

MALAYSIAN HR PRACTICES *

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Malaysia – Truly Asia

Malaysia is a diverse country with a multi-racial, multi religious, multi-cultural and multi lingual population. It is also a federal constitutional monarchy with a Westminster style democracy. The country, a former British colony, gained independence in 1957. Malaysia has a population of about 28 million and a landmass of about 330,000 square kilometres, with two regions, the Peninsula and Borneo separated by the South China sea. With an open economy, the country has experienced high levels of growth for the last 50 years, with about 6.5% on an average each year. The 2010 GDP was about US\$ 414 - 40 billion making it the 29th largest economy in the world.

Additionally, Malaysia is the third largest economy within ASEAN, a geopolitical and economic organisation of ten South East Asian countries with a land mass of about 4.4 million kilometres, a combined population of 600 million and a collective GDP of US\$ 1.8 trillion, making it the 9th largest economy in the world.

The Malaysian economic growth can be largely attributed to foreign investments and the agricultural commodities and industrial sectors. The Western and Japanese multinationals have provided mass employment. The local small and medium businesses are another large employer.

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Salient Legislation

There are a number of labour laws in Malaysia and three major ones such as the Employment Act 1955, Industrial Relations Act 1967 and Trade Unions Act 1959. The Employment Act provides minimum terms and conditions (mostly of monetary value) to certain categories of workers; the Industrial Relations Act provides ways for settlement of trade disputes between employers and employees whereas the Trade Unions Act regulates trade union registration and the uses of trade union funds. These significant pieces of legislation govern and direct HR practices in the country. Additionally, the HRD Act enacted seeks to establish a public and private sector responsibility to train the Malaysian workforce.

Key issues

Some current key issues are the following:

- Talent Management and Succession Planning
- Minimum Wage Provision
- Performance and Productivity
- Brain drain
- Attrition
- Over dependence on foreign labour and expatriates
- Retirement age – extension
- Search for best practices

The search for best practices

Given the influx of foreign investments and multinationals, there is a tremendous shortage of talent and the talent war is very much evident in most industries. In some instances, the competition from the Middle East makes wage competitiveness difficult. The general consensus among both Malaysian practitioners and academics is the need to search for best practices. Human Resources (HR) must be strategic to be relevant. For better or worse, most human

resource practices have remained at a transactional rather than at a strategic level in most of the small and medium businesses unlike the multinationals. Among the multinationals, the use of benchmarking with the leaders' HR best practices is an attempt to be strategic, remain competitive and enable human capital to create value for the organisation.

In my own view and it has actually been my contention that while benchmarking support organisations to make HR processes and practices more efficient, in a globalised world where organisations face increasing change and competition, there is a need for Malaysian organisations to look a little beyond just *best practices* benchmarking. While we may look for *static best practices* in recruitment and selection, training and development, compensation and benefits and talent management and performance management, there is a need to look for *dynamic best practices*: 'to think about making a fundamental transformation of the core business activity', in the words of Jon Sullivan, Chief Talent Officer, Agilent Technologies. Best practices are not just about metrics and imitation of others.

For example, whilst most airlines benchmark best practices in employee payroll costs as a % of the total payroll or information technology companies benchmark retention practices with one another, there are instances where organisations have jumped off this bandwagon to move forward. The Malaysian success story, Air Asia, considers employee productivity while Apple in the USA tracks the intellectual property created.

The art and science of predicting which HR practice will be relevant in a fast changing world is to observe the world and the workplace trends. It is critical to understand the changes taking place, the 'inflection points' in business, where the entire product line or industry is changed. Astute observation and an intense understanding of the inflection points gets us to be strategic and enables us to identify both the static and the dynamic best practices for success in the new world.

This is what Malaysia has attempted to do.

New Human Capital: What's beyond

The growing realisation that we need to think differently has been very much at the centre of the thinking among Malaysian policy makers. We recognised that the key issues identified as mentioned earlier, were all interrelated.

