

IMPROVEMENT AND DEVELOPMENT OF HR DEPARTMENT IN FAMILY BUSINESS ENTERPRISE "XYZ" Pty., Ltd. ANALYSIS

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ABSTRACT

96% of Indonesian enterprises are family business enterprises. Although it's a family business, professionalism is important and should be prioritized in managing the company. "XYZ" Pty. Ltd. is restaurant chains which open on 4 leading mall (Pacific Place, Gandaria City, Castle Mall and Sumarecon Mall Serpong) in the Greater Jakarta area. As a business owner, the most important resource in business is human resources, and they should be the company's competitive advantage. Improvement and development of the HR department plays a significant role for the survival and growth of the "XYZ" Pty. Ltd. This study aims to find out the problems that occur in the HR department, particularly related to the operational ambiguity, recruitment process and pay gap, as well as providing the best alternative solution to these problems.

Keywords: Family Business, Human Resource, Operational Ambiguity, Recruitment Process, Pay Gap.

INTRODUCTION

Family business enterprises continue to demonstrate its existence as a crutch as well as the capital strength of the national economic recovery. This is because 96% or 159,000 of the 165,000 companies in Indonesia are family business enterprises (Khomar and Mustamu, 2014). "XYZ" Pty. Ltd. is restaurant chains which open on 4 leading mall (Pacific Place, Gandaria City, Castle Mall and Sumarecon Mall Serpong) in the Greater Jakarta area.

Looking at a promising prospect in culinary business, the founder of the company has has a target to open 20 branches spread across the Greater Jakarta in 2020 with a total turnover of more than 50 billion rupiah per month. Very good prospects in the culinary business can be seen from the data growth in the restaurant or food business in Jakarta from 2007 until 2011 which can be seen in Table 1.

Table 1. The Growth of Food / Restaurant Industries, Scale: Medium and Large from 2007-2011

Province	Business / Company				
	2007	2008	2009	2010	2011
DKI Jakarta	720	1028	1311	1359	1361

Source : Statistik Restoran/Rumah Makan (BPS), 2013

Although it is a family business, professionalism is important and should be prioritized in managing the company. Therefore, improvement and development of the HR department plays a significant role for the survival and growth of the company. Due to limitations on the ability of the family members, the company need to recruit and develop well trained human resources.

Along with the development of "XYZ" Pty. Ltd., the founder has not established the hierarchy structure of the company, thus employees can see a clear career path. Hierarchy structure of the company were also required for day to day decision making process and smooth operations. The company rapid growth has not been evenly matched with the improvement and development of HR department. Current HR department only focuses on the activities of personnel management process which includes employee presence and payroll administration.

The impact can be seen from the high rate of employees turnover. Since established from the year 2009, the employees who are still working today are less than 10% and with an average tenure of less than 2 years.

In order to realize the transformation from a traditional family business enterprise into a professional family firm, this study specifically addresses the improvement and development of HR departments. Especially the improvement and development of organizational structure, improvement of the recruitment process system, and the issue of pay gap. Researcher will try to address the problems and provide the best alternative solutions to these problem.

Problem Statement

1. What are the problems in the HR department of family business enterprise "XYZ" Pty. Ltd., particularly on the improvement and development of organizational structure, improvement of the recruitment process system, and the issue of pay gap?
2. What is the best solution for the existing problems?

LITERATURE REVIEW

"XYZ" Pty. Ltd. Structure

In the beginning, the company structure were not particularly designed. The current structure is an informal structure which is based on the perception of each employee. So that people who have a formal position as shareholders or managers can give direct instructions to employees, resulting in operational ambiguity and confusion among employees. "XYZ" Pty. Ltd. existing structure can be seen in Figure 1.

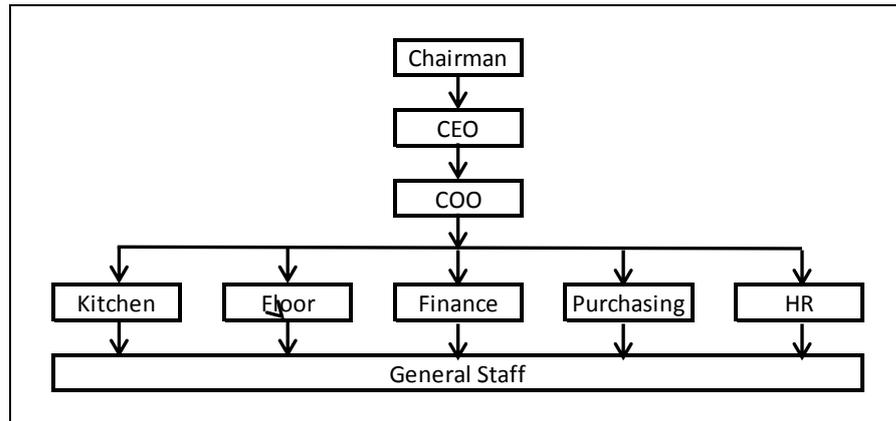


Figure 1. “XYZ” Pty. Ltd. existing structure

HR Departement

“XYZ” Pty. Ltd. HR Department was originally only had one administration employee who manage the administration of human resources and general administration functions, which were define as personnel management.

Current HR department only focuses on the activities of personnel management process which includes employee presence and payroll administration. There were no procedures governing the employee development or employee retention program.

