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Chapter 8: Human Resource Management in Malaysia

The Malaysian HRM context

Introduction

Malaysia is one of the fastest developing nations in Southeast Asia. This is attributed to the leadership of former Prime Minister, Datuk Seri Dr Mahathir Mohamad, under whose leadership Malaysia experienced its most radical readjustment post-independence in 1957 (Hamayotsu 2002). His vision of Malaysia as a modern Islamic state has been achieved by: implementing reforms that have given the indigenous majority Malays (*Bumiputra*) political power; a vigorous policy of government investment; and importantly, the integration of Islamic principles into everyday life, a feature of which is the harmonious relationship between the *Bumiputra* Muslim majority and other ethnic groups. As the country moves towards achieving developed nation status, Malaysia, like all nations, must deal with the forces of globalisation and the challenges it brings. To be successful on the world stage demands an efficient, educated workforce and, by implication, efficient and educated management.

Malaysia, one of the Asian 'tiger' economies, is strategically positioned in the heart of Southeast Asia. It is a federation comprising 13 states and three federal territories and has an elected constitutional monarchy. The Supreme Head of State is the *Yang di-Pertuan Agong* (King), who is elected every five years from among the nine rulers, while the head of the government is the Prime Minister. The current Prime Minister, Datuk Seri Abdullah Ahmad Badawi, succeeded long serving, former Prime Minister, Datuk Seri Dr. Mahathir Mohamad, who formally resigned his leadership in October 2003. His resignation followed a 12 month transition period during which time he gradually relinquished his official duties. As Malaysia's pre-eminent elder statesman, Dr. Mahathir still plays an influential role in Malaysian politics and the legacy of his era is likely to continue for many years. In the view of many, Malaysia's political stability and the strong leadership of Dr. Mahathir were the determining factors in helping Malaysia emerge relatively unscathed from the 1997 economic crisis.

Situated in the South China Sea, Malaysia is divided into two principal sections, known as East Malaysia and Peninsular Malaysia (or West Malaysia), separated by more than 650 kilometres of South China Sea. East Malaysia shares a border with Indonesia; Peninsular Malaysia is bordered by Thailand to the north and Singapore to the south. Sabah and Sarawak are the two main states of East Malaysia on the northern side of the island of Borneo. The total land area of is 330,434 square kilometres.

The landscape, in both the east and the west, has similar features characterised by high mountains and fast rivers flowing down to the coastal plains. Nearly 60 per cent of the country is natural rainforest with much of the agricultural land being devoted to cash crop plantations, particularly oil palm and rubber which are ideally suited to Malaysia's hot, wet and humid climate.

Malaysian socio-cultural issues

Malaysia is an amalgam of a country. Its two main landmasses, East Malaysia and Peninsular (West) Malaysia, support a population of approximately 26.26 million (third quarter 2005,

Department of Statistics Malaysia). The population is unevenly spread with almost 80 per cent concentrated in one third of its land area, the Malay peninsular. In Eastern Malaysia, the population is 75 per cent rural and indigenous tribes form a much larger part, 15 per cent in Sabah and 40 per cent in Sarawak.

Table 8.1: Age structure of the Malaysian people (2005 estimates)

Age group (years)	Per cent of total population (%)
0 – 14	31.3
15 – 64	64.4
65 and above	4.3

Source: Eight Malaysia Plan 2001—2005.

Within the two main landmasses, there is a wide variety of ethnicities, languages and religions. Over half of Malaysia's population is Malay (58 per cent), with the Chinese (24 per cent), Indian (8 per cent), and the remainder from indigenous tribes. The Chinese constitute the country's wealthiest community with the indigenous Malays wielding most of the political influence. Malaysia is richly diverse in that almost all organised religions are represented. The dominant religion is Islam which is practised by more than half the population. Other religions followed are Buddhism, Taoism, Hinduism, Christianity, Sikhism and Shamanism. The religious and cultural tolerance shown by Malaysians makes it almost unique in the region and is credited in part for its economic and political stability. The official language is *Bahasa Melayu* with English being the lingua franca of the business world. In addition to Bahasa Melayu and English, Chinese (including Cantonese, Mandarin, Hokkien, Hakka, Hainan and Foochow dialects), Tamil, Telugu, Malayalam, Punjabi, Thai and several indigenous languages (including Iban and Kadazan) are also widely spoken.

