HRM and KM Practices in ISTIQ: Lessons to Learn

Anuar Omar, Azian Mohd Azlan, Samila Kadir & Siti Nur Hafizah Hazaipah
Graduate School of Management, International Islamic University Malaysia

Suhaimi Mhd Sarif
Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia

Abstract: This case study addresses issues of human resource management (HRM) and knowledge management (KM) practices at ISTIQ Sdn. Bhd. ISTIQ is a local company that has ventured into an interesting field - noise control engineering. ISTIQ began as an humble engineering company that discovered opportunities in noise control engineering and expanded to serve both regional and international markets. However, the employees of ISTIQ are neither vibrant and dynamic nor sufficiently proficient in responding to the requirements of their customers. Efforts to address these deficiency problems include on-the-job and off-the-job training programmes, technical workshops and English courses. A topping up measure was a recent review of its hiring practices to be in line with human resource and knowledge management requirements.

INTRODUCTION

ISTIQ originates from the Arabic word ISTIQamah which means ‘persistence in practising virtue.’ This concept prevails in the vision and mission of ISTIQ Sdn Bhd. In fact, ISTIQ has put this into practice in the business by persistently and consistently improving its products and services. Since its establishment in 1995, the company has grown tremendously and has emerged as one of the leading companies in industrial and building acoustics. Its business activities range from product supply and design, fabrication and installation of assigned acoustics to noise control projects. In fact, ISTIQ is highly specialised and is well recognised in applications involving generator sets, blowers, compressors, press machine and HVAC systems. All of its work and products on controlling noise on these applications either meet or exceed the requirements set by the Malaysian Department of Environment (DOE) and Department of Safety and Health (DOSH). Apart from this, they also provide services in noise measurement and in obtaining approvals from the DOE.

Correspondence author: Dr Suhaimi Mhd Sarif; Email: suhaimims@iium.edu.my
Two years later, realising bright opportunities in this industry, ISTIQ established a subsidiary to make headway in fabricating their own acoustic products. This approach is practical to sustain profitability and a competitive advantage. The Managing Director cum Principal Engineer of this company believes that self-sustaining production would allow the company to acquire and implement the latest manufacturing technology, while maintaining cost effectiveness. But above all, this move was to ensure that ISTIQ products would be of the highest standard and quality that would meet the requirements demanded by local as well as foreign customers.

The quality of ISTIQ products has been proven to be competitive because customers are repeat buyers not only from Malaysia and Singapore but also from Hong Kong, Taiwan, Maldives and Angola. ISTIQ is naturally proud that it has gained recognition from key customers such as Matsushita, Shell, Hewlett Packard, PETRONAS, Volvo, Tractors and Siemens. In fact, according to Razali, the Quality Control manager, ISTIQ’s commitment to providing their customers with premier service and support is their top priority.

**Vision and Mission**

The vision of the company is to grow, innovate and venture into new inventions within the scope of their core expertise, which is noise control engineering. At the same time, it is the company’s mission to elevate their staff’s economic status by training and improving their skills in technical (hard) and people (soft) skills.

According to Anuar, Managing Director of ISTIQ, the company has successfully stayed one step ahead of their competitors by applying the latest Information Technology. Not only do they use the latest software in their operations but would also access the most current information to update their knowledge on noise and sound engineering. In fact, they developed their own in-house software programmes to speed up their daily routine tasks.

The company recognises that industrial noise can cause ailments which are detrimental to the health and safety of people. In fact, excessive noise can cause annoyance or loss of concentration, and productivity may fall. Non-compliance to noise standards may also lead to defective products or corrupt data being obtained. There are several approaches towards creating noise-free environments. However, noise theory is a delicate subject matter which requires a thorough understanding of the subject. A lack of knowledge of noise theory may result in expensive pursuits of noise-free environments which could create even more problems in the process.

A recent review of various national and international standards states that many specialist areas require the environment and equipment to meet certain noise standards. These must be examined and engineered skillfully before these environments can be declared safe for everyone. The preference, therefore, is for a quieter environment. On the product line, this is often reflected by the selling advantage of the quiet product over the noisy competitor.
Even before ISTIQ came into the picture, the technical aspects of sound particularly the noisy environment of businesses have been discussed and solutions sought. Admittedly, the task of diagnosing and correcting noise problems in the most effective way had received little formal attention in the past. But it is generally recognised that integration of modern measurement techniques such as active noise control with fundamentals of applied acoustics has been the most effective treatment to combat noise problems.

