements from the EPF carefully, not only to see how much you have accumulated in your account, but also to understand more fully and keep track of the current happenings.
The EPF is a national plan that seeks to protect the rights of employees to retirement savings and to enhance the value of their savings for post-employment financial security and well-being.

**Questions:**

a. Explain the three key accounts operated by EPF for its members to gain.