Over the years, the Japanese and the Americans have been moving their investments to countries such as China and Indonesia where it was not only cheaper to do business, the ease of doing business also motivated them to move their investments. And, they found a huge talent pool. Adding to the problem, we in Malaysia were losing our best people to the Middle East and other fast growing countries. Within the country, we had another challenge, that of retaining the young workforce. According to the reports from the Malaysian Employers Federation, attritions ran as high as 17% per annum. A comprehensive comparative study of Malaysian HR practices (Chew, 2005), found that the deployment of well-integrated and sophisticated HRM infrastructures corroborated the notion that while compensation packages were important, they have limited success in staff motivation and retention. While the extension of the retirement age or the mobilisation of foreign talent were short term measures, the thinking among policy makers was that we had to be strategic to fix the challenges with a coordinated plan for talent management, succession planning and a focus on productivity. The country initiated the Vision 2020 visualising the year when Malaysia had to achieve the economic indicators of a developed nation. A Malaysia campaign with a focus on People First: Performance Now campaign was launched by the Prime Minister with a clear focus on human resources issues.

The Human Resources Development Corporation focussed on Human Resources planning and re-tooling the skills of the Malaysian workforce. More than that, the search for best practices became a norm.

Best Practices

There is a need to change the static current practices and look for next generation dynamic best practices. Speed, change, proactivity, competency and

a new generation Y workforce characterise the future. For example, if research and development or product design implemented changes to dramatically reduce the time-to-market to enable the introduction of the products to market once a quarter rather than annually, there is going to be a complete overhaul of our current practices.

The way we live and the pace at which we hire, train and retain employees need to change to match this development. HR best practices need to be aligned with the business model and the changes or inflection points that are current. Of course, ultimately, we need time to think and simulate the future with if-then and what-if exercises. Whilst static best practices often focus on human resources metrics and activities, dynamic best practices are those that will provide quantum leaps, rather than incremental improvements. Benchmarking with others for current best practices that may go obsolete in the next year will be of no value to your organisation.

One way to get started is by researching what the employers of choice and business leaders are doing. What are their dynamic best practices? Networking with them will offer glimpses of why some organisations are exceptionally successful.

It is worthwhile to remember that excellence is always and will always be in a minority while mediocrity or average will be in a majority.

To achieve excellence, we need to have three things in place;

- courage to question,
- courage to change, and
- courage to champion.

Best Practice One - Promoting FUN at work

Do you have fun at work? When you consider your work FUN, then your work becomes your life. When what you do is FUN, then the results are truly amazing. Fun is not being funny or clowning around. It is about doing what you

like to do most. You do not consider work as an interruption to your life because it is your life, it is fun and you enjoy it the most.

- Is the culture of your company encouraging employees to have fun?
- Is encouraging fun at work smart business?

Fun at work does work. Research has presented evidence that when the workplace is fun, people become more creative, productive and better decision makers, besides being emotionally intelligent. We do know from studies that even a small increase in morale leads to quantum leaps in productivity. Your HR metrics improve – recruitment, employee satisfaction, retention, competency and performance.

Think about what works for your organization. Some may and some may not as every organization is influenced by many variables and each one is unique.

Here is how some Malaysian organizations promote fun at work:

- Organize laughter clubs
- The Time Out Club to organize social functions
- Celebrating achievements in a fun way
- Dress up days/dress down days
- Have an EYES ON YOU game that allows people to acknowledge a person
- Make the workplace friendlier and people - oriented
- Focus on performance and have authentic feedback, but prepare people for it.
- Promote flexibility if your work processes allow it
- ROWE – Results Only Work Environment empowers people
- Look at high performance companies – great companies from both the West and the East

Best Practice Two - Accelerating engagement and passion

When employees are highly engaged, you have a community at the workplace. Engaged employees are passionate about what they do and emotionally bonded with their organization. This influences their attitudes towards both their colleagues and customers leading to net results at the bottom line – increased profitability for the organization.

Employee engagement is not employee satisfaction. Herzberg presented the distinction between dissatisfiers and satisfiers. While the former relates to hygiene factors such as pay and benefits, the satisfiers relate to intrinsic motivators such as responsibility, empowerment and career growth. Research has presented evidence that an engaged workforce demonstrates a sense of ownership and commitment to promote the bottom line. There is a psychological contract besides the employment contract.

Recognition and being valued promotes employee engagement. With knowledge remaining tacit with employees despite all the technological innovation we need the performing employees to stay with the organisation. Gallup, an international organisation came up with a 12 question survey to study employee engagement.

Here is how some Malaysian organizations accelerate employee engagement:

- Communicate the purpose of the organization actively
- Promote intensely internal communications
- Create a team environment
- Make people valued
- Recognize achievements
- Look at high performance companies – great companies from both the West and the East

Best Practice Three - Learning cultures for a competent workplace

There is no alternative to competency in an increasingly competitive world characterized by an incredible pace of change. A competent workforce is essential for success. Whilst we need employees to take responsibility for their own learning and become competent to do their job, the irony is that organizations are unable to release employees for learning. Yet, thought leaders have time and again articulated the need for a learning culture. As a famous author once said “the only sustainable competitive advantage an organization may have today is the ability of the employees to learn faster than the competitors”.

