

Challenges in Attracting Local Workforce in Family Business¹

Noor Asma Jamaluddin¹, Abdul Halim Abdul Majid² & Umair Ahmed²

¹School of Languages, Civilization and Philosophy, UUM College of Arts and Sciences (CAS)

²School of Business Management, UUM College of Business, Kedah MALAYSIA

noorasma@uum.edu.my

Abstract

5Ds Enterprise, a family business, was established in 2002. The case focuses on the challenges faced by Mr Jack, the owner of 5Ds Enterprise in his effort to attract and retain the local workforce in his firm. Having a patriotic heart, Mr Jack was always inspired and felt motivated in supporting and contributing towards national well-being and development. Although his firm offered good employment with good pay, 5Ds failed to get hold of workers from the local people of his own nation. As a result, he had to rely on the foreign workforce. This case highlights various challenges in recruiting and retaining the local workforce. The case stimulates students or participants to critically analyse the types of workforce management strategies and exercises that would help Mr Jack to engage the local workforce into his firm. Moreover, the case provides a good opportunity for students to understand the potentials and challenges in managing a family business.

Introduction

Mr Jack, the managing director of the 5Ds Enterprise dragged his chair near to the window in his office. It was a bright sunny afternoon of mid-April 2017 in Kuala Lumpur, Malaysia. While reading the local newspaper, his eyes caught the attention of the Country's Prime Minister business convention address, urging business leaders to play their part through creating employment opportunities to alleviate the trembling economy and government. The news saddened Jack and made him recalled what he has always aspired for. As a business owner with a patriotic heart for his motherland, he always felt motivated towards supporting and facilitating national well-being and development and for this, the best thing he could possibly do was to provide decent employment opportunities to the local workforce.

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Unfortunately, his firm had always been failing to attract and retain the local workforce. Although the firm did manage to recruit some local workers at several occasions, somehow it could not hold them for long. As a result, recruiting foreign workers remained to be the only option for 5Ds which was something that had always shuddered Jack`s devoted values for his country. That sunny day, Mr Jack questioned himself as to whether he had done enough to achieve his aspirations; taken ample efforts to ensure his business attracts and retains local workforce and hence, contributed to national prosperity. How can he address the challenges in recruiting and retaining the local workforce? How should he strategize to attract the local workforce?

Background of 5Ds Enterprise

5Ds was a family business based in Kuala Lumpur, which was started back in 2002. The breadwinner of the family, Mr Jack, served as the Managing Director. Ms Sarah, the daughter of Mr Jack, who had graduated in 2001 with a Bachelor in Business Administration from the United States of America managed the firm by looking after procurement and daily operations in the capacity of General Manager. The wife of Mr Jack was responsible for personnel and financial matters. 5Ds employed three other assistants, responsible for looking after procurement, personnel, and financial matters of the business respectively (*refer to Exhibit 1*).

5Ds manufactured a variety of iron stuff for both domestic and commercial use. Its products included iron grills, cabinets, iron chairs, benches, iron doors, and aluminium furniture along with a full-scale offering of related services. 5Ds also offered a wide range of designs and ensured that the products were of high quality and provided maximum convenience and security. The firm also offered customized services for its valued clients in this regard. The firm had managed to perform and progress responsively well over the past years. 5Ds enjoyed a reputation amongst its customers with a total of over 14,500 satisfied customers to date.

The business had been growing progressively and Jack anticipated a lot of potential in this area. The firm also aimed to expand through opening branches in Klang Valley, which is the centre of the city and in Shah Alam, the outskirts area of Kuala Lumpur. Mr Jack believed that the business

expansion was essential for both, business prosperity and economic well-being. In a statement, he said, *“I have faith in my products and services and there is a big untapped market for iron and aluminium products in Malaysia.”*

Mr Jack and 5Ds

Mr Jack had started his career in the printing industry at an early age, right after he completed a degree in Entrepreneurship from the United Kingdom. Mr Jack always wanted to start his own business and at last, after three years, he called it a day and decided to quit the job. Later he joined his elder brother in doing family business, also in the printing industry. After several years, he managed to establish his own printing business and moved to Kuala Lumpur in the early 1980s. Mr Jack experienced the hardship in doing business in the printing industry which was monopolized by the Chinese at the time, especially in Kuala Lumpur. Eventually, he had to close his business due to financial distress and other management issues. Then he started working for several other companies in various industries including traditional health products and real estate. Mr Jack also became an estate dealer and the initiative went well for a couple of years. Though he was quite comfortable with the work, he was not happy so he decided to switch and do something else of his interest.

