

Report on
Obstacles in HR Development of Daraz Bangladesh

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Declaration

It is hereby declare that

1. The internship case study report is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a thirty party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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Case study on DARAZ Bangladesh

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Obstacles in HR Development of Daraz Bangladesh

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Introduction

Obstacles or challenges are an ordinary part of running a business. Whilst some obstacles could generate new opportunities others could be detrimental to the existence of a business if not handled properly. Daraz Bangladesh is a well-renowned eCommerce brand in Bangladesh. In fact, Daraz is one of the largest eCommerce platforms in Bangladesh. Daraz faces many challenges while ensuring smooth operations in terms of ensuring quality, on-time delivery, competitive price, inventory management, human resource management, logistics management, etc. Amongst many challenges, human resources are one of the crucial points where Daraz Bangladesh is lagging behind in terms of managing it. One of the key issues with Daraz Bangladesh human resources is the low employee retention. It is crucial for the Human Resource Department of any organization to retain employees, especially the employees who hold a critical role. High employee retention ensures stability in company operations and growth, on the other hand, increased employee turnover which is the loss of knowledgeable employees could result in instability and an operational halt along with other major challenges. Employee retention is undoubtedly one of the major challenges for the Human Resource Department of any organization. Increasing Employee Retention results in cost reduction, steady growth, increased productivity, increased experienced employees within a company, better customer services, etc.

The following case study focuses on how Daraz Bangladesh is impacted by low employee retention and what strategies could be adopted to solve the problem.

Background

In Bangladesh, eCommerce has become quite popular due to the increased use of the internet and smart devices. Whenever someone in Bangladesh decides to purchase something online, Daraz is one of the platforms that have a very high chance of crossing one's mind and this is because of Daraz's high investment in marketing activities and its capability to serve a huge customer pool. Daraz Bangladesh can be defined as an eCommerce marketplace. An eCommerce marketplace is an online marketplace where consumers can find a variety of products from various local and international brands which are offered by many different vendors ("E-Commerce Market Place - Happiest Minds", n.d.).

Daraz was initially launched by Rocket Internet a German group of companies, and primarily it started its operations as a web-based marketplace in Pakistan, Nepal, Sri Lanka, Myanmar, and Bangladesh. In May 2018, Daraz was acquired by Alibaba Group.