Peter Senge has remarked that to become a learning organization is to accept a set of attitudes, values and practices that support the process of continuous learning within the organization. Training is a key element in the business strategy of an organization dedicated to continuous learning. Malaysia’s Human Resources Development Corporation is reinforcing this initiative. Through learning, individuals can re-interpret their world and their relationship to it. A true learning culture continuously challenges the way things are done and promotes continuous improvement and the organization acquires the capacity to change.

Here is how some organizations promote a learning culture:

- Get leaders to ask the question: how can I dramatically increase my organization’s ability to learn?
- Promote informal and social learning
- Recognize and reward learning
- Promote team based learning
- Get people to learn on and at the job
- Seek support from management: ask them to walk the talk
- Look at high performance companies – great companies from both the West and East

Best Practice Four – Accountability

Accountability is a term that has been overused but in practice underused. The word has been used to mean responsibility, being answerable and is identified with the expectation of account giving. In a leadership role, we hold the leader accountable for his/her actions and decisions. Unfortunately, when something goes wrong today, the practice seems to be absolving oneself of any responsibility due to the perceived consequences of punishment. Engaged employees who enjoy their work see mistakes as learning opportunities. They are accountable for their actions. They do not find excuses or attempt to blame one another. A McKinsey report found HR accountability not in place in Malaysian companies. The study found that 64% of line managers thought that HR was not being accountable for their actions while only 36% of HR managers agreed with that view. In a service economy, we have to get it right the first time.

Accountability starts with a performance focus and an open transparent culture. Leaders have to be accountable first and walk the talk to set the pace for the organization.

The Malaysian Talent Corporation stresses the need for accountability in all of its programmes for Malaysian organizations.

John Miller, the author of the Power of Personal Accountability with a QBQ (Question before a Question) says that ensuring that your employees are personally accountable will improve employee morale, reduce workplace negativity and blame and motivate your employees to be personally responsible for their actions and results.

Here is how some organizations develop accountability at the workplace:

- Stop asking questions starting with When, Why and Who
- Start asking questions starting with How and What
- Ask people to believe and practice – Change starts with ME
- Look at high performance companies – great companies from both the West and East

Best Practice Five – Never giving up on Value Creation

Value Creation is what drives a successful organisation. This is the primary reason why great companies are seeking top talent as they deliver great value to the organisation. There are two issues for HR professionals irrespective of which area of HR you are working: Training, Performance, Career Management, Employee Relations or Compensation & Benefits - the strategic and transactional or operational domain.

The transactional aspects have been taken over by information technology as those who employ it can churn out any number of reports and employee management can be done by line managers as they are in touch with them on a day-to-day basis. The value creation today is solely focussed on the management of strategic human resources and change. The minimum wage provision is one step.

Peter Drucker, the management guru has remarked that businesses must create value for all the stakeholders – customers, employees, shareholders, nation and society. Without creating value, organisations are a cost. Sustainable value cannot be created for one group unless it is created for all of them. The first focus should be on creating value for the customer, but this cannot be achieved unless the right employees are selected, developed, empowered and rewarded and unless this happens shareholders will not receive a return on their investment.

Here is how some organizations create value:

- Anchor human resources strategy with business strategy
- Focusing on relationships, not programmes
- Advocate employee interests but understand that decisions have to be balanced

Summary

- Malaysia has created new initiatives to overcome the challenges: Talent Corporation, Human Resources Development Corporation, Small and

Medium Industries Corporation, PEMANDU and Economic Planning Unit

- Move from being static (just about metrics) to being dynamic – forward looking best practices
- Observe workplace trends and understand inflection points
- Learn from great organisations
- Simulate ‘if then’ and ‘what if’ scenarios
- Have the courage to question, change and champion
- FUN at work, WORKS! – promote a FUN workplace
- Create a community with engaged employees
- Intensify employee engagement and passion to develop a psychological contract with employees
- Promote a learning culture to grow competency
- Support informal, social and on-the-job learning
- Promote HR accountability
- Develop employees’ personal accountability
- Ask QBQ (Question before a Question) questions
- Create sustainable value creation for all stakeholders
- Manage strategic human resources and transformation for value creation
- The best way to begin is to BEGIN NOW!

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