The real estate business made him understand a lot of potential business prospects but he couldn't decide upon something. During those days, Mr Jack also used to help in arranging additional services for his clients such as home insurance, security systems and other domestic amenities. Therein, he noticed that majority of the clients asked him to make arrangements for iron grills and doors for protection. Moreover, he also realized that this home related service had tremendous potential and there were very few providers of this service in Kuala Lumpur. Initially, he offered those additional services as a side business but then realized that the work required full-time commitment to ensure and meet client expectations. Mr Jack gradually side-lined himself from the real estate business and by the mid of 2002, started the full fledged iron stuff business. He managed to get a good start through his prior networking that he had developed in the real-estate business. The business was family based as his wife and eldest daughter also served in areas related to finance and customer management.

5Ds and Its Challenges

5Ds served major areas in Kuala Lumpur, particularly the area of Ampang Jaya. 5Ds worked closely with its clients, offering a wide range of individual products and package offers. Ranging from commercial to domestic, the firm had a variety of iron and aluminium based stuff to offer. Apart from standard designs, the firm also offered customized services and had managed to establish a good image in this regard. Whilst mentioning this, Mr Jack remarked that *“my daughter who also works in the firm, has great artistic skill towards designing. For the past four years, she has been actively designing grills and other related products for clients looking for customized services. This, as a result, has not only helped 5Ds in building a good reputation but has created a distinctively competitive feature to the business.”* Alongside domestic market, the firm had also offered services to prominent national companies and had a strong client base in the retail business sector. Mr Jack also recounted that the business was booming because products like iron grills have also become a decorative element these days.

The firm operated six days a week, from 10:00 am to 6:30 pm except for special projects, whereby employees were asked to stay back on agreed overtime allowances. Apart from Mr Jack, Ms Sarah (his daughter) and his wife, the firm had eight full-time workers who performed all the production work. For major commercial projects, 5Ds normally hired several part time workers as needed.

The productions in 5Ds involved labour intensive work which means that all the productions relied on the eight workshop employees (*refer to Exhibit 2*). All the workshop workers were foreign labours from Myanmar, Nepal, Bangladesh, and Indonesia; aged between 24 and 40 years. Most of these employees were very skilful to work and produced major grills and furniture products and they had been with the firm for more than ten years now. In addition, five of the workers stayed in the accommodation provided and the rest rented nearby shop lots and therefore they were very flexible to stay back for overtime whenever required.

All the workshop employees had been hired thru word of mouth among Mr Jack networks. The employees were full-time workers with an average salary package of RM3,000 (Malaysian Ringgit) per month which was considered a reasonably good salary for foreign labours in Malaysia. Additional allowances for overtime and off-site projects were also offered to

employees. 5Ds also took care of their working visa issuance and renewal along with annual insurance and basic medical payments. Talking about employees of the firm, Mr Jack reported, *“the workers are happy and so us. We are like a big family with different racial backgrounds, religions and language.”*

5Ds allowed three weeks of paid leave to staff on annual basis. The staff members can also choose to work with additional payment during their paid leave. *“This offer, in particular, is available for workshop employees in order to give them an opportunity to work and earn some extra bucks if they have no plans to visit back home,”* described Mr Jack.

Employees at 5Ds were seemed happy and satisfied with the firm. The individual working on iron grills named Amiru expressed, *“The work is tough and challenging. We are required to complete furniture, grills and even large cabinets in a day to two the max, which is not an easy task yet still; we enjoy it. The company does not push us to the limit, however, when we have to work in an off-site location, we are at times pressurized by the clients to finish the task as early as possible.”* On a question pertaining to the company and its management, he commented that *“The business is good and the company pays well. We are entitled to basic facilities like medical and insurance which was not offered by my previous employer.”* Amiru also mentioned that the wife of Mr Jack also visited the workshop occasionally and brought snacks for us. He believed that they had a family environment and did not hesitate to mention anything to Mr Jack or Ms Sarah.