THE MANAGEMENT TEAM

Mr Anuar Omar has headed ISTIQ since its establishment in 1995. He and his partner, Felicia Lai, established the firm. Both of them had previously worked together in a company, KSM Engineering Sdn. Bhd. They started off with another two staff members giving a count of four when they began operations. Currently, ISTIQ Sdn Bhd employs 30 staff which includes the employees of their manufacturing company, ISTIQ Fabrication. Both companies, ISTIQ and ISTIQ Fabrication, are accredited by the quality management system of ISO 9001:2000.

As the major shareholder in the company, Anuar assumes the role of decision maker on critical matters related to finance and cash management, and human resource management (HRM). In short, he is the captain of the ship, while Felicia assists him with the sales and administration aspects of the company.

Besides Anuar and Felicia, the management team also comprises Rosli Bassri, the General Manager of ISTIQ Fabrication, Jaladi Muda, the Group Human Resource and Administration Manager, Razali Z. Abidin the Group QA/QC Manager, and Ida Yulianis, the Finance and Account Manager.

STAFFING – SELECTION AND RECRUITMENT

Most of the personnel in this company who were hired at the time of establishment were mostly local graduates with a diploma or certificate in engineering-based subjects such as drafting. The majority of them are not proficient in writing and speaking English, except for Anuar the only engineer in the company. In the early stages, the need for manpower requirements for the company was for people with drafting skills or other technical skills. However, when the business expanded and began producing high-end products, the manpower requirements expanded to include not only those with technical know-how but also those with a reasonable standard of English proficiency. In the mean time, the company felt that it could attempt to retrain existing staff to acquire new skills and the English proficiency expected. Using this as a base, Anuar identified personnel who had the potential to be re-trained in other areas of the business such as sales, project management, interior design and engineering support. From time to time, these selected personnel of ISTIQ were sent to attend training workshops so as to enhance their individual competencies on job-related courses and some among them were even supported in acquiring a diploma in the required fields.
The company, no doubt, was very supportive of the workers throughout the process of acquiring knowledge in all aspects, including finance.

However, what had been planned did not take place as envisaged. According to Anuar, the most memorable incident was when the staff, on whom he had pinned the most hopes, left the company to start a business of his own, and, turned out to be his immediate competitor. In another case, the staff whom he had groomed and trained in interior design also left for another design company for better pay and career prospects.

Nevertheless, the incidents turned out to be a blessing in disguise. If the employees had stayed on with ISTIQ, they would not have been able to progress in their careers because of their lack of interest in furthering their study. In addition, some who are still with the company do not bother to improve their English proficiency but are persistently demanding a better salary every year. Anuar is of the opinion that the company cannot retain workers who are deficient in upgrading their work skills/knowledge or in improving their English proficiency. He has consistently urged them to work on improving themselves, if they want to keep their job. The nature of the work at ISTIQ requires staff to prepare reports on completion of jobs and projects. If Anuar has to do the reports for his staff, it is likely that he would eventually deviate from his role as the top management of the company.

During the period of 2007 until end of 2008, there was a massive turnover of staff, some of whom had been with the company for over ten years. The wave of change affected the morale of other employees who had chosen to remain with the company. It affected their emotional status and concentration at work for a certain period of time. Furthermore, the task of training new staff had to be done all over again and it definitely impeded the company’s progress.

Taking what had happened as a lesson learned, the management of the company is changing their strategy in hiring. Currently, the focus of staff recruitment is on their qualification merits, sales skills, a good command of English and a positive attitude. For example, in the most recent year, the company hired two engineers who had graduated from University of Tenaga Nasional (UNITEN) with a CGPA of well above 3.0. From their mid-term appraisal, their performance was good and they appear to be progressing very well. They seem to acquire skills much faster and are self-motivated in their job performance. Their work has been segmented to promote efficiency.

Anuar, in a regretful mood, states that the most probable reason for this staff turnover could have been the inaccurate criteria used to hire people. As an engineering company, progress in research and development is extremely important but this had been impeded by not having a sufficient number of competent staff. However, the company is hopeful of finding answers to the problem by hiring the right people through proper planning and definition of core competencies required of the workforce. The process of selection and recruitment of new people needs to be improved. This will be a challenge to Anuar, as the Managing Director, and his Human Resource Manager, Jaladi. They need to hire people who can contribute to the company, while staying loyal and eventually progressing with the company.
As for Anuar, throughout this crisis period, he acquired knowledge to better manage the company and the people through reading management books and attending relevant seminars. Feeling this approach to be rather *ad-hoc* and insufficient to make him competent and proficient, he enrolled in a structured training programme in management - a Master’s in Management - which he hopes could provide answers to his quest for knowledge. He strongly believes that the course will enhance his knowledge in management and prepare him for the challenges of the next level of achievement - to become an internationally competent company in noise control technology.

**THE LEARNING ORGANISATION**

The management of ISTIQ truly believes that improving one’s knowledge is the most important criteria needed to sustain and progress further in the market. They have an inherent belief that it is the people who actually make an impact on any organisation. Due to this notion, back in 2005, the management began to encourage staff members to engage in learning and sharing of knowledge in their tasks so as to develop ISTIQ into a Learning Organisation.

Retracing the history of their staff development, ISTIQ had in actual fact adapted a knowledge learning culture since its inception as a business. Most staff had earned their certificates, or diplomas while working at ISTIQ. The management also had sent their employees for various types of training seminars and workshops now and then. Evidently, the training and development of the staff has become more structured since receiving their ISO 1900:2000 certification; this is one of the requirements for an ISO Certification Company.

**Knowledge Management in Action**

A typical week at ISTIQ starts with a Sales and Project meeting, every Monday at 9.00 a.m. This could last until 10.00 to 10.30 a.m. During the meetings, previous quotations which have sent out will be discussed and reviewed, a move designed to monitor the sales activities. All discussions will be recorded, compiled and distributed to the various parties concerned.

The compilation of project activities is also done in a similar manner. However, there is a slight difference in that the activities are recorded in a journal format. The rationale for this format is to allow for the history of project activities to be recorded and captured as much as possible. The project team is required to highlight problems and describe how it has been solved. This format is envisaged to ensure that important corporate knowledge is retained for future reference and reuse.

Once a month, there will be a management meeting. Normally, this will be conducted on a Saturday in the first week of the month. The overall company performance of the previous month will be reviewed and discussed. During this meeting, all the Department heads are required to present their department’s performance, against the goals set.
The management of ISTIQ knows that every organisation needs to be clear about its knowledge requirements. They also need to be clear about the importance of knowledge sharing. Therefore, besides the sales and project meeting, every Wednesday, a core leader will be assigned as a facilitator to conduct training to the staff members on their core competency subject. For instance, Anuar will conduct training in Acoustics and Noise Control Engineering in the first week of the month; Jaladi will conduct training on information technology (IT) in the second week; while Razali will provide training on quality management in the third week. The last week of the month will be assigned to either Sales by Felicia or 3D drawing by Hajar. This method relies on knowledge chains and realising that this may not be the best way to impart knowledge, they are moving towards a central knowledge hub which is believed to be more effective in coordinating and diffusing various knowledge sources to individual recipients.

As mentioned earlier, most support staff in the organisation lack communication skills in English. Realising that this is an important skill for most of the employees to acquire and progress in their career, the ISTIQ management team has implemented several measures to enhance the skill. Wednesday has been declared an ‘English day’ with everybody having to speak English on that day. However, this method did not show any significant improvement after one year of implementation. According to Jaladi who is responsible for the staff English Enhancement Programme (EEP), the main problems identified were the ‘feeling of being shy’ and a lack of confidence.

The strategy for the EEP has been changed. Since the beginning of 2009, a facilitator has been identified – Ariff who is the Assistant Sales Engineer and who has a good command of English will facilitate the English forum. In this forum, Ariff will suggest a topic of interest and the group will discuss the topic among themselves in English. A self-managed knowledge team is being applied here.

From Anuar’s observation, this strategy seems to work better and has shown a very positive results. Most of the staff have gained confidence to communicate in English and furthermore, they seem to be enjoying themselves during the forum.

In addition to these meetings, every Thursday morning, the company would meet and read the translation of Al Quran. The reading would either go from chapter to chapter, or from one topic to another. The method, as mentioned by Razali, is one of the most unique ways that ISTIQ is fulfilling the spiritual knowledge gap of the staff. Very often, this meeting will be facilitated by either Jaladi or Anuar with the objective being to read, understand and practice the command of Al Quran. According to Jaladi, the management hopes it will lead to sustained practice as well as lead to the company doing business according to Islamic teachings.

The management encourages their employees to explore knowledge through reading. They encourage their staff to acquire an interest in exploring knowledge. According to them, the world is an awesome place for those who like to explore God’s creation. In the Quran, it is stated:

“In the of the heaven and the earth, and the alteration of night and day, there are Signs for people of intelligence: those who remember Allah standing, sitting and lying
PERFORMANCE MANAGEMENT

The ISTIQ management believes that goal setting is the foundation for personal and business success. Goal setting enables an individual to achieve one’s dreams and success while serving as the framework for management success. Therefore, every staff is given five goals to achieve each year.

The more effectively the employee performance evaluation processes goals accomplishment, the more the additional benefits. Documented employee performance evaluations are communication tools which ensure the supervisor and the reporting staff members are clear about the requirements of each employee’s job specifications. The employee performance evaluation also communicates the desired outcomes, or outputs needed from each employee and defines how they will be measured. These are the goals of an effective employee evaluation process. The employee and the Head of Department (HOD) are clear about the employee’s goals, required outcomes or outputs, and how the success of the contributions will be assessed.