The Malaysian economy

Malaysia is the 17th largest trading nation in the world, which makes it particularly vulnerable to the vagaries of its trading partners and to the growing influence of the nearby and vast economies of China, India and Pakistan (*United Nations Development Program* 2003). To achieve this notable ranking Malaysia transformed itself from a predominantly middle-income country and producer of raw materials in the 1970s to a diverse and emerging multi-sector economy in the late 1990s. It has one of the highest standards of living in Southeast Asia, owing to its expanding industrial sector (including manufacturing, mining, construction and power) which is now the largest sector of the Malaysian economy, contributing about 40 per cent of the national income.

Agriculture is still a key sector contributing around 16 per cent of the national income. Malaysia is one of the leading exporters of tin and tropical wood. It is also the world's leading producer of natural rubber and palm oil. Food products, electronic devices, electronic machinery and chemicals are also major products. Malaysia's major importers were (Singapore 21.7 per cent), Japan (15.5 per cent), the United States (14.4 per cent), China (6.0 per cent), Taiwan (4.6 per cent), Thailand (3.7 per cent) while its major exporters were USA (22.2 per cent), Singapore

(18.7 per cent), Japan (10.7 per cent), Hong Kong (4.8 per cent), China (4.7 per cent), Taiwan (3.8 per cent) (2002 estimates).

Until the early the 1960s the Malaysian economy was almost wholly reliant on rubber and tin exports for its foreign income. Since then there has been a shift to the manufacturing sector and it is this sector that was responsible for the high and steady growth of Malaysia's GDP (averaging seven per cent) between 1970 and the East Asian financial crisis of 1997 (Barlow 2000). The shift to develop the manufacturing sector commenced in the 1960s under a policy of import substitution. Then, from 1976 onwards, an export-led development policy ensued. At the same time, government policy-makers expanded their institutional role to include industry, energy sources and the development of public sector enterprises (Salih 2002).

The expanded role of government occurred in an era of political stability. Nevertheless, in recent years, because of the overall rise of Islamic fundamentalism, and more particularly in some Malaysian states (e.g., Kedah and Kelantan), this stability is less certain. Whilst it is too early to determine the impact of this religious shift on the political thinking, it is a factor which is beginning to enter into the logic of policy-makers. This issue aside, Malaysia's political stability appears likely to continue in the short- and medium-term, and together with the changed economic rationale (i.e., the shift to a manufacturing and export-led base) has resulted in a steady reduction in the levels of poverty often associated with developing nation status. Furthermore, the ongoing stability has enabled the government to implement fiscal policies to encourage foreign investment and to establish the infrastructure necessary to support further growth in the manufacturing and IT sectors.

The implementation of the export-led strategy in 1976 was a consequence of the import substitution strategy failing to improve the standard of living for the *Bumiputra* as quickly as planned. However, it was soon apparent that, in general, weak management and a shortage of skilled labour compromised the high level of government investment required to stimulate the manufacturing sector. Consequently, in 1986, further economic reforms were introduced to encourage privatisation, consolidation, trade and global openness, and a liberalisation of public enterprises. Concurrent with this reform strategy was a relaxation of the controls on the private and financial sectors. By implementing these strategies, Malaysia made clear its intent to further its progress in the world economy.

No discussion of Malaysia can ignore the issue Dr Mahathir Mohamad termed the 'Malay Dilemma' in his controversial book of the same name. The book addressed the sensitive issue of the role and plight of the *Bumiputra* since colonisation. During most of the colonial era and post-independence, the majority of *Bumiputra* lived in poverty and were largely marginalised in the corporate sector and the economy, in general. Like many indigenous people, the *Bumiputra* were suffering an identity crisis and were in danger of becoming second-class citizens in their own country. To overcome this mounting community development problem and to reduce the chances of a repeat of the 1969 riots directed against the Chinese community, the government embarked on a series of affirmative action policies, the first of which was the New Economic Policy of 1970. What was not foreseen at the time was the impact on Malaysia of the combined forces of liberalisation and international competition associated with globalisation, the consequences of which later precipitated the government's 'Vision 2020' policy response.

Even though the *Bumiputra* constitute the biggest group, it is the Chinese who are the wealthiest and who dominate economic activity in both rural and urban areas. The government, with its long-standing public policy designed to increase *Bumiputra* participation in the economy, encourages or requires joint ventures between Malaysian and foreign companies, and in many areas limits foreign equity and employment. A consequence of these restrictive policies is that *Bumiputra* now enjoy political dominance and have substantial control over 'command sites' of the economy (Navaratnam 2000).

