

MANAGEMENT OF HR IN AUTOMOTIVE INDUSTRY

A qualified and dedicated employee is the most important asset of every company

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ABSTRAKT

Slovenská republika má vedúce postavenie v automobilovom priemysle. Médiami je často nazývaná ako „malý Detroit“, resp. Mitchigen“ tridsiatych rokov minulého storočia. Predpokladá sa, že v roku 2008 sa Slovenská republika bude hrdiť najväčšou produkciou automobilov na obyvateľa v rámci celého sveta. Je to dôsledkom nielen stimulácie z hľadiska nízkych daní ale hlavne potenciálu vysoko kvalifikovanej pracovnej sily, s nie vysokými zárobkami (v porovnaní s okolitými krajinami).

Pod vplyvom rastu automobilového priemyslu na Slovensku vzrástla konkurencia na trhu práce a stále ťažšie sa udržiavajú kvalifikovaní zamestnanci. Najmarkantnejšia situácia je najmä v priemyselnom parku, kde v niektorých prípadoch bola zaznamenaná vysoká fluktuácia v priebehu jedného roka. Vtedy je pre spoločnosť veľmi ťažké dodávať výrobky pre výrobcov automobilov v požadovanej kvalite a v stanovenom čase.

Jeden z následkov riešenia tejto neželanej situácie je aplikácia zvláštneho režimu dodávok, kde nezávislá tretia strana vykonáva 100% kontrolu dodávaných častí. Náklady na takýto druh kontroly musí znášať spoločnosť dodávateľa, čo má významný vplyv na rozpočet danej spoločnosti.

ABSTRACT

Slovakia is becoming the leader in automotive industry. It is foreseen that in 2008, it will pride itself with the highest automotive production per capita in the world. Some compare Slovakia to the Michigan of the thirties. Beside taxation incentives, this is mostly due to the availability of highly qualified and low cost labor in Slovakia.

With the influx of automotive industry in Slovakia, the competition in attracting and keeping qualified employees is becoming fierce. As the most blatant example is the situation in an Industrial Park where one of the most important suppliers in the automotive industry had 70% employee fluctuation in one year. With this, the company could not maintain the needed quality in supplying the car manufacturer (OEM – Original Equipment Manufacturer) with Just in Time (JIT) part deliveries as per the strict delivery regime.

One of the consequences of such dire situation is application of a special shipping regime whereby a third party inspection company provides 100% independent inspection of all supplied parts before these are shipped to the OEM. The costs of such an arrangement must bear the supplier which has severe financial impact on its budget.

Competence, awareness and training

The requirements of ISO 9001 and ISO/TS 16949 regarding HR are identical. It is necessary to:

- determine the necessary competence for personnel performing work affecting product quality,
- provide training or take other actions to satisfy these needs,

- c) evaluate the effectiveness of the actions taken,
- d) ensure that its personnel are aware of the relevance and importance of their activities and how they contribute to the achievement of the quality objectives, and
- e) maintain appropriate records of education, training, skills and experience.

ISO/TS 16949 puts even more emphasis on HR management by requiring that the organization must establish and maintain documented procedures for identifying training needs and achieving competence of all personnel performing activities affecting product quality. Personnel performing specific assigned tasks shall be qualified, as required, with particular attention to the satisfaction of customer requirements.

Both standards emphasize effectiveness of training. The pressure on the price in automotive industry is very high which requires effective and efficient use of the HR budget. The times of high HR budgets without accountability are gone. The monies spent on employee development become a factor in the price of the supplied part and must be paid by the customer.

It is necessary to define the job requirements in the well designed job descriptions. These provide the first input into establishing the training needs. The job descriptions should be tailor made for the given positions. Here starts efficiency of the HR processes.

It is a good practice to develop qualification (substitute) matrices on the shop floor, at laboratories or other organizational units. Again, these must be set efficiently to ensure sufficient backup in case of absent employees and to ensure employee rotation for ergonomic or other reasons. Usually, such a matrix defines several levels of qualification: a) trained to work under supervision; b) trained to work independently; c) qualified to perform on-the-job training. The qualification matrices regularly updated and displayed at the information boards contributes to the healthy drive of the employees to increase their qualification. It is supported by monetary incentives to ensure loyalty of the employees.

The best companies establish their own internal training system with scoring targets and attainment levels with instructors being the best experts in the company.