The goals of the best employee performance evaluations are employee development and organisational improvement. The employee performance evaluation helps employees accomplish both personal development and organisational goals. The act of writing down the goals takes the employee one step closer to accomplishing them. Since goals, deliverables and measurements are negotiated in an effective employee performance evaluation, the employee and the supervisor are committed to achieving them. The written personal development goals are a commitment from the organisation to assist the employee to grow in his or her career path.

Employee performance evaluation provides legal, ethical, and visible evidence that employees are actively involved in understanding the requirements of their jobs and their performance. The accompanying goal setting, performance feedback, and documentation ensure that employees understand their required outputs.

In the event that an employee is not succeeding, or improving in his job performance, the performance evaluation documentation can be used to develop a Performance Improvement Plan (PIP). This plan provides more detailed goals, with more frequent feedback to an employee who is struggling to perform. The goal leads to improvement but repeated non-performance can lead to disciplinary action, up to and including employment termination.

The employee performance evaluation provides evidence of non-discriminatory promotion, pay, and recognition processes. This is an important consideration in training supervisors to perform consistent, regular, non-discriminatory employee performance evaluations. The documentation of success and failure to achieve goals is a critical component of the employee performance evaluation process.

While employee performance evaluation systems take many forms, depending on the organisation, the components described earlier are likely to be included. Some are
more effective than others. However, it is to be noted that the goals for the employee performance evaluation system, or the appraisal process, or the performance management process are similar. The differences appear in the approach and the details. This can make all the difference in how the system is perceived by, and carried out by, employees.

The Role of Information Technology

Generally, top management at ISTIQ is very supportive of IT usage and development. They clearly believe that Information Technology is a critical component in learning and knowledge management. IT has been established as an enabler. Local area network (LAN), e-mail, access to the Internet, computer aided design (CAD) system and the Internet banking system are being used extensively. It is evident that one important advantage of the use of IT is that it is giving the organisation an expanded ability to develop and maintain a much improved, structured corporate memory. Currently, they are moving to cloud computing, rather than relying on their internal server.

However, sadly, most of the core leaders at ISTIQ are not extensive IT users, which is reflected in their lack of knowledge on the subject. Largely as a result of this, the repository system is not systematic. Information retrieval can take hours and sometimes it could even take more than a day.

In order to overcome the problem, they are planning to hire an IT executive who will be in charge of IT-related matters, with his responsibilities outlined as follows:

- Ensure the ICT system is intact at all times
- To train core leaders and knowledge workers on more efficient use of ICT
- To set up a systematic repository system
- To explore the usage of cloud computing

The greatest challenge to implementing effective KM is the transformation of employees from knowledge hoarders to knowledge sharers. It is acknowledged that the lack of IT knowledge will further impede the sharing progress. Power and influence in an organisation arise from being a knowledge source. Historically, with limited knowledge available, that power was carefully retained and cultivated by selective distribution of knowledge. However, today the problem is reversed. The excessive information flow now points to the real value of those who can provide timely access to accurate information knowledge.

KNOWLEDGE MANAGEMENT PRACTICES AT ISTIQ

It can be seen that ISTIQ wanted to put into practice knowledge management practices as prescribed in knowledge management and human resource management textbooks, but faced a problem in terms of acquiring competent staff. The reality is that some ISTIQ employees are still IT illiterate, very disorganised in keeping records, are unable to write a good report in English, and are not able to share knowledge with customers and other stakeholders due to their low competency in English proficiency. ISTIQ is
also facing other challenges of absenteeism and a massive staff turnover. A consequence of the latter is a brain drain problem.

DISCUSSION QUESTIONS

Q1. You are invited by the ISTIQ Sdn Bhd to evaluate their KM programme. Based on the case above, explain TWO ways in which ISTIQ can gather data for the evaluation and also discuss TWO ways in which you can evaluate their KM programme outcomes.

Q2. With regard to KM programmes, there are certain features of successful, sustainable knowledge communities. Based on the case above, describe three features that ISTIQ possesses that will allow them to sustain their KM programme.

Q3. Explain three characteristics of an effective knowledge repository and two maintenance issues that need to be considered in managing a repository at ISTIQ.

Q4. How does the knowledge service work at ISTIQ Sdn Bhd? Does ISTIQ really need a knowledge service to support its KM initiatives?

Q5. Explain two reasons why learning is very important in a knowledge environment and three organisational factors that are affecting learning with reference to ISTIQ Sdn Bhd.