Whilst this had many positive results (e.g., political stability, a reduction in poverty), critics of affirmative action point out that policies that require a minimum percentage of shares, places, promotions and the like to be reserved for *Bumiputra* can be counterproductive and somewhat contradictory (Guan 2003). Even though the proportion can vary, legislation demands that at least 30 per cent of a multinational's shares must be allocated to *Bumiputra*. But, as Navaratnam (2000) notes, to whom do the shares go: the broad base of *Bumiputra*, government supporters, small business or big business? It is this uncertainty that has led to allegations of corruption and cronyism within government ranks and back room deals. This perception also gives rise to the social tensions and conflicts which dominate Malaysian politics and, in term, pose the greatest threat to economic stability. A case in point was the government's 'about face' when awarding the contract for the construction of a US\$42 million rail project. The contract was originally awarded to a consortium of Indian and Chinese contractors, but just before Dr Mahathir retired, the project was handed to a politically well-connected local consortium on the grounds that the original contract price was too high. There were fears in some quarters that the decision would damage relations with China and India. Since then, the project has been shelved in favour of more pressing development schemes and because of a 'rising' budget deficit.

Similarly, affirmative action has caused many of Malaysia's best and brightest *non-Bumiputra* tertiary students to study overseas simply because the affirmative policy quota system precludes them from attending local universities. Affirmative action also provided high achieving *Bumiputra* students with scholarships to study overseas. As critics of affirmative action have observed, not all return once completing their studies, leaving Malaysia with a skilled labour shortage (Guan 2003). Guan (2003) also notes that because the best students go overseas, the quality of students in local universities is compromised to the point where some employers are loath to hire local graduates. While studying overseas has many positive outcomes, there is a real concern that those students who do return home bring with them ideas and attitudes that are considered to be culturally undesirable.

Nevertheless, the alternative view is that returning students have been exposed to international ways of working and doing business, have established potential business networks and, hence, have gained skills that will benefit the nation. Given that many of the returning students graduate from the various international and local management streams, it is reasonable to expect they will incorporate their newfound knowledge into their organisation. Furthermore, the exposure to international ways of doing business suggests that Malaysian management is likely to display convergent international rather than divergent local approaches. When coupled with advances in information technology and the ongoing driving forces of globalisation, this convergence is most likely to accelerate.

Islamisation: A socio-political force of change

Following independence, Malaysia made a concerted effort to develop as a nation founded on an Islamic vision, values and rules. The implementation of this cultural policy has been a difficult process and community tensions associated with it served to emphasise ‘the uneasy relationship between Islam and nation building’ (Hamayotsu 2002, p. 354). That Malaysia has successfully done so has been largely attributed to Dr Mahathir’s leadership. However, associated with his vision of Malaysia as a model Islamic nation-state were greater government control over key institutions and this relationship arguably led to a decline in the independence of the bureaucracy, judiciary, legislature and the monarchy. Furthermore, in line with this Islamisation process the government also restructured key Islamic institutions, notably in the areas of the Islamic courts (*Shari’ah*), judicial establishments, mosques, religious schools and Islamic tithe collection (*zakat*).

To further centralise its power, the government also increased its control over ‘religious officialdom in general and Islamic scholars (*ulama*) in particular’ (Hamayotsu 2002, p. 358). Coincidentally, the preceding Islamic nationalist reforms occurred at a time when the balance of power in the world economy shifted from the West to the East. This shift was fortuitous because, as the pace of Islamisation increased, Malaysia’s steady economic growth coupled with a commensurate decline in poverty reduced the likelihood of discontent amongst the *non-Bumiputra*. Thus, the government was able to implement its reforms with the support of an increasingly wealthy populace which, in turn, allowed Malaysia to continue to develop as a modern Islamic nation. Clearly, Islam is an integral part of the Malaysian economy, and therefore, frames policy development at all levels.

Islam, being an all-encompassing religion, means that there is no distinction between the religious aspects of one’s life and its worldly aspects. With the rise of Islamic fundamentalism, Muslim scholars now routinely espouse the role of Islam in social, commercial and educational institutions. Islam, through the Koran is thus highly relevant to Muslims in their day-to-day business activities (Tayeb 1997): ‘the good Muslim businessman should be guided by his conscience – and by God’s written instructions – to do the right thing by other people’ (p. 3). The ‘right thing’ includes, for example, paying a reasonable wage, charging a fair price and being decently restrained in the way profits are spent. In this cultural context, the pervasive influence of Islam suggests that its values will be present in organisational decision-making and in the area of corporate social responsibility (CSR). According to Rashid and Ibrahim (2002, p. 10), CSR is ‘the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families.’ Rashid and Ibrahim (2002) found that ‘family upbringing and traditional beliefs and customs have much influence over executives’ and managers’ attitudes towards CSR’ (p. 16). These Islamic, traditional and family values and practices emphasise the collectivist nature of Malaysian culture.

