

# LUNCH ROOM DISCUSSION RAISES AN ARRAY OF HR ISSUES AT FONTEL

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## CASE DESCRIPTION

*The primary subject matter of this case falls in to the discipline of Human Resource Management (HRM). Secondary issues examined in the case study belong to the highly interrelated discipline to HRM, Organizational Behavior (OB).*

*The case study is written keeping the undergraduate (Bachelors) and postgraduate (e.g., postgraduate diploma, MBA, M.Sc. and M.Phil.) students following courses related to Business Management/Administration, HRM, and OB. The case is designed to be taught in one lecture session of 2 h (120 min) duration. Students need to be taught about the basic functions of HRM before they are given the case. It would be beneficial if the case study is shared with the students after a lecture on functions of HRM. The students should be asked to engage in reading the case and outside preparation for at least 3 h. The case may be then discussed in the class room by the students in groups for 60 min before the group presentations are made.*

## CASE SYNOPSIS

*The case presents the content of a discussion that has taken place in the lunch room of the head office of a leading mobile telecommunication service provider: Fontel. The discussion takes place between groups of young telecommunication engineers, who are in-charge of different sites around the country. This discussion happens on a non-working day (Saturday), and therefore the group engages in a leisurely discussion and it reveals several different issues faced by site engineers in various parts of the country. Unfortunately, all these issues highlight the shortcomings related to different HRM functions.*

## BODY OF THE CASE

### **Company and Industry Overview**

Fontel Telecommunication Company is a leading mobile communication service provider in the country and is continuously expanding after it being acquired by another local communication and entertainment service provider in 2010. The corporate culture in this technology-based company mainly emphasizes customer centricity, which focuses on building long lasting relationships with customers by providing them a high-quality service. The company has a very large individual and corporate customer base. Fontel's strategic plan attempts to carefully drive its workforce towards giving priority in all they do to maintain its positioning as the mobile telephony lead in the country. Clear focus on the business operation is highly essential for a company operating in the rigorously competitive telecommunication industry of the country, as the penetration among citizens for using mobile telephone connections is becoming greater over the usage of fixed telephone lines. This gives a lot of business opportunity for all the established and reputed companies in the mobile solution provider market, who

compete with each other to grab the fixed market share. The top management of Fontel strongly believes that they will not be able to cater to the shareholder demands and the customer expectations unless they have the best quality and high caliber people on board. As such, the company is keen on having people of the right caliber with the right skills and attitudes who can drive the company towards its long-standing mission (Reiche et al., 2016).

Despite all these efforts by the top management, it is visible that there are a variety of people issues that arise from time to time in the organization, which demand the attention of the Human Resource (HR) Department as well as the top management.

### **Leisurely Discussion of Telecommunication Engineers in the Lunch Room**

A group of young telecommunication engineers who were at work on a Saturday to complete some of their work assignments were sitting together having lunch at the lunch room while engaging in a leisurely discussion on the problems they encounter in their day-to-day work environment. These engineers belong to the Engineering Division of the company, which is the main department in any telecommunication organization. It does not mean that these issues discussed are present only in the engineering department. There is evidence that these matters are even present in the other divisions as well. Since it was a holiday, these people were not in a hurry and therefore engaged in a relaxed and open discussion, as they were sure that there is nobody to inquire why they are in discussion for so long. Each one was trustworthy to the other as they are coming from different batches of the same university which is the most prestigious for a potential telecommunication engineer to study. This trust among each other enabled them to openly discuss the matters and the pressure they face regarding the issues.

Everybody inquired Leon, who is the Regional Telecommunication Engineer for Region A, about the recent incident that took place in one of the sites managed by him. He looks after more than 100 sites and therefore holds great responsibility. During the previous week, two third of the sites under him were down and he faced great trouble in bringing them back to the normal condition due to manpower problems. He had about eight technical officers, technical assistants, and rigger technicians working under him. Out of that two well-experienced technical officers resigned one month back as they felt they are not remunerated sufficiently for their work efforts. As a result, Leon was facing great trouble in managing with the loss of these two people. To add to that, he was also given two newly recruited technical officers who had passed out from a private higher education institution, with which the HR manager had strong personal contacts. According to what was heard by Leon, the HR department has collected the Curriculum Vitae (CVs) of these two people and just had an interview in the form of an informal discussion before hiring them. But the usual practice should be to carefully scrutinize the CVs and to have a formal panel interview followed by a practical test where their practical capabilities will be evaluated. Leon is very unhappy about hiring those two technical officers as they are incompetent in performing their jobs. According to Leon, as those two were not competent enough, the fault occurred in Region A remained until experts from the head office arrived to rectify it. Leon had to give explanation to the Head of the Southern Zone about this incident.