Important is creation and maintenance of employee awareness of the company goals, objectives and targets and orientation on customer needs (Customer Specific Requirements – CSR).

Employee motivation and empowerment

Survey of employee satisfaction is an important tool to feel out the employee “mood” and provide input into an action plan to improve the situation. The objective is to keep employees motivated and empowered to provide the necessary atmosphere for manufacturing quality products. Obviously, the monetary motivation is very important and should not be below the similar companies in the neighborhood.

However, surprisingly, the monetary awards are not always on the first place of employee dissatisfaction. Often it is the work stress, the manager’s attention and luck of commendation or communication. To deal with stress at work, often an ergonomic study with employee rotation can help. Regular meetings between the worker and his or her supervisor are important to ensure free communication and it is not limited only to problems at work, often, help with individual personal problems is needed and appreciated.

Both ISO 9001 and ISO/TS 16949 require that the organization shall determine and manage the work environment needed to achieve conformity to product requirements. This relates to cleanliness of the work place, safety and general empowerment of the employee. The 5S system (Seiri - Separating, Seiton - Set-in-order, Seiso - Shine, Seiketsu - Standardize, Shitsuke - Sustain) and small improvement steps related to everyday activities – Kaizen help to increase employees' empowerment.

ISO/TS 16949 requires that product safety and means to minimize potential risks to employees shall be addressed by the organization. Systematic way to deal with occupational risks provides the management system based on the specification OHSAS 18001.

Employee awareness must include environmentally friendly manufacturing, waste separation and recycling of waste material. Not only is this often the customer requirement in the automotive industry, rather, it is the common sense in the current awareness of global warming and the associated consequences which we all have to bear. Systematic attention to environmental issues thrives best in the management system built and maintained in compliance with the ISO 14001 requirements. Environmental awareness very often goes together with improved safety and good quality. The quality objective to reduce manufacturing waste, reduction of internal scrap and external claims is also an important environmental objective.

It can be seen that an integrated management system based on the ISO/TS 16949, ISO 14001 and OHSAS 18001, when efficiently implemented, provides also the necessary work place environment for the important employee motivation and empowerment. All this becomes part of the COMPANY CULTURE.

Effective Management of HR

It is common to divide company processes into the management processes, the value creating processes (also, the main or customer oriented processes – COPs) and supporting processes. The HR processes belong to the key supporting processes.

All processes should be continuously improved, not just when deficiencies occur or in response to non-compliances found, but also as a result of a continuous review.'

An essential tool for improving processes is the ability to measure performance

PROCESS ORIENTED STRUCTURE

4 Main clauses ISO 9001/9004

- Management Responsibility
- Resource Management
- Product Realization
- Measurement, Analysis and Improvement

'If you cannot measure it, you cannot control it
 If you cannot control it, you cannot manage it
 If you cannot manage it, you cannot improve it!'