Personnel management is a series of activities to manage human resources on matters related to the administrative governing industrial relations between the company and its employees (Rikasasi, 2013).

Personnel management is planning, organizing, directing and monitoring the activities of procurement, development, compensation, integration, maintenance, and release of human resources in order to achieve organizational goals, and society (Edwin B Flippo in Handoko, 2006).

“XYZ” Pty. Ltd. recruitment process

“XYZ” Pty. Ltd. have not had any standardized recruitment system to regulate recruitment process.

The absence of employees recruitment criteria, led to employees who got hired did not qualify for admission to employment.

The absence of HR managers and standard recruitment procedure, causes the employee documentation process were not done properly, allowing employees to join the company but management does not have a signed contract of employment and the employee data.

RESEARCH METHODS

Type and Research Methodology

This research is a description study case. According to Basuki (2010:110), description research is a research which tries to describe accurately of all activity, object, and human. Case study, according to Sutedi (2009:61) is included in analyze descriptive research, which focusing on a special case to observe and analyze carefully. As a study case, data collected derived from many sources and the results of this research is only valid for this case only and cannot be generalization.

FINDINGS

Through a thorough observation and interviews conducted, researchers found three problems faced by “XYZ” Pty. Ltd., as follows:

1. Operational ambiguity and employees uncertainty.
In the beginning, the company structure were not particularly designed. As time goes by, it is often create confusion in the decision making process. All people with certain formal position can give direct instructions to the general employees, which led to operational ambiguity and confusion among employees.
2. The recruitment process has not been carried out on regular basis and conducted by various different parties.
The current recruitment process were carried out only when the branch were short on staff, furthermore recruitment can only be done if the branch manager has time to conduct the recruitment process. Recruitment were currently carried out by respective restaurant manager or supervisor and not by the HR department, resulting in bad documentation of employee data.
3. Pay gap for the same position.
The “XYZ” Pty. Ltd. management has not carried out the adjustment of salaries and benefits for employees who joined first thus result in jealousy among the employees. At the time of recruitment, restaurant managers were authorized to offer salary referring to the national minimum wage. However, performance appraisal has not been conducted to evaluate the employee performance, thus many seniors employees salary was never been adjusted. The impacts are employees with similar positions, similar expertise and similar background may get salary that varies depending merely based on the date they joined.

Proposed alternative solutions and their advantages and disadvantages can be seen in Table 2:

Table 2. Proposed alternative solutions and their advantages and disadvantages

Findings	Alternatives	Solutions	Advantage	Disadvantage
Operational ambiguity and employees confusion.	First	Design a comprehensive orga	Employees can better understand their respective position in the organization structure.	Employees feel entitled to refuse orders from the head of another department
	Second	Implementation of work order	Employees have more clearer priorities for their duties.	Existing work order can be used as an excuse, to refuse from other tasks
	Third	The mixture from first and second alternative, which are design a comprehensive organizational structure as well as the implementation of work order.	- Employees can better understand their respective position in the organization structure. - Employees have more clearer priorities for their duties.	-Longer process are required when other department heads need help from employees of other departments.
The recruitment process has not been carried out on regular basis and conducted by various different parties.	First	Develop continuous recruitment procedures	- Perusahaan mendapatkan lebih banyak kandidat yang berpotensi. - Perusahaan memiliki standar yang jelas dalam melakukan proses rekrutmen	The Company is required to appoint a person to be responsible for ensuring procedures are carried out in accordance with established procedures.
	Second	Hiring employees who primarily focuses on the recruitment process	Reduce the workload of the branch manager as a recruitment officer.	It will take some time to get the right candidate for the job.
	Third	Sign an agreement with outsourcing company	Outsourcing companies may be able to provide the appropriate candidates for the job.	The cost will be higher, because there will be costs involved for outsourcing companies.
Pay gap for the same position	First	Immediate employee salary adjustments to overcome pay gap	Seniors employee will feel appreciated and might prevent resignation issues.	Companies need to allocate a budget for the salary adjustments.
	Second	Implementation of performance appraisal followed by salary adjustment	It may be more fair, since the adjustment will depend on the result of the performance appraisal and not merely based on the date they joined.	Employees may resign because they felt have been treated unfairly.

CONCLUSION

In order to realize the transformation from a traditional family business enterprise into a professional family firm, human resources play an important role.

As a business owner, the most important resource in a business is human resources, and they should be the company's competitive advantage (Zaleznick in Pille, 2009).

Human resource management play a significant role on the continuity of the company's activities in order to optimize company growth and performance.

The challenge in the HR department of family business enterprise "XYZ" Pty. Ltd., particularly on:

1. Operational ambiguity and employees uncertainty.
2. The recruitment process has not been carried out on regular basis and conducted by various different parties.
3. Pay gap for the same position

In order to overcome the problems in the HR department of family business enterprise "XYZ" Pty. Ltd., particularly on the improvement and development of organizational structure, improvement of the recruitment process system, and the issue of pay gap. "XYZ" Pty. Ltd., can do the following recommendations

1. Design a comprehensive organizational structure as well as the implementation of work order.
2. Develop continuous recruitment procedures.
3. Immediate employee salary adjustments to overcome pay gap, followed by implementation of performance appraisal for future salary adjustments.

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