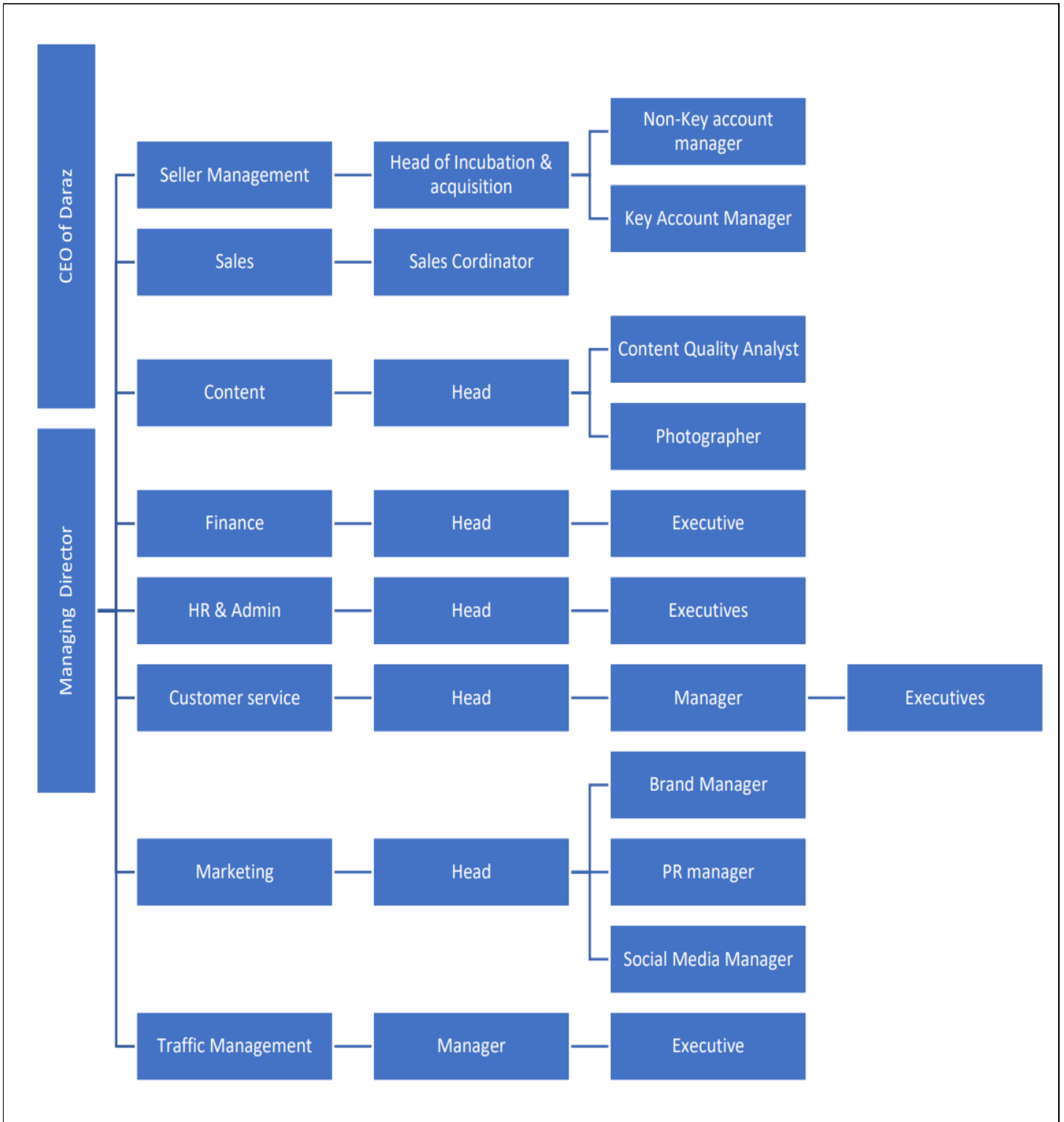
Some major insights on Daraz

- Daraz has about 31000 suppliers
- 55000 Brands are handled through Daraz
- Daraz Bangladesh holds about 75% of the total eCommerce market
- On average Daraz takes about 5% commission from the suppliers
- The shipment time of Daraz is around 3 to 7 days
- Daraz Bangladesh is able to deliver products in all the 64 districts
- Around 4 million people visit the Daraz app monthly

Strategies adopted by Daraz to capture the market:

- Daraz has introduced Daraz University through which Daraz educates the suppliers on various actions related to their marketplace, this reduces miscommunication and suppliers are well aware of the tools, terms, and conditions.
- Daraz has designated a quality assurance team that periodically monitors sellers' products.
- Daraz has a 7-day return policy which makes Daraz a trustworthy platform to purchase online.
- Daraz uses effective marketing strategies to lure customers to their platforms. Such marketing activities include the launching of campaigns where products are sold at heavy discounts. Daraz also uses various online retargeting tools, social media content, and in-app promotion to retain customers.
- Daraz allows the sellers to see sales analytics data which helps them to balance the product and price formation in the marketplace.
- Daraz Bangladesh enables vendors to set up their online presence at the Daraz marketplace. Small companies and merchants who lack the resources to operate a business online and do marketing, is heavily benefited from Daraz's marketplace because Daraz helps merchants or vendors with various marketing campaigns and social media advertisements that allow merchants to get sales online.

To understand how the internal processes and decorum works within Daraz the below graph could be taken as an example:



To better understand Daraz it is also important to know about the Alibaba Group, the mother company of Daraz. The main mission of Alibaba Group is to make business easy to do anywhere. Alibaba Group was founded by Jack Ma who was formerly an English teacher. Alibaba right now is operating in almost every part of the world. Alibaba Group's businesses involve the following entities:

- TAOBAO Market Place
- FRESHIPPO
- AliExpress
- Lazada
- Alibaba.com
- 1688
- ele.me
- YOUKU
- Ding Talk
- alimama
- Alibaba Cloud

While analyzing Daraz, it could be seen that Daraz is constantly in the process of hiring people. It is most visible through Linked in and the positions regarding which they are issuing job circulars are all junior level posts. This phenomenon is being observed for quite some time now. The situation could be explained as Daraz is expanding very furiously and that is why Daraz needs more people to join its team. But it was also seen that they are posting job circulars for the same posts over and over again. This phenomenon occurs only when a company is suffering from low employee retention.

Evaluation of the Case

Employee turnover and employee retention management are one of the burning issues in managing the human resource of any company. The mismanagement of these variables could result in severe consequences for any company. Before diving into the employee retention issue, we have to understand what employee turnover is. Employee turnover is the volume of employees who leave an organization within a certain period of time. This measurement could be accounted for the whole company or just for a specific department or region.

Now the issue with Daraz Human Resource Management is that the executive level employees stay for a short period. This is especially true for account managers of various departments of products. The employee retention level is however quite high in upper-level management at Daraz Bangladesh. But due to the low employee retention level at executive level tasks, the company is going through various challenges. We need to understand first what are the consequences of having low employee retention and also it needs to be understood why this is happening at Daraz. Finally, it is important to know what could be done differently at Daraz Bangladesh to reduce the employee turnover rate.

Challenges :

The first challenge that Daraz Bangladesh is facing for the high employee turnover rate is the cost of replacement of employees. The total cost of losing an employee can be summed up by considering a list of variables. The variables are:

- The cost of hiring a new employee for the vacant position. This cost can be summed up by considering the time and money involved in advertising for the post, interviewing the candidates, evaluating and screening the candidates, and finally hiring the candidates usually after a substantial amount of time.

- The hired candidate or candidates later needs to be trained and the training period is usually about 3 months. As per the research done by Johnson in 2000, it takes about half of the new employee's annual salary to cover the training cost.
- The new candidate might take about 1 year to reach the productivity level of an existing employee.
- New employees are very much likely to make mistakes which could also sum up to the financial cost.
- When there is high employee turn over it makes other employees in the department and organization feel disengaged with the company.

The second challenge after cost is time because if we analyze the time that takes to get the productivity level of an existing employee from a new employee it is around 1 year and 5 months. This can be calculated by considering 2 months of notice period from the employee, 3 months of training, and 1 year of on-the-job experience. This is without a doubt a very long period for business operations to run smoothly again due to the absence of the experienced employee.

Thirdly, since new employees are very much prone to making mistakes, it directly impacts service delivery to the customers and customer satisfaction gets decreased. Low customer satisfaction directly hits the brand value of the organization and when the brand creates a negative impression, it eventually creates a negative impression among the existing employees which eventually increases the turnover rate even more.

Finally, when an employee switches to another organization it is very likely that the employee might leak sensitive information to the competitors. This kind of scenario could prove to be threatening for Daraz Bangladesh.

Origin of the Problem

The origin of the problem is multi-folded which gives birth to the high employee turnover at Daraz.

The first reason is the lacking of a purposeful role. When a company becomes very big and it hires employees to perform a particular role then there is a high probability for the employee to feel that his/her work is not significant to the operations of the company and this results in demotivation at work. Daraz Bangladesh employs many executive-level employees to perform very specific tasks. While this strategy is good for ensuring quality work and on-time delivery but if these tasks are compensated with a low salary, then it is very likely that the employee will feel that they are not important enough to the company. This encourages the employees at Daraz Bangladesh who are in field level to leave the company early.

The second reason is one of the common reasons which is true for almost all industries and that is inadequate compensation. When employees are paid less they genuinely feel that their work is not valued enough by the company and this makes employees demotivated after a while of being hired. Daraz Bangladesh is facing the same issue since the executive level salary at Daraz Bangladesh is around 20,000tk monthly and this causes many employees to think about switching whenever they get a new opportunity. Not only compensation, Daraz Bangladesh job reviews at Glassdoor (an online platform that provides reviews of companies and jobs) state that almost all employees have marked Daraz Bangladesh of having a poor salary and increment structure. That means, an employee after working very hard is likely to get a poor salary increment after a year and this discourages the employee to ensure full productivity towards the work and finally, that leads to the switching of the company.