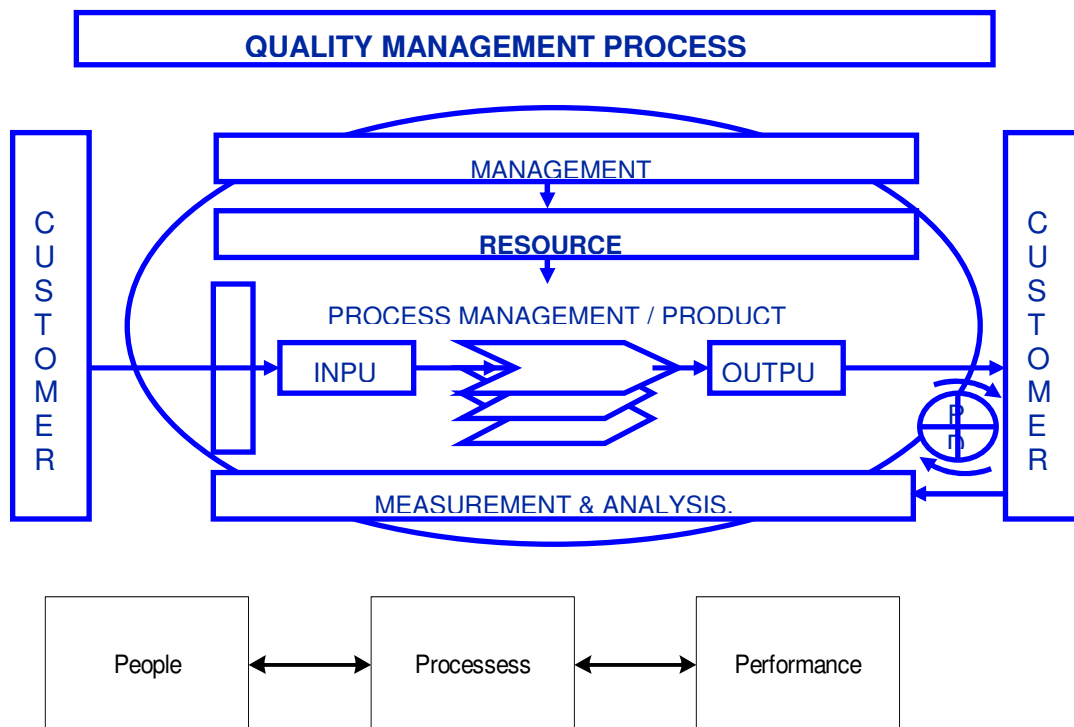
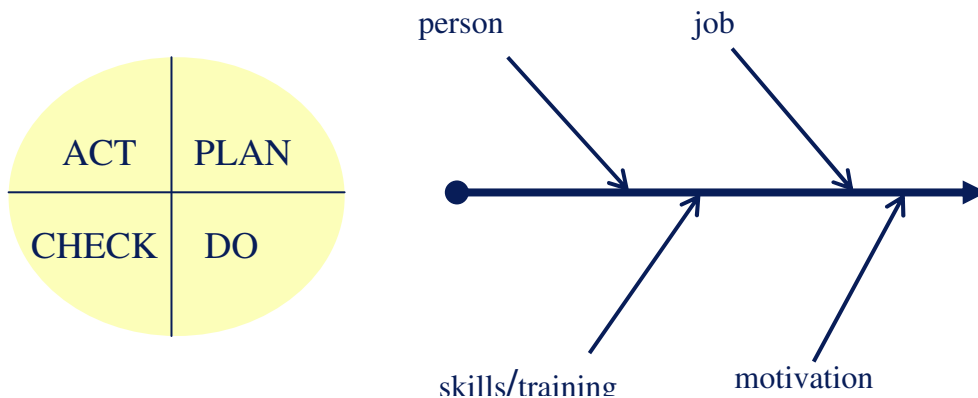
Peter Drucker

Each effective managed organization try to implement "DEM-KAWA" MODEL principal as follows:

- *Develop mutual interests*
- *Employee suggestions*

- *Personnel Communications*
- *Employee Participation*
- *Synchronisation - (internal) customer's requirements and supplier's specifications*
- *Information exchange*
- *Commendation & correction*
- *Promotion to influence.....*

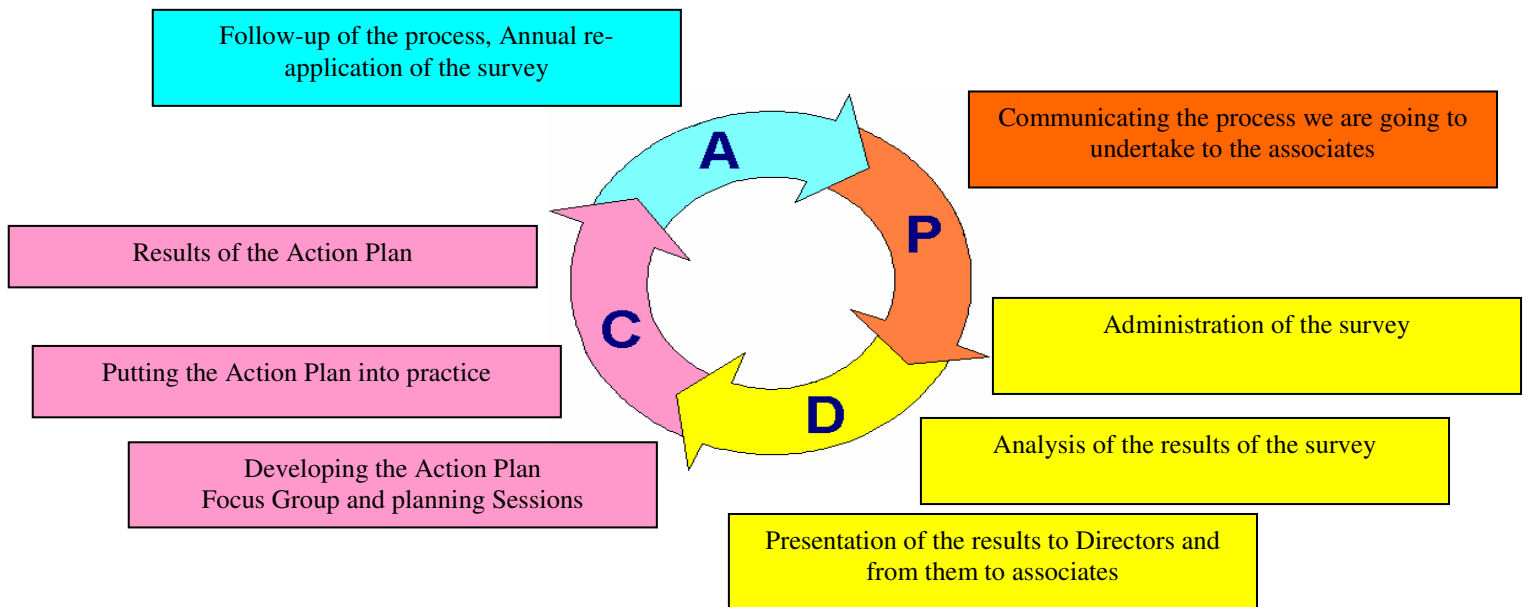
'DEM-KAWA' MODEL



The main stone of organization are qualified, motivated and satisfied employees whose manage and improve the organization processes. See picture above.

The organization try to define polices for Human rights, which contains for example the following information: discrimination, voluntary employment, child labor and freedom of association. The picture below is describe this process.

Phases of the Process Employees Satisfaction Survey



Example of training flowchart implemented in the one company in automotive industry:

- I. Training application
 - a. New hires and transfers through organization
 - b. Moving from hourly to salary status
 - c. Transfer inside, new job assignment
 - d. Skill/knowledge/qualification, improvement
- II. Training needs and training performance
 - a. Education/experience (Dept Mgr., Recruit. Specialist)
 - b. Introduction/Training (Manager H.R.)
 - c. Training Needs Identification
 - i. Dept Manager
 - Run performance reviews and skill gap analysis
 - Define training needs
 - Select training participations
 - Define training objectives
 - Evaluate situation before training
 - Notify H.R. department
 - ii. H.R.Department
 - Establish/update
 - Submit to Training Steering Committee
 - If required organize training
 - Collects Training Record sheet
 - Collects Training Evaluation Sheet
- III. Training effectiveness
 - a. Training on the job (Dept. Manager ú evaluate training effectiveness)

IV. Competence

- a. Competence evaluation (Dept. Manager – evaluate competence, Issue “Skill Gap Analysis”

Measurement of the process human resources management

To be able to keep the HR processes effective and improve them, we have to define suitable processes and their measures (performance indicators). These performance indicators are regularly reviewed by the management (typically monthly) to decide on respective action plans.

Obvious measures coming to mind are the drawing of the assigned HR budget, the number of performed trainings, number of training days per year per employee.

Then, we want measure effectiveness of the trainings themselves. The training participants measure performance of the training instructors, the content of the training material and reaching the training objectives. The most important measure of the training is its contribution to the improvement of the workplace processes, in other words, it is the utilization of the acquired topic in the participants performance at work. This cannot be measured right after the training itself, it is measured after two to four months after the training, jointly by the employee and his/her supervisor. This ensures that the effectiveness of the training is measured as it concerns the use of the newly acquired knowledge at the workplace.

The employee satisfaction survey provides the opportunity to define many other important performance measures. These may concern communication of important information to the employees (info boards, closed TV circuit, etc.), the leadership of the management, incentive program for improvement suggestions, quality and environmental awareness, safety at the workplace, etc.

It is also very important to have well defined categories and measures associated with the reasons why the employees leave the company (fluctuation). Attending to the employee needs and eliminating or mitigating the causes of the employee fluctuation is most important to stop the outflow of employees and stabilize the company performance.

Only in the environment of openness and steady improvement of the employee / workplace conditions can the company objectives be met and provide the necessary conditions for the company culture.

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