Listening to the Leon's explanation, Morely added that it would negatively affect Leon at the next Performance Evaluation (PE) which is due in the next month. Leon, continuing his explanation about the incident at Region A, further revealed that one of the two technical officers is suffering from asthma. Therefore, he is finding it difficult to engage in certain activities of the job as they cause him to develop wheezing. Dilex, who was another engineer involved in the lunch room discussion then surprisingly asked, "*How could it be? We recruit all employees after*

*a medical checkup? Then how come it was not revealed?"* Taking the information shared by Leon into consideration, everybody realized that due to the strong relationship of the HR manager with the private higher education institute, from where these two technical officers have passed out, Fontel Telecommunications Company have recruited these people without performing a medical investigation.

While Leon was emphasizing about the problems he is facing with these two technical officers, the focus of Morely was on the problems that he and his colleagues are facing about the performance evaluation process in the company. He said that, *"we need to be very careful with the performance evaluations as the results might affect our job security."* Then Dilex added that the performance evaluation process of the company is not that structured and formal. Therefore, he never thought that it would cause any negative harm. He said, *"we don't get any big increments for superior performance or evaluation results, then how come we have to face serious repercussions if we get a negative result?"* Morely added to the discussion that it is how things take place and therefore they need to be careful with the recent trend for outsourcing, in the telecommunication industry. He also said that, Fontel is also thinking about outsourcing certain functions-the engineering activities. They also discussed about the possibility that the business will be taken over by another well-known telecommunication service provider. This would create the threat of losing jobs for most of the existing employees of Fontel. Some of the newly arrived telecommunication service providing companies to the country, have already outsourced most of their operational functions, keeping only the managerial level staff in the permanent carder. According to Morely, Fontel is also trying to get into that approach. After hearing that, Leon was happy, as he was thinking that, then the first to be terminated would be the new technical officers. But Morely emphasized on the need to be careful as Leon being the boss had to give explanation about the problem in Region A.

Victor, who was also another engineer listening to the discussion so far, aggressively blamed the management saying that they are using the performance evaluation results only to give negative treatment to people without using the same in giving increments or performance-based rewards to the staff. According to him, the company is earning a remarkably high income, but it is facing high expenses as it spends massive amounts on sponsorships, which do not provide good returns. Victor says that the management does not care about the most valued asset of the company; who are employees and instead it is focusing on enhancing the reputation of the company by providing sponsorships in massive amounts for marketing activities. This has left the company with unnecessary financial difficulties. After spending such massive amounts on activities focused towards sponsorships, the company does not have sufficient wealth at the end of the year to give performance-based increments and bonuses to its high performing employees. Though Victor is an engineer, he has completed a professional qualification in HRM and his knowledge in HRM gives him the understanding that the company will have to face a lot of serious problems by losing key employees if it continues to neglect key HR duties. He highlighted that good HRM practices will be beneficial for the organization to avoid failures and become successful with its future endeavors in facing competition created by the other telecommunication giants. Instead of implementing good HRM practices, the engineers realized that the management is adopting certain practices which will encourage the employees to leave, as then it would make the life of the management easy in outsourcing the operations after a staff cut.