The third reason is overwork and this occurs when employees are asked to do overtime. At Daraz Bangladesh almost all employees complain that they find it very hard to ensure proper work-life balance because most of the time work pressure is too much for the employees to handle. When employees find themselves getting paid less for more work they feel hopeless and switching their job is the only solution that they could think of.

The final reason why employee turnover at Daraz Bangladesh is high is because of almost no opportunity for growth. This is because employees at Daraz Bangladesh do not see a future for themselves. There is no employee development training session that could add more skill to the employees. Employees at Daraz Bangladesh feel that they are doing routine tasks every day which is adding no value to themselves for the future. This makes employees discouraged from working at Daraz and ultimately results in a high employee turnover rate.

Factors that Mitigate Job Dissatisfaction in Daraz Bangladesh

It is important to note the factors that are still helping Daraz Bangladesh's existing employees to delegate their effort to the company. Daraz Bangladesh has one of the friendliest work environments, employees at Daraz praise their colleagues for being supportive and friendly to each other. This kind of work environment boosts morale a lot for the employees when they feel belonged. A friendly workplace also helps knowledge sharing within the organization, helps with the mental health of the employees, and helps in reducing stress at work.

Critical Questions and Answers:

Is monetary compensation enough to hold job satisfaction?

Monetary compensation especially in the context of Bangladesh is very important. In fact, this is one of the first factors that most people choose before joining a new role. But right after joining it is very common for the employee to lose focus at work if the motivator was monetary compensation. This is because, though monetary compensation is important, the employee won't be satisfied by it if he does not get a feeling of challenge in the work environment, similarly it is important for the employee to feel acknowledged for good work and be rewarded for it. This helps the employees feel capable of the job. Also, they feel a sense of dependency upon them and a sense of responsibility when assigned important tasks.

In Daraz Bangladesh's scenario, if an employee gets hired just by being motivated with the monetary compensation, then soon it would fade away because the employee will not feel any challenge, any sense of acknowledgment or reward nor any sense of being attached to the workplace. Regular tasks will soon become dull and productivity level is bound to go low. Situations like this make an employee look for a new role in a different organization which will ensure them monetary compensation and also the role that ensures job satisfaction.

Can the HR department's recruiting practices impact employee retention at Daraz Bangladesh?

HR department's recruiting practice has a very significant impact on employee retention. This is because, in the recruitment process, employees are made aware of their roles and responsibilities, compensation, and other terms and conditions are made aware of to the employee. Overpromising in this stage creates a high expectation for the employee and if not met then results in dissatisfaction and less employee active

engagement. To ensure employee retention the recruiting team at Daraz should follow the below steps:

- Over promising regarding compensation and growth should be avoided.
- Recruiting team should be well aware of the employee's future plan and background so that it can be predicted if the employee will leave soon or not.
- It is best to be well aware of the expectation of the employee in terms of monetary and also in terms of work-oriented expectations.

How will high employee retention impact Daraz Bangladesh's Brand Value?

Nowadays, employees have a high tendency to leave a job very early right after joining. This is because more and more opportunities are being created every day. Organizations that have a high employee retention rate follow constructive employee-centric HR policies and rules that eventually help in high employee retention. Organizations that can promote high employee retention, attract talented employees who eventually help the organization to prosper even more and such qualities eventually impact the quality of service and thus creates great brand value for the company. This is how Daraz Bangladesh's Brand Value will be impacted by the high employee retention rate.

How to identify employees who are not satisfied with their job at Daraz Bangladesh?

Not only at Daraz Bangladesh but also in almost all organizations, employees show some common signs when they are not satisfied with their jobs anymore. These include the following:

1. The individual is not meeting up with the work expectations.
2. Individual is not coping with the team.
3. Individual is less interested in engaging with tasks with a long timeline.

4. Individual has lost focus on the customers.
5. Individual has expressed unsatisfactory remarks about his/her supervisor.

