Case on Al Yalis's Strategic Human Resource Management related Issues

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A R T I C L E   I N F O

A B S T R A C T

Overview: Al-Yalia is a diversified corporate enterprise with their headquarters in Abu Dhabi, UAE. The company is engaged into hospitality, healthcare, retailing, higher education and the manufacturing of automobile spare parts. The 150 year old enterprise had its origin as a family business, when the founder, Ali Al Maskeri (Ali), after graduating from the Harvard Business School decided to venture out on his own. From a humble beginning with a hotel in downtown Abu Dhabi, Al-Yalia group became a conglomerate spanning across sectors, with offices all around the Gulf Cooperation Council (GCC), South Asia, Australasia, Continental Europe and the Americas. The company has been successful in carving out a niche for itself all across the globe and notably in the GCC region, owing to its benchmarked HR practices drawn from various industries. Customizing and implementing the best Human Resource practices has been the hallmark of the corporate entity. The parent company is presently headed by the eldest son of Ali, Mubarak, while the HR operation is donned by Ali's younger sibling, Abdulla. The group has a total of 4987 employees spread over all the Strategic Business Units (SBU) and offices in different parts of the world.

Issues in the Environment

The success formula which was fetching accolades for the diversified business enterprise is now encountering a range of issues, cascading through all the sectors, the group is engaged in. The macroeconomic indicators all across the GCC region has undergone a tremendous change, courtesy the amended legislations, as well as other global happenings. The labor market has also changed to a very large extent with many countries in the region emphasizing on their citizens to take up the jobs, which were till now, being managed by expatriate workforce. The demand-supply ratio of the labor although inclined towards the former, it has always been a challenge to rope in people with the requisite skills, experience, education and other parameters. Even if talents are available and hired, retaining them and engaging them has been a challenge for all the Strategic Business Units (SBU) of Al-Yalia. The company had a history of retaining manpower for long, however, off late, all the SBU of Al-Yalia is encountering enormous challenge while trying to keep their employee turnover at single digits. The culture of the organization has undergone a shift from being a family owned enterprise to that of a corporate unit, managed by professionals representing different nationalities. The sense of ownership which used to be the backbone of success for all the group companies is fast eroding as employees are realizing that they are there only as mere employees, with an aim to earn their livelihood. The feeling of "my own organization" instilled by the founder is no more part of the employee psyche, although, they are never willing to discuss such issues, openly. The technological enhancement has been quite fast as the group

as a whole does not want to fall back in terms of having the best technological enablers vis-à-vis their competitors. This has often resulted in resistance to change amongst the workforce cutting across various SBU of Al-Yalia. The corporate czar was witnessing mass exodus of their employees, primarily due to the fact that the macroeconomic indicators across the region. For Al Yalia it could be attributed to a mismatch in the company's philosophy that they had, when they started and the one existing today. All these are more of forced kind of decisions that had to be taken by the management of different SBU's owing to a cultural change in organizations, with the baton being passed from one generation of corporate chieftains to another. The ownership which was more of a familial issue earlier has now spread all around with stakeholders representing various countries after Al Yalia listed in the major stock exchanges all across the world.

HR Strategies and Practices Undergoing a Sea-change

The parent group of Al-Yalia called a meeting of the HR heads from all their SBU's, viz. those representing hospitality, healthcare, retailing, higher education and automobile sector. The two day brainstorming session was facilitated by the group HR head, Abdulla. The two day deliberations resulted in understanding some of the common challenges being faced by all the groups that was having a bearing on the strategic performance of Al-Yalia group as a whole. The recruitment and selection system was obsolete and there was a need to overhaul the same, mainly because issues like putting a wrong person, in the wrong job, at the wrong time and wrong cost was prevalent all across the businesses. The compensation and benefit processes were not contemporary and it resulted in talents who were in the Al-Yalia family for years together found themselves being poached by lesser known rivals, solely on the basis of the monetary and non-monetary benefits offered by the competitors. The appraisal and performance measurement system had a biased feeling as 360 degree appraisal was still not present in all the group companies. This resulted in personal preferences getting the nod during the times of performance appraisal and performance measurement. The company was reducing its expenditure on employee training, which had a direct bearing on the people development front. This was happening as the parent group was in a cost cutting mode, owing to various macro-economic challenges in the business environment. This has resulted in lesser participation and engagement of the employees, having a negative impact on the corporate top lines and bottom lines.

HR Value Chain of Al-Yalia Group

An HR consultant who was roped in at the behest of Mubarak conducted a thorough due-diligence of the HR value chain and the report submitted to Ali revealed the following-

1. The company was not abiding by the legislations laid down by the government bodies and this had a negative bearing on their corporate governance. The comments being put forth by the auditor owing to these anomalies were big spots in the company's respected image, cultivated over the years.

2. The norms and values shown by different SBU's were different and was not uniform in line with the corporate guidelines. This led to different companies under the same banner of Al-Yalia looking like players from different sectors, representing diverse parent groups.

3. When external population institutional context was studied, it pointed towards trade unions not working closely with the management in resolving issues, apart from the dissatisfaction prevailing amongst work councils and various other stakeholders.

4. The laws laid down are often abused at the behest of the top management of each SBU's to serve their own ulterior motives and all these never reach the corporate headquarters in Abu Dhabi.

Outcomes and Ultimate Business Goals in Al-Yalia

A company which had always harped on the importance of human talent as their key to competitive success laid additional emphasis on HR outcomes and the Ultimate Business Goals. The parent group right from the days of the founder, believed in creating and maintaining viability with adequate returns to the shareholders. This was one of the reasons, why the shareholders of Al-Yalia stayed on for years together, till there was a sudden decline in the retention of the shareholders as the company could not deliver returns in line with their expectations. The company strived to develop a sustainable competitive advantage which they could, till Ali was at the helm of affairs. However, once the leadership changed hands, Al-Yalia realized that they had more of dissatisfied employees, than ever before. The worries for the top management increased manifold when it was observed that employee motivation was at the lowest ebb, the employee turnover soaring and employee retention dwindling owing to employees switching loyalties due to various factors. The employee presence in the organization was more of a physical thing, rather than a mental one, as most of the employees were attached to the organization only for earning their living, rather than from their hearts, which used to be the case earlier. The social climate of the organization had gone through a sea change as open door policy of the days of Ali between the workers and the management was a thing of the past. The level of involvement of the employees were disappearing as people were only concerned about working till they get a better offer coming their way. There was a trust deficit existing between the employees and the management, as every decision of the management was viewed with skepticism. This led to loyalty and commitment on the part of the employees reaching the nadir. There was an element of perceived right justice while Ali was at the helm, but things started to change as people started viewing justice being substituted with discrimination and favoritism. The level of employee engagement from the productivity perspective came down substantially. Organizational citizenship behavior of Al-Yalia group, which was considered a benchmark, not so long ago was completely missing from the organizational culture.

VRIO in Al-Yalia

The new management of Al-Yalia group roped in a VRIO consultant to advice on the importance and implementation of VRIO framework in the whole organization. They provided the following report for the management to consider to understand the competitive implications, the company would have in the short, medium and the long term.

The report presented by the consultant depicted the following details-

Resources/Capabilities	V	R	I	O
Training and Development	✓	✓	✓	✓
Performance Appraisal	✓	✓	✓	
Employee empowerment	✓	✓	✓	✓
Employee Morale and Satisfaction	✓			
Compensation and Benefits	✓	✓	✓	
Leadership	✓			
Customer Satisfaction	✓	✓	✓	
Brand Name	✓	✓	✓	✓
Employee Turnover	✓			
Brand Image	✓	✓		

Intended, Actual, Perceived HR Practices of Al-Yalia group

The parent group wanted to frame HR policies for all their SBU's by translating the external developments. They succeeded in doing so, albeit partially, and it also helped the organization to attain the Emiratization rate according to the rules laid down by the government. There were areas though, where the companies could not work in tandem as far as the intended, actual, perceived HR practices were concerned. The line managers were neither trained nor informed about the happenings well in advance and were asked to implement them straightaway. This resulted in the managers getting skeptical about the developments and decisions of the top management. It cascaded into the lower level as well, which culminated in the employee's experiences and perceptions about their immediate supervisors getting negatively impacted. The ignorance of the line manager in not knowing the HR practices not only had a bad effect at their level, but, it also affected their subordinate's perception about the whole organization. It had a ramification on the company's strategic plans as well.