Apart from all these, the engineers discussed that, though the top management is showing greater emphasis on its people, there are no improvements in productivity and performance of

employees as the employees know that they are neither punished by the management for weak performance nor rewarded for superior performance. It is also seen that, the staff of the company is given too much freedom for loitering and gossiping here and there and even if the bosses observe these, they show a blind eye towards them thinking that they would get a negative feedback from the subordinates at the 360° Appraisal. At this point Morely advised Leon, not to be too harsh on the two technical officers as they would also give a negative evaluation to Leon in the 360° Appraisal. Further he highlighted that the HR procedures in the company at present are having lot of loop wholes where people can enjoy a lot of freedom. Operations and maintenance section of the Engineering Division was de-centralized recently to reduce the time taken to attend to the faults as well as to reduce the transport cost, as the company is highly emphasizing on giving greater customer service. But being a Regional Engineer, Leon observes that there is no mechanism to carefully monitor the performance of the regional staff. Dilex added to this saying that he overheard about employees in a regional office being merry during office hours neglecting work, with the support of the Regional Engineer.

All engineers were common in their opinion that they should try as much as possible to be careful in their respective work areas without trying to show much commitment and loyalty towards the organization as they are not rewarded for their extra commitment. They all were de-motivated, and they also understood that most of the enthusiastic staff members are de-motivated as they are not given good increments and are not offered with a sufficient performance-based pay on their performance. This lack of motivation is observed among all levels of staff, especially focusing on the middle and the lower level management. As the company has not properly linked the performance appraisals with the rewards, the employees are getting only a 5% increment at the end of the year irrespective of their performance, and therefore they are not encouraged to work better. Dilex added here that one day, one of his colleagues said that *“whether we work or not, we all receive the same salary increment as the others, so why do we need to take the trouble to be committed workers.”* Then the others said that, the employees who had been in the company from the time of inception also share the same view. However, Victor mentioned a different point here saying that, the problem with the old people is different from what the young and qualified people face. These older staff is very much lethargic and the performance evaluation system at present is unable to create an attitudinal change among them. According to Victor, the focus of the HR department is also on exploiting the new and young staff of the company through the performance evaluation system rather than creating a drive for performance among all staff in the organization.

After some time, the engineers Leon, Morely, Dilex, and Victor realized that they had been engaged in a long discussion about the problems that they face at work and understood that all of them have some concern. It gave them the idea that being educated, qualified engineers, they are just wasting their time and energy with their company and therefore decided to look for better prospects in overseas companies which are leading global giants in the telecommunication industry.

## METHODOLOGY

This case study is developed based on a series of actual incidents that had taken place in a leading telecommunication company in the country. The information was collected for undertaking an assignment for the subject HRM in the Master of Business Administration Programme and the case was developed by editing the information slightly.

## TEACHING OBJECTIVES

It is recommended to use this case study to realize the following objectives:

1. To provide the non-employed students with an understanding about the actual HR related problems that occurs in real world organizations.
2. To highlight the students about the difference between the theory and practice of HRM.
3. To provide a platform for the students to apply the theoretical knowledge learned in the class room on basic HR functions to solve corporate problems.
4. To highlight to the students about the importance of the HRM function for the overall organizational performance.

## TEACHING METHOD

The uses (lecturers and tutors) have the complete freedom to use this case study in their teaching activities at their sole discretion. However, the following is model guideline on how this can be used to achieve the most outcomes.

The case study should be shared with the students after a lecture on basic functions of HRM. When using for postgraduate programs with the working students, it can be shared before the lecture for them to go through before attending the class. Then references can be made during the session to the case and it can even be discussed in between the theory session. However, if the case study is used in a separate session such as a tutorial class, it is highly recommended to use the group case analysis approach.

The following is sample timing guideline for a 2-h tutorial class:

- Reading the case by the students individually: 15 min.
- Discussion of answers to questions in groups and taking notes: 45 min.
- Group presentations: 40 min.
- Summarizing and review: 20 min.

## DISCUSSION QUESTIONS AND MODEL ANSWERS

**Question 1: Discuss the significance of sound HRM practices for a company like Fontel, operating in a rigorously competitive industry.**

Being in the telecommunication industry of the country which is a growing and prospective market, it is important for Fontel to maintain its successful position that it had been enjoying so far in the industry. As there are a lot of established telecommunication service providers in the country, the company needs to be successful amidst rigorous competition, through sound management practices in all functional areas, could it be human resource management, operations management, marketing etc. Especially as the company culture is emphasizing on customer care, it is important to keep the internal customers the employees happy as then only they will make the external customers happy. If the company is not making its internal customers happy, then the worries of them will affect the way the employees treat the customers. There can be situations where a small mistake by an employee in their service to the customer could lead to losing that customer to another competitor who also provides an almost

similar or a better service. The incident that has taken place at the Region A site is a clear depiction of what could happen to company overall performance due to poor HR practices.

**Question 2: How could there be this many HR related problems in this organization, when the top management of the company has identified the importance of the human resource?**

The information shows that the top management is aware of the importance of the human resource in their organization at the policy level. Hence, they expect to get the best caliber people on board and that idea seems to be included in black and white in the policy documents of the company. But when it comes to implementation of HR practices, which is a shared responsibility of the HR department and the line managers, a lot of weaknesses could be observed as emphasized during the discussion of these engineers. Though the company expects to provide a good working environment to its employees, the discussion depicts that there are problems with the quality of the work environment. Though the expectation of the company is to make the employees passionate about work, it is seen that the HR practices of the company at present makes passionate employees also less passionate.

It is obvious that there could be people issues in all organizations emerging from time to time, but the concern here is that the HR issues at this company have emerged due to the ignorant behavior of the HR department of the organization. These obvious weaknesses in HR practices are opening the gates to problems which can be easily avoided. The discussion between these young engineers manifests the issues faced by them and demand careful consideration by the HR department for the matters to be nipped in the bud. The fact that these issues discussed by the engineers is present not only in the Engineering Division but also in the other divisions as well indicate that, the HR department needs to take prompt action on this organization-wide issues before they cause the company to collapse.

**Question 3: Explain how this kind of a leisurely problem sharing discussion in the lunch room will be helpful for the well-being of these employees.**

In one hand it is good that these people who are trustworthy to each other engaged in a discussion like this, as then they could share the problems faced by each other and understand that all are facing some kind of problems when it comes to the work context. It would be very much useful for them to avoid frustration and discuss how to face these challenges successfully. This will help to reduce their stress levels and thereby lead to greater well-being.

**Question 4: What are the mistakes that have been committed by Fontel management in performing the following HRM functions?**

**Employee Selection**

The issue that had taken place at Region A, for which the engineer Leon was responsible, is coming under the selection function. Selection is the process of choosing the most appropriate candidate from the pool of applicants recruited to fill a particular job vacancy. It is obvious that none of the activities related to the recruitment function has been performed by the organization in attracting CVs of qualified candidates for the post of technical officer in the Region A; instead the company has collected two CVs of people passing out from a higher education institute known personally to the HR manager. This depicts that, the company has not followed good

recruitment practices, which if followed would provide the company with a qualified pool of candidates to make the selection. The HR manager has violated the traditional selection process followed by the company in specific, as well as the process that should be followed by any organization in general, in making a selection. The HR Department has collected the CVs merely for the sake of collecting them but has not evaluated them with utmost care. The purpose of getting a completed job application form from a candidate who wishes to be employed is to assess his or her suitability for the vacancy. The company has not assessed the suitability of the new technical officers by scrutinizing the CVs, according to what is indicated by the discussion. The information reveals that the company has not conducted a proper interview as well.

Out of the various interview types that could be conducted in an organization, such as the individual interviews or panel interviews; and structured or unstructured interviews, the company has conducted neither. It had only conducted an informal chat with those two candidates, which is not appropriate at all, especially when hiring people to this type of a leading telecommunication company. Usually it is the practice of all reputed companies to get the immediate superior to be of a potential employee to the interview, in addition to the Head of the Division he is supposed to work, while having a representation from the HR Department. But it is shown that this company has not asked Leon or his boss to be present at the selection interview for the two technical officers. Further, it is visible that there is no pre-employment test that has been conducted to evaluate the competencies of these people. The main reason for the failure at Region A sites is the incompetency of these inappropriately recruited technical officers. When more than two third of the sites under Leon were down in the previous week, the site technical staff were not competent enough to rectify them until the technical support was provided from the Head Office. It is very much important to conduct a practical test regarding these types of jobs which not only require knowledge but require hands on experience. It is implied that this hiring is done simply based on the personal contacts of the HR manager violating the established selection procedures of the company.

### **Performance Management**

It should be appreciated that the company is following the practice of conducting an employee performance evaluation for employees of all levels. However, the incident shows that there are certain loop holes in the process which reduces the quality of the function. Morely alerted Leon that the recent incident at Region A might negatively affect the performance evaluation results of Leon despite all the good performance he had shown so far. Morely might have brought up this point to alert Leon as similar types of incidents have taken place even previously in the company to other employees. This shows the probability for the evaluation error of “*Recency Effect*” to take place. When the evaluator’s ratings are heavily influenced by the results or behaviors exhibited near the performance evaluation period, the error of “*Recency Effect*” could take place.

The points highlighted by Morely regarding the performance evaluation indicate that the management has failed in accurate usage of the results of performance evaluations. This has made it difficult for the company to secure employee acceptance for the PE task. It is clearly proven by the statement made by Morely. “*We need to be very careful with the performance evaluations as the results might affect our job security.*” They think that the management might use the PE results as a weapon in laying off employees to achieve their objective of outsourcing. According to Dilex none of the employees and the management has taken the PE process serious so far, as they did not feel it is formal and structured. This shows that employees do not have any

faith about the PE scheme at present because it is not linked with the pay management function. It is essential to use PE information to make the rewards decisions, but the HR Department had not adopted that.

According to the comments made by Leon, the weaknesses with the performance evaluation process have affected the productivity of the employees of all levels. According to him though the HR department gives greater publicity on the performance evaluation process of the company, they are not conducting it with an end result in mind. If there are no positive rewards for superior performance and punishments for weaker performance, the employees will lose faith about the performance appraisal scheme. It is also seen that the company is adopting one of the best methods available for performance evaluation as it is using the 360° appraisal method. But the employees do not conduct it in an objective manner. Bosses are scared that they would get poor evaluations from subordinates and therefore, they are showing a blind eye towards certain wrong behaviors. If there is a good mechanism in the evaluation system, it would control the unproductive behaviors of employees. The prevailing evaluation system encourages unproductive behaviors from employees such as loitering and gossiping while creating a threat on the superiors who tend to discourage such behaviors.

It is common place that this type of errors could take place in any organization due to lack of training for the evaluators and as such it is the responsibility of the HR department to organize training programs to line managers who are conducting the performance appraisals of others. This could enable the company to minimize evaluator errors. In addition to training evaluators, it is the responsibility of the HR department to communicate the significance of the performance evaluation process to the employees by building their confidence in it. The performance evaluation should not be done with the purpose of creating fear among employees about their job security.

### **Rewards Administration**

The case study states that two well experienced technical officers have left the company about one month back as they were not happy with the remuneration offered to them for their work efforts. This means that the rewards administration function of Fontel is not linked properly with the performance evaluation function. Hence, the high performers are not remunerated well. One of the basic objectives of reward administration is to retain the most appropriate employees within the organization. But the said situation shows that the rewards management function is not structured to achieve the desired objectives of it. The HR Department should be careful to protect the high performers within the company. But if they leave and join the competitor firms it will be very much harmful due to the rigorous competition prevailing in the industry. As such the HR manager needs to pay his attention on structuring the rewards management function to achieve the key objectives of it, which are:

1. To attract suitably qualified people to the organization.
2. To retain the most appropriate employees within the organization.
3. To motivate employees.
4. To comply with legal requirements.
5. To ensure equity.
6. To control employment costs.

The variable pay component of the salary in the company should be strongly linked with the results of the performance evaluation process. A performance-based rewards scheme will not only motivate people like these four young engineers, but also will create a performance driven culture within the organization. It is very much important to have such a culture within the business to face the competition prevailing in the industry. It is important for the management to not only reward employees on a financial basis but also, they can provide other perquisites to recognize high performers. Further they can implement employee recognition schemes in the company instead of focusing only on financial rewards. These might be of immense use if the company is facing financial difficulties which may prevent them from offering big increments to employees.

Further it is important for the HR manager to discuss with the top management about allocating a sound HR budget for the organization. Otherwise it would be a very pathetic situation where this type of an established corporate giant does not have funds to look after the most valuable asset, even though they spend money for many public relations activities. It would prevent the company from falling into a situation where they do not have enough wealth at the end of the year to reward employees. Then they can give sufficient training to employees plus provide increments without making the workforce suffer due to the shortage of funds.

**Question 5: Explain the importance of the medical investigation in the selection process referring to the incidents that have taken place in the case study.**

A fundamental error is visible in the selection process at Fontel, as one of the newly recruited technical officers is suffering from Asthma. This causes him problems to engage in the duties assigned to him, especially as a field employee who need to climb up towers, be in the sun etc. Dilex's statement shows that though the traditional practice is to perform a medical checkup, but unfortunately it has not been done here due to the personal contact between the HR Manager and the private higher education institute from which the two technical officers have been introduced. If the medical examination was performed it would reveal that the person is not in a suitable health condition to be employed in this type of a job. It would then reduce the problems faced by Leon in getting work done as it would eliminate the problems faced by the employee due to his poor health condition.

**Question 6: How does a poor selected decision negatively impact on the overall performance of organizations? Elaborate your answer with reference to the incidents discussed in the case.**

Selection function has a direct effect on the quality of human resources available in the organization. These incidents indicate that the HR Manager is only focusing on his personal contacts without paying any attention to the quality of human resources that should be in the firm. This ineffective decision has brought incompetent and unhealthy staff on board and it had impaired the organizational performance as well. The incident happened in the Region A site faced a long delay to rectify the error and at the same time incurred a lot of unnecessary costs for transporting a team from the Head Office to correct it (Mayo, 2016).

Based on the theory on selection and the incident taken place at the company, the following consequences of a poor selection decision could be identified.

1. Expected job performance is not delivered, as the wrong employees are within the organization.

2. Company has lost the required contribution that could have been otherwise gained if it selected the right candidate.
3. The costs borne by the company for inducting and training the poor selection will be a total wastage.
4. Losses have incurred due to the incompetency of the wrong employees.
5. The bosses of the wrong employee as well as the other colleagues will face stressful situations as Leon is facing.

**Question 7: What are the solution options available for Fontel, to rectify the selection mistake committed in hiring the technical officers?**

Now that the company has made the selection decision, the solutions that they can adopt to rectify the mistake are one out of the following options.

To terminate the employment contract of the two newly hired technical officers if they are still in the probationary period, on the basis of poor performance and poor health condition. But if the two employees attempt to take legal action against the company, the company will be in trouble as the labor law does not allow an employer to terminate an employment contract based on poor performance or poor health. The company might have to face deep trouble in such a situation as they also have a fault with them, where they have not followed the proper selection procedure.

1. The employee who is with a bad health condition need to be directed to counseling and there he can be explained that he is not suitable for the job and can be given the option to voluntarily leave the organization or give a transfer to another department where his health will not affect his regular course of work.
2. The other technical officer needs to be given a proper training and achievable performance targets for him to overcome his incompetence to perform.

**Question 8: Who is responsible for the HR issues that have occurred at Fontel?**

Though this is an incident that has taken place at a leading telecommunications company, these types of issues are common in many private and public-sector organizations in the country. The ultimate responsibility or the fault for these types of issues lies in the hands of different parties when it comes to different organizations. In some cases, it is the fault of the top management or the HR Department while it could be the fault of the line managers as well as the employees or their representative trade unions. In the situation discussed here, the sole responsibility for the issues lies in the hands of the HR manager and his department.

**Question 9: Provide recommendations to Fontel as to how they can re-structure the current performance evaluation system in the company to achieve the expected objectives.**

The issues pertaining to the performance evaluation process of the company needs to be addressed immediately, by making the process structured by adhering to the following steps carefully.

1. Establish clear SMART objectives for the PE task.
2. Formulate policy documents with the agreement of the top management about the key decisions relevant to performance evaluation process.
3. Establish criteria and standards for the PE.
4. Select the most suitable method to be adopted in implementing the PE.

5. Design an evaluation form and procedure carefully.
6. Train evaluators.
7. Appraise.
8. Discuss PE results with the respective employees.
9. Make decisions and review the process on a regular basis to incorporate changes as needed.

Further it is very much needed to link the results of the performance evaluation process with the pay management function in such a manner, that better performers will be rewarded at the expense of the weaker performers. This will enable to create a cultural transformation within the organization which will make a huge impact on the corporate bottom line.

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