Proposed Solutions and Changes

The aim here is to reduce the employee turnover rate of Daraz Bangladesh. Today's human resource management is very complex and managing human resources varies from organization to organization because it depends on various factors. In order to reduce employee dissatisfaction and increase employee retention at Daraz Bangladesh, there are various human resource-oriented systematic models. One of such models is Herzberg's Two-Factor theory which is also known as Herzberg's Motivation Theory model which is best suited for solving the high employee turnover rate issue at Daraz Bangladesh. The Two Factor model was developed in 1959 by Fredrick Herzberg and this model was developed by interviewing more than 200 professionals, who were the most and least enthusiastic about their jobs.

Herzberg's Motivation Theory Model suggests that there are two factors that can influence motivation within organizations. The factors are divided into two categories, one of them is the "Motivators" and the other factor is called "Hygiene Factors". In simple terms, Hygiene Factors do not motivate employees rather they ensure that the employees within the organization are not dissatisfied. To make it even more clear, the presence of Hygiene factors ensures that employees are not dissatisfied but the absence of Hygiene factors creates dissatisfaction in the workplace.

Some examples of Hygiene factors are; a friendly working environment, job security, well-defined roles and responsibilities, allowances, leaves, and vacations, etc. So, to put things in perspective, if an employee gets a decent salary, he/she will not be dissatisfied but also it means that the person's satisfaction level will not be impacted by this. The Motivators contrary to Hygiene factors work just like the opposite. Motivators are those factors that ensure job satisfaction for an individual, some of the examples of the motivating factors are arranging a competitive work environment, letting employees

participate in decision making, arranging a rewarding ceremony for star employees, assigning tasks with higher responsibilities, etc. These factors increase employee engagement with the organization and also ensure job satisfaction when present. If these factors are not present then the employees are not satisfied with their job but they are also not dissatisfied with their job either.

The reasons why Daraz Bangladesh should adopt the Two Factor Theory to resolve the high employee turnover rate is because:

- The two-factor theory first addresses issues involving dimensions that cause dissatisfaction. Since, Executive level employees are mostly concerned with low compensation, poor salary structure, low incremental policies, and overwork this is causing dissatisfaction among the employees and by ensuring these Hygiene factors Daraz Bangladesh can first ensure removing the dissatisfaction among the junior level employees. This can be performed by providing competitive salaries to the employees, making certain that employees are only engaged with their roles and responsibilities, target achievement incentives, and competitive increment.
- The second issue was, that the junior level officers at Daraz felt that they have very little room for growth because no formal training was given to them to enhance their skills. The employees also felt that their work had a very insignificant impact on the company. These factors are motivators and if executed properly they result in a great source of motivation and ensure a high level of job satisfaction. Daraz Bangladesh should ensure programs that will effectively communicate how every personnel's input matters and how it creates an impact within the organization. Training should be conducted for being employees which will periodically ensure that the employees are up to date with new skills.

It could be said that both Hygiene and Motivating factors are missing from Daraz Bangladesh and this is why we could see a high level of employee turnover. By ensuring the above-mentioned factors Daraz Bangladesh surely can get over the issue of high employee turnover rate.

Conclusion

When applying the two-factor theory, Daraz Bangladesh will rise to solving the problem of low employee retention in a step-by-step manner. Since there is a lacking of both the hygiene and motivating factors, then firstly the Daraz Bangladesh junior-level employees will stay in the low hygiene and low motivation stage. After the hygiene factors like compensation, proper job description, incentives, etc. are in place then the employees will be in high hygiene and low motivational stage. In this situation, the employees will not be satisfied with their jobs but they will also not be dissatisfied with it. Afterward, when Daraz Bangladesh ensures factors like competition, challenges, proper communication of work impact, etc. then the affected employees turn towards the high hygiene and high motivation stage. Here employees are more satisfied and most engaged with their jobs.

It is important to identify which employees are in need of the treatment mentioned in the solution. Employees who show signs of low productivity, makes complaint about low salary and working conditions are becoming less engaged every day are the ones who should be in the first priority in applying the model.

However, it should be noted that the two-factor theory is very focused on employee satisfaction rather than on organizational goals. So, it is very important to ensure that while applying the two-factor theory, organizational goals are well aligned with the Hygiene and Motivating factors.