Atul from Myanmar, who had been in the business for eight years disclosed that *“What I like the most about 5Ds that there are no strict rules and regulations. We are even free to work till late without any penalizing if there was something that we couldn't complete on time. Mr Jack is very soft hearted and treats us well. Despite being old, he stayed back with the workers to ensure we get all the needed guidance and support.”* Concerning the working environment, Atul described that *“the work is labour intensive, requiring extreme physical activity which at times stresses a bit.”* Further, since the work required constant engagement with welding, moulding and fire equipment, it was quite tough for them with no air-cons in the workshop. Even though they had gotten used to it, the climatic conditions in Kuala Lumpur were dry and humid, it exhausted workers in the workshop. The constant usage of fire hit up the workshop which at times was not very encouraging to carry on working.

Notably, both Amiru and Atul struggled to outline the right balance of the firm. Though it seemed that they were happy with the employment, the management, and the firm offerings, yet still there were many aspects of work conditions and job nature that potentially were challenging for them; which may also have been one of the major reasons for some employees who had left the firm in the past.

One of the employees also mentioned that off-site projects are very tough especially when they must work for some companies. The clients were sometimes very pushy and demanding and expect them to complete the work during the normal office hour (before 5 o'clock), which in some conditions it was not logically possible. He remarked that *"...we are always taught to work responsively with greater due care, thus sometimes it requires a little more time to make the work perfect."* According to Mr Jack; *"The work is challenging and there is no doubt in it but if the person is skilled enough to do it then there is no problem in it. We have trained many people over the past decades and a lot of them have progressed and started their own business, offering similar products and services. For all of them, it was not easy in the first place but slowly and gradually they obtained responsive skills and decided to make a serious career out of it."*

It had remained a constant challenge for the firm and Mr Jack, as the owner and the managing director to attract and retain the local workforce. *"You can see that despite being a family business, we offer competitive salary and benefits; yet we are struggling to attract and retain local Malaysians,"* expressed Mr Jack. Though there had been a few instances, whereby he managed to hire a few local Malaysians, none of them stayed for three months even.

Referring to this issue, Ms Sarah, the general manager and the eldest daughter of Jack highlighted that, *"I believe that there are several essential issues that need to be principally resolved in order to ensure effective local workforce retention but sadly we don't know what they are."* Adding to this, Mr Jack said, *"We have been taking efforts to a greater extent to facilitate local Malaysians but there happen to be some intangible prospects that lead towards their turnover."*

Mr Jack also revealed that *"For example, we managed to attract a local Malaysian last year. The guy seemed to feel good about the company, work prospects and nature of the job at first, but exactly after one month, he resigned with immediate notice. I personally tried to*

accommodate him and see what could be possibly done to address his needs and expectations and/or any issues that he might have had faced but he didn't mention much except for some lame excuses and left."

Mr Jack explained about another similar case, an experienced local individual was hired for welding work. Based on his experience and skills in relation to thick layered, thin circled and pressure based welding techniques, he was also paid an additional amount apart from the salary. The guy had a promising career with 5Ds, and at one point in time, they were thinking of promoting him to a supervisory role with additional roles and responsibilities. It would have been very good for him too since he had an aspiration to become workshop in-charge. His work was quite good as he had been doing this nearly 13 years, but surprisingly he also left without even notifying. The management also attempted to call and contact him but sadly he didn't respond.

Mr Jack continued and uttered, *"Maybe it is because of the physically challenging nature of the work but I am not sure."* He disclosed that the firm also paid a handsome salary which was not generally offered by other similar businesses in the country. On a question concerning the amount of on-site and off-site work, Mr Jack mentioned that the business was growing particularly in terms of the off-site projects. Normally, the specific workers were informed one day in advance regarding the nature of work and client address so that they could reach there well in time. *"One thing that I have noticed, employees are sometimes reluctant to go and work on off-site projects. This may be because they should deal with the clients directly and some of our employees have a language issue. Similarly, it could also be because they are required to reach the site well before our usual workshop timings (8-9 AM),"* commented Jack.

The Way Forward

"I have always aspired to contribute towards our national prosperity. Being a Malaysian with 30 years of hand or business ownership experience, I have always desired to help local people earn a better living and get into this potential market. This sector has tremendous potential and people can easily expand and grow further and one of our employees successfully did so. He now has its own iron grill workshop in Johor Bahru and earning a reasonably good monthly income," expressed Mr Jack. *"My homeland has given me so much, even more than what I*

personally deserve and the best way I could possibly contribute back to the society is only through creating more employment opportunities for the locals,” uttered Mr Jack who felt thankful and responsible towards his country.

Obviously, the Malaysian job market was in shambles these days which worried Mr Jack as to how he can play a part, being an active beneficiary of Malaysia's earning prospects. Mr Jack was determined to solve the issues and look for practical solutions to deal with a high turnover of the local workforce in the firm as well as to attract more local workforce. He was also interested and genuinely willing to offer great entrepreneurial visions and opportunities to the local workforce. He looked forward to making any partnership or business collaborations in expanding the business: *“As the time passes by, I seriously realize the need for some local entrepreneurs to work with and may even engage in partnership contracts at some point in the near future. I am interested in expanding the business for more economic prosperity prospects in other cities and states if I could get hold of committed and right-minded local individuals.”*

Ms Sarah added to her father comments: *“The company is even willing to negotiate and offer some special incentives to the local.”* She believed that there were also aspects of negotiations in terms of the number of working hours and/or schedule flexibility that could be important for local citizens due to their family and other domestic engagements. She remarked that *“I aim to do something that would benefit the countrymen in the long run; something that we could help our people and economy on mutual grounds. There are tremendous potentials in our local human resource and I have a firm belief in this expression.”* Probably the prevailing issues required some particularized attention for which, Mr Jack and his 5Ds firm were also very much in need of.

How should Mr Jack and his firm address the challenges in recruiting and retaining the local workforce? Has the business been able to cater to the needs and expectations of the local workforce in a responsive manner or there was something else causing all these problems? How should he strategize to attract the local workforce?

Exhibit 1: 5Ds - Organizational Structure

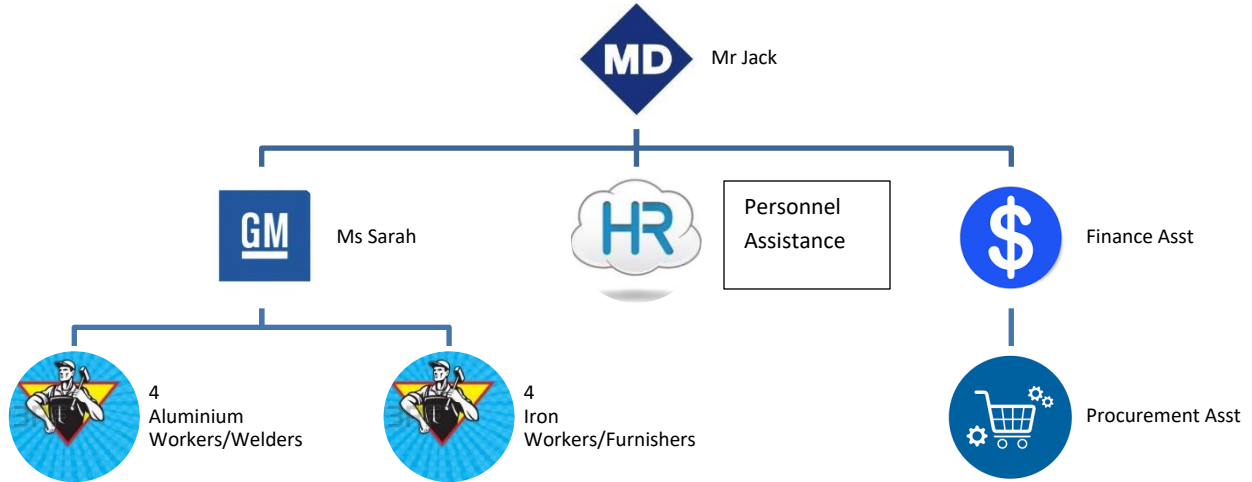


Exhibit 2: Foreign Labour - Employee Information

The three office assistants were foreign labours from Indonesia whereby, details regarding the workshop employees are as follows:

No.	Country of Origin	Number of Workshop Employees
1	Myanmar	3
2	Nepal	1
3	Indonesia	2
4	Bangladesh	2