The Malaysian government supports the process of implementing an Islamic ethos, or policy, within business. According to this government approach, the teachings of the Koran provide the framework for the way in which businesses should organise their activities and manage their employees (Tayeb 1997). The application of this Koranic-based framework means that strong Islamic states (e.g., Kelantan and Kedah) are more stringent in the application of Islamic law,

particularly in enforcing adherence to mandatory prayers and the segregation of men and women. Thus, Islamic values are of great importance to the way in which one behaves, and is permitted to conduct, business in Malaysia. According to Sherif (1975) such values incorporate nobility, patience, self-discipline, good appearance, abstinence, resolve, sincerity, truthfulness, servitude and trust of major Islamic values. While Sherif did not consider the implications of these values for the workforce, Tayeb (1997) suggests that values, such as, trust and truthfulness might lead to the delegation of authority; and that self-discipline might reduce the need for external controls such as clocking in and clocking out. However, Endot (1995), in considering the relationship between Islamic values and the workplace, identified 11 values that lead to a 'respectable nation': trustworthiness, responsibility, sincerity, discipline, dedication, diligence, cleanliness, cooperation, good conduct, and moderation. These values are also incorporated into the Malaysian government's Islamisation policy.

Endot (1995) surveyed nine organisations in the context of the influence of the government's Islamisation policy. Together with Vision 2020, the government's support for Islamisation at all levels can be considered the second of the two driving forces behind the push to establish the particular Malaysian national identity. Endot (1995) found that employees were constantly reminded that their performance at work is a demonstration of their commitment to God. To facilitate this, all organisations provide prayer rooms and emphasise worship. One organisation recruits graduates in Islamic studies and then exposes them to management techniques. Alternatively, another company recruits business and management students and then trains them on Islamic aspects of their work. Latifi (1997) also suggests that for Muslims, work is considered obligatory, and success is a consequence of self-reliance. Latifi also notes that within the workplace, the survival of an organisation depends on loyalty to one's superiors.

The Islamic work ethic also moderates the relationship between organisational commitment and job satisfaction (Yousef 2001), implying that those who support this ethic are more committed to their organisation and report higher job satisfaction. National culture, however, does not moderate this relationship. This research finding suggests that Western management styles and doctrines founded on the Protestant work ethic will not be a good fit with Malaysian, Islamic organisations. Despite drawing attention to several exemptions, Yousef (2001) also found that support for the Islamic work ethic increased with age, education and work experience.

The dominance of Islam poses certain cultural challenges for the non-Islamic ethnic groups in the workforce. The ability to deal with these differences is the bailiwick of managers and supervisors who, for example, must deal with questions about how each group is best motivated and the more sensitive issues of how the values of each group affect business relationships and business ethics. Table 8.2 summarises these ethnic community-based values. There is general agreement that organisational cultural values have an influence on the cultural values of employees (Rashid & Ho 2002). With this in mind, it is worth noting that in Malaysia, the *Bumiputras* and Indians adjust their business practices to that of the dominant business culture (the Chinese) and that 'ethnic cultural values have limited influence on perceived business ethics' (Rashid & Ho 2002, p. 85).

The challenge for HR managers employed in predominantly *Bumiputra* organisations is how to maintain loyalty in the face of restructuring, downsizing and mergers. Indeed, this challenge is becoming more and more a reality, particularly in the banking and manufacturing industries.

‘Vision 2020’: The national development strategy

The continued emergence of Malaysia as a ‘tiger’ economy gained impetus with the release in 1992 of ‘Vision 2020’ the aim of which is for Malaysia to achieve developed nation status by the year 2020, not just economically, but also politically, socially and spiritually. Within the framework of Vision 2020 is the intent to develop the human resources necessary to become a knowledge-based economy and society, thereby generating endogenously driven growth while simultaneously addressing the remaining areas of community disparity. The intensification of globalisation has added further impetus to the Vision 2020 aim of transforming Malaysia from a predominantly production economy (P-economy) to a knowledge economy (K-economy). The K-economy objectives are leading the development of information technology, e-commerce and networking. At present the growth of the K-economy is underpinned by exports, especially in the area of electronics.

Malaysia’s commitment to electronics and IT is best exemplified with reference to the National Information Technology Council (NITC) which has identified five strategic programs for fostering an e-government environment: e-public service, e-community, e-economy, e-learning and e-sovereignty. The government provides grants to approved applicants to develop the networks which enhance these areas. This intent is evidenced in the Multimedia Super Corridor (MSC) project through which the government aims to establish Malaysia as a world leader in information technology. This ambitious and innovative technology-based project aims to transform a 15-by-40 kilometre area stretching south from Kuala Lumpur into an Asian version of California’s Silicon Valley.