The Need for HR Metrics, Measuring HR Outcomes and Designing an HR Dashboard at Al-Yalia Group

The issues that had been raising its ugly face every now and then was jeopardizing the image of Al-Yalia as a whole. All the SBU's were bearing the brunt of the issues happening in different functions and processes of the organization. An internal introspection by the Human Resource Department of all the SBU's, at the directive of the corporate team made them realize some common findings which were presented to the corporate team in the form of a report. The findings pointed towards the following-

1. Hard outcomes were given more emphasis than the softer outcomes, while recruiting new employees.
2. The recruitment managers voiced in unison that the softer outcomes were primarily not considered as they lacked reliability, as they had rarely been tested using statistical procedures.
3. The HR managers were of the opinion that HR accounting was not the right tool to be used in the HR domain and therefore always saw it from a negative perspective.
4. The SBUs had difference of opinion while measuring HR outcomes like job satisfaction, organizational commitment, trust in management, intention to quit and absence due to illnesses.

The corporate Human Resource team was of the opinion that together with the SBU HR team they would facilitate in making an HR dashboard, that would provide them a roadmap for handling all HR related issues, viz. Human Capital, Social Capital, Organizational Capital, which in turn would allow the group to focus on each of them with appropriate resources and effort. The corporate headquarter formed a team of HR professionals by handpicking people from the HR functions of all the SBUs and asked them to compare the HR outcomes with that of organizational outcomes and financial outcomes. An HR department staff from the hospitality SBU, Nadeem was asked to head the team. His major responsibility was to finalize the steps for making a template of HR dashboard that could be used by all the SBUs of Al-Yalia group.

Ethical Concerns at Al-Yalia

Al-Yalia as a group was off-late plagued with allegations of being unethical in most of the areas that had a direct and indirect bearing on the company's image. All the major stakeholders raised eyebrows either due to faulty selection practices, where acquaintances of the recruitment team was opted over other capable candidates. Even the performance appraisal process was not transparent as a result of which there was wrong compensation for the wrong person in the wrong job. There was discrimination even while settling employee accounts and paying petty cash, the employees incurred for official reasons. The queue system was not followed in principle and the ones having close contact with the account staff got preference over others in getting their clams settled.

The Road Ahead for Al-Yalia

The top management is in a dilemma to take the company forward as the accolades earned over the years, owing to the

professional handling of operations and performance in all the industries the company was present, was now taking a severe beating with all the developments, that had been happening after the change in leadership and due to some external conditions.

Key Issues for Discussion

- **Question-1:** Al-Yalia group as a whole encountered a host of issues in their external environment. Can you implement the six component model and identify any five issues and then propose suitable solutions to overcome each of them?

- **Question-2:** Analyze the value chain related findings and propose solutions to overcome the issues being faced by the company. What would you do for Al-Yalia group as a whole, after knowing the findings, if you would have been in the position of Mubarak?

- **Question-3:** Comment on the various challenges pertaining to Al-Yalia group's HR outcomes and Ultimate Business Goals. As a strategic HR consultant, advise the top management with viable solutions so as to overcome the challenges.

- **Question-4:** Analyze the VRIO framework of Al-Yalia group and propose competitive implications to the top management of the company on each of the parameters.

- **Question-5:** What are the reasons for Al Yalia's intended, actual and perceived and HR practices getting negatively impacted? What would you recommend to the top management of the parent organization for maintaining a balance in the intended, actual and perceived HR practices?

- **Question-6:** What is your opinion on the HR metrics and the HR outcomes measurement method employed at Al-Yalia group? If you are heading Al-Yalia group, list out five steps you would take to handle the situation?

- **Question-7:** Considering yourself as Nadeem, prepare a template of the HR dashboard for Al-Yalia group that can be used by all their SBU's.

- **Question-8:** List out possible causes for the ethical issues being faced by Al-Yahlia group. As a member of the top management of the corporate body, suggest measures that would help the group to turn around its performance and position in the industries they are present.

Key points for the Case

1. **Strategic Human Resource Management**- It refers to the understanding and application of Human Resource Management related functions and processes from a long term perspective.

2. **HR Value Chain**- Sequence of HR related activities performed within an organization that adds value through every steps and processes.

3. **HR Practices**- Human Resource Management related activities performed within a business organization that can be classified as intended, perceived and actual from the employee's perspective.