The government’s commitment to Vision 2020 is also reflected in its liberal policy towards foreign equity participation (Ayudari, Yahaya & Zainuddin, cited in Zanko 2003). In the manufacturing sector, this equity can be as high as 100 per cent of ownership while in other sectors, partnerships with local investors are encouraged. In the latter case, the amount of foreign equity varies depending on a prescribed schedule. As much as the government would like Malaysians to fill the top jobs in joint ventures, it realises that it does not yet have the human resource capacity to do so (Edwards, Ahmand & Moss 2002). Therefore, in the absence of skilled locals, expatriates are allowed to fill such positions. Nonetheless, to protect government and investor interests, the government has stipulated that locals must fill certain key positions. This poses special problems for foreign companies when establishing joint ventures, especially if the joint venture partner is from an Anglo culture. In these circumstances, potential dilemmas stem from attempts to integrate foreign HR practices with local culture and management styles. Nevertheless, it is important to note that ‘There is no one universal model for HRM, which can guarantee success. This varies from country to country depending on the social systems, culture, politics, legislation, education, industrial relations system and the organisation’s goals and management strategies’ (Chiah- Chiah-Liaw, Petzall & Selvarajah 2003, p. 246).

After nearly a decade of strong economic growth averaging 8.7 per cent annually, Malaysia was hard hit by the Asian economic and financial crisis of 1997—1998. Following a 7.5 per cent decline in real GDP in 1998, Malaysia experienced real GDP growth of 5.4 per cent in 1999. The Malaysian government encourages foreign direct investment in export oriented manufacturing, hi-tech and the information technology industry while retaining considerable discretionary authority to approve the investment projects. To encourage this investment,

foreign investors in the Multimedia Super Corridor receive various tax and regulatory exemptions for ploughing funds into the economy at the same time enabling substantial transfer of technology to Malaysia. The Malaysian Industrial Development Agency (MIDA) actively promotes both foreign and local investment and business.

In 2001 the economy was hard hit by the global economic downturn and the slump in the information technology sector. Nevertheless, Malaysia's healthy foreign exchange reserves and relatively small external debt, new government initiatives in the IT sector, increased public spending to improve education and health facilities in the rural areas, planned embrace of globalisation and transformation to a K-Economy, make it unlikely that the former Asian 'tiger' economy will experience the level of trauma associated with the crisis of 1997—1998.

The development of HRM in Malaysia

Current Malaysian human resource management (HRM) practices have evolved largely from the style of government and personnel management practised by the British during their colonisation of Malaysia (or Malaya as it was known prior to independence on 31 August 1957). The British influence is responsible for the structure of many of Malaysia's societal institutions, for example, the legal system, the police force, the civil service, the banking/finance sector, and the education system. The British bureaucratic style of management (such as vertical hierarchies) also came to dominate private organisations. This British-based system was sometimes referred to as the *tuan*, or 'sir' style to indicate its prescriptive lines of command and hierarchical management approach. Following independence the British institutional legacy meant that post-colonial Malaysian organisations, cultural differences notwithstanding, continued to operate in a largely Western management structure. However, while the British system suited the British way of doing business, in general, it did not necessarily translate into an effective model for Malaysian organisations (Chatterjee & Nankervis 2002). The Malaysian bureaucracy struggled to accommodate the diverse demands of thirteen states and a unified central structure (Chatterjee & Nankervis 2002). At the same time, Malaysia has been slow to reform certain aspects of the historical British legacy, namely, (a) the tendency to invest more importance to official status than a position sometimes warrants, and (b) the practice of using university degrees as a predictor of upward mobility.

The Malaysian HR development strategy

In early 2003, the Human Resources Development Working Group (HRMWG) arm of the Asia-Pacific Economic Cooperation (APEC) group of countries met to discuss progress towards meeting eight priority areas for member nations. As a member nation, Malaysia is committed to:

- quality basic education;
- improved labour market information and analysis;
- enhanced skills in key sectors including small and medium scale enterprises;
- lifelong learning;
- improved curricula, teaching methods and instructional materials for the twenty-first century;
- mobility of qualified persons;

- enhanced quality, productivity, efficiency of the labour force and work places; and
- strengthening cooperation to support trade and investment liberalisation and facilitation.

In the context of achieving the above aims, a consensus has emerged that workplace retraining is requisite in all APEC nations. At the political level, there is government support for the three following HRM issues to be addressed (*Challenges of human resource development 2004*):

1. Human resource development should receive corporate priority. Firms should be prepared to boost their investment in staff development. The private sector should be more active in joint efforts in training between the government and the private sector. Joint programs should include determining types of retraining required, duration of training required, and evaluation of training.
2. Future training programs should be tailored to industry-specific requirements. There should be more cooperation between training providers and private enterprise to identify the skills required in the next five years. Furthermore, the determination of the relevant skill to be acquired should include an understanding of international dimensions of political, economic and social development.
3. Public training institutions, tertiary institutions and the private sector should exhibit greater collaboration in the provision and planning of relevant courses.

HR managers in Malaysia, however, are somewhat hamstrung with respect to their role in helping achieve these outcomes by virtue of the dearth of qualified trainers in the areas most needed (such as, technology and engineering). To redress this shortage in the short-term, foreign firms may have to play a capacity development role. Specifically, such firms should incorporate strategies for technology transfer and HR development as part of their long-term and diversification plans.

The success of Vision 2020 requires an annual growth rate of around nine per cent which, for the most, has been achieved. To facilitate this development strategy, the government embarked on an ambitious series of so called mega projects which required it to borrow heavily. The commitment to sustaining this growth rate has posed particular problems for the Malaysian economy in that government enthusiasm for nationalist mega projects (e.g., the Multimedia Super-Corridor; and its national car, Proton) needs to be tempered with the reality that Malaysia does not yet possess the full range of required technological knowledge and skills capacity.

The key development role for science and technology

To redress the lack of such skills, in 2003 the Ministry of Science, Technology and the Environment Malaysia released a statement acknowledging the critical role that science and technology has to play in social, environmental and health care programs, sustainable development, job creation and economic growth. In addition, the Ministry also noted that both science and technology are expected to transform Malaysia so that it can adapt to the knowledge-based economy in line with the requirements of Vision 2020.

Despite the obvious need for skilled scientists, engineers and technicians, there is a dearth of students enrolled in the fields of science and technology. This circumstance has been attributed to factors such as the cost of science and technical courses, limited career prospects, an increased

risk of failure and a lack of adequate preparation in the earlier stages of education (Ayudari, Yahaya & Zainuddin, in Zanko 2003). In response to the latter factor, the Malaysian government recently announced that all mathematics and science courses in secondary would be taught in English. While the trend is slowly reversing (see Table 8.2), the numbers are still short of those required.

Table 8.2: Output of students from local public institutions by discipline and level of specialisation (1986–2000)¹

Discipline	Level	Output			% Increase		
		5MP	6MP	7MP	5MP	6MP	7MP
Arts	Degree	27,780	38,270	54,090	-	27.4	29.2
	Diploma	18,450	18,690	31,590	-	1.3	40.8
	Certificate	2,149	7,760	8,470	-	72.4	8.4
Science	Degree	17,510	17,370	33,980	-	- 0.8	48.9
	Diploma	7,950	7,060	7,040	-	- 12.6	- 0.3
	Certificate	12,240	4,500	8,460	-	- 172.0	46.8
Technical	Degree	7,550	9,830	20,010	-	23.2	50.9
	Diploma	10,450	39,870	63,630	-	73.8	37.3
	Certificate	14,380	17,520	23,990	-	17.9	27.0
					% of Science / Technical Output		
					5MP	6MP	6MP
Total	Degree	52,840	65,470	108,080	47.4	41.5	50.0
	Diploma	36,850	65,620	102,260	49.9	53.1	50.4
	Certificate	28,760	29,780	40,920	85.1	73.9	79.3
	Total	118,450	160,870	251,260	53.5	52.1	55.7

Source: Sixth Malaysia Plan, 1991–1995; Seventh Malaysia Plan, 1996–2000.

In contrast to earlier science and technology policies, the 2003 science and technology announcement signalled a change in direction with respect to public sector science. The new policy was designed to ‘turn public sector science towards the marketplace and to look for future science and technology growth and applications within the business sector’ (*Ministry of Ministry of Science, Technology and the Environment Malaysia* 2003, p. 1). Significantly, the policy clearly states that there must be a substantial investment in Malaysia’s HR capacity and capability. The long-term vision, according to the Ministry, is for Malaysia to become an international contributor of knowledge and technology rather than a consumer.

¹ Note: 5MP, 1986–1990; 6MP, 1991–1995; 7MP, 1996–2000.

HRM and training in Malaysia

Contemporary HRM and training in Malaysia is driven by the government's commitment to the K-economy and, in particular, to the role of training and development (T &D) in achieving Vision 2020 goals. Consequently, Malaysian organisations tend to spend most of their HR budget on T&D. To further encourage this, the federal government reimburses certain T&D costs to organisations when they embark on T&D programs. In this respect, Malaysia, at least at the government level, is a regional leader having established its Human Resource Development Fund (HRDF) in 1993. The purpose of the HRDF is to 'encourage and help fund resource investment activities by companies' (Abidin 2002, p. 261). Despite such incentives, data from the HRDF indicates the uptake of such programs has been inconsistent (Abidin & Taylor 2002; Taylor 2002).

Why this should be so is open to conjecture. Certainly, like nations elsewhere, in times of economic crisis company expenditure is reduced and discretionary programs such as T&D are often given a low priority. While such a cost-saving measure is welcomed by shareholders in the short-term, it is not necessarily as beneficial in the long-term for employees. However, according to Taylor (2002), HR managers in large Malaysian companies believe that increasing rather than decreasing expenditure on T&D is in the shareholders' best interests. Abidin and Taylor (2002), however, note that this view contrasts with that of finance managers.

Malaysian HRM in transition

If Malaysia is to take its place on the world stage as a leading Asian nation first it must recognise that it is not immune from the effects of globalisation. The 1997 Asian economic crisis was a timely 'wake-up' call for Malaysia because the local market was taken aback by the rapidity with which many high profile investors withdrew in an effort to protect the interests of shareholders elsewhere. Moreover, the number of abandoned manufacturing plants, particularly in the semiconductor industry, also bears testimony to the competitive realities of economic rationalism. Even for those not abandoned, production was curtailed by implementing cost-saving strategies such as reducing the number of shifts, reducing overtime and, laying off workers. It is suggested that during such times of duress, the home-base management of multinational corporations might sometimes reduce the autonomy delegated to local management (Edwards, Ahmand & Moss 2002).

Having come to terms with the fickle nature of multinationals, Malaysia is also grappling with the dilemma of balancing its commitment to full employment with pressures to remain competitive on the international market. To some extent, Malaysia has been fortunate here. For many years, foreign (and often illegal) workers could be found filling low-skilled jobs, especially those readily available during Malaysia's construction boom of the 1990s. The job losses that resulted from the 1997 economic crisis resulted in strong government action that meant foreign workers were replaced with locals. This replacement had the effect of maintaining the status quo of employment and allayed fears of political disquiet. Interestingly, the decline in employment in the agricultural sector is likely to be held in check, if not reversed, in an attempt to reduce Malaysia's reliance on foreign food imports. In conjunction with meeting the challenges of globalisation, Malaysia is also grappling with the dilemma of the privatisation of government institutions. This privatisation dilemma is a political risk, which even the most secure

governments prefer to avoid. Malaysia's preferable strategy is to enter into joint public/private ventures.

Under Vision 2020, Malaysia, development is inextricably linked to the forces of globalisation, and inherent in this, is the increased presence of foreign investors both in the areas of finance and infrastructure. Understandably, these foreign investors sometimes attempt to impose culturally inappropriate management practices. A fundamental approach to HRM in any nation, and Malaysia is no exception, is to consider HRM at the macro societal level, and at the micro organisational level. The following section discusses research findings at both the macro- and micro-managerial levels.

Macro-societal level HRM issues

Early and Singh (cited in Fontaine 2001) identified four major studies related to the cross-cultural and macro-level HRM research, namely, Hofstede (1980), Schwartz (1994), Trompenars (1993), and Maznevski, Hason and DiStefano (1993). Criticisms of the works notwithstanding, none of the questionnaires developed for the studies have been used in Malaysia. Hofstede's (1980) work, however, needs elucidation not because of the debate over its premises, but because it has been used by others to investigate Malaysian culture.

Of relevance to HRM is the notion of norms or the value system espoused by Hofstede (1980), which can be taken to represent the values held by the majority of the middle class. Chiah-Liaw, Petzall and Selvarajah (2003) cite several studies that conclude that Malaysian culture is feminine (i.e., an emphasis on the quality of life), collective, has a large power distance, and in Hofstede's terms, has a strong Confucian dynamism. Asma (cited in Fontaine 2001), however, argues that Malaysia has until recently been a feudalistic country and that a middle class is a recent phenomenon. If so, says Asma (2001), how can we be sure that the Malaysian norms to which Hofstede refers are truly representative of the middle classes?

A later study (Dooley 2003) reported on how one US company used Hofstede's work as the basis for a two-day workshop that provided direction for its Malaysian operations. The results of the study showed that compared with their US colleagues, Malaysian employees were clearly collectivist and exhibited a preference for high power distance (i.e., the extent to which those in power are expected by those not in power to exert authority). In terms of leadership preferences, Ahmad (2002) identified the following characteristic ethnic community-based leadership preferences:

1. The Chinese – a leader they can trust and who trusts his/her employees.
2. The *Bumiputra* – a leader who is socially conscious and both a friend and a boss.
3. The Indians – a boss-centred relationship provided it is tempered with fairness and equity.

With regard to characteristic ethnic community-based approaches to motivation in the workplace, Ahmad (2001) suggests that:

1. The *Bumiputras* are motivated by group affiliation and Islam. To them, material possessions are important and so, too, is a large circle of friends and influential contacts.

They see value in work which contributes to nation building as well as to their family's well-being and that of the community.

2. The Chinese are motivated by money and do their best when family needs are catered for.
3. The Indians are motivated by, and display loyalty to, an organisation that caters for their personal well-being and development.

A further aspect of the Malaysian HRM approach independent of ethnicity can be identified in that of the transition of managerial staff from the traditional role of personnel manager to that of HR manager. The former, and still widely practised role, is largely one of responding to issues as they arose whereas the latter, under the logic of the Western HRM model links HRM to the overall organisational strategy. Thus, in Malaysia, where the export-led drive leaves the economy open to market pressures, the 'new' strategic HRM role is considered essential if organisations are to achieve key strategic goals, for example, 'improved quality and quantity, greater flexibility, continuous innovation, and the ability to respond rapidly to market needs and demands' (de Silva 1998, p. 2).

Under these circumstances, arguably, a Malaysian style of management is yet to emerge and Malaysian management, in general, has yet to develop the requisite strategic management skills (Othman, Abdul-Ghani & Ashad 2001). Of interest is the observation by these authors that HRM courses in Malaysian universities tend to address traditional topics (e.g., salary administration, manpower planning) and this conservative practise has created a gap between the needs and demands of industry and the programs offered by universities. This situation reinforces the preference for managers to appoint overseas HRM graduates rather than locals. Nevertheless, the dilemma that HRM knowledge gained in overseas institutions might not be readily transferable to Malaysia remains (Ahmad 2001). For example, Western HRM ideas (e.g., TQM, 360^o feedback) do not take into account cultural differences regarding how best to lead and motivate employees.

Increased job stress is a further concern in developing countries and appears to be associated with rapid industrialisation and globalisation (Manshor, Fontaine & Choy 2003). Job stress is exacerbated by the presence of MNCs, the nature of which requires increased collaboration, thereby raising the likelihood of cross-cultural clashes (Haratami & Kawaski 1999). Manshor et al. (2003) examined eight sources of stress in Malaysian manufacturing operations – working conditions, workloads, risk and danger, new technology, role ambiguity and conflict, video display terminals, relationships at work, and career development -and found that managers are stressed by high workloads (particularly older managers) and work relationships. Their work relationship findings are consistent with the pressures created by the downturn in the Malaysian economy and the trend in developed nations for less people to do more in less time. While not yet at the ½ x 2 x 3 stage – half as many being paid two times as much to do three times more (Handy 1996) – the emergent signs are there.

By implication, achieving the ½ x 2 x 3 formula means increased workplace change – new roles, raised expectations, enhanced skill development, more sophisticated technology – and with it, further pressure on managers to effectively implement such changes. The pressure for organisational change has been exacerbated by the economic crisis, mergers, restructuring, and unexpected causes such as terrorism, and financial and ethical scandals such as Enron and Worldcom (Rashid, Sambasivan & Rahman 2004). Based on the work of Goffee and Jones

(Figure 8.1), Rashid et al. (2004) found that in Malaysian manufacturing organisations mercenary and networked cultures were not only the dominant cultures (46.9 per cent and 33.7 per cent respectively), but were also the cultures most receptive to change.

The other two cultures (fragmented and communal) were the least receptive to change. However, as noted by Rashid et al. (2004) these figures are expected for the manufacturing sector whereas fragmented cultures are more likely in the public sector. They also suggest that the high percentage of networked cultures is consistent with the cultural values of Malaysian managers and the concept of collectivism associated with Asian/Malaysians. In the manufacturing sector, therefore, Malaysian managers would appear to have fewer problems implementing change than their counterparts in those sectors where other, less-receptive, cultures might exist.

Women in management

Until the last 30 years, under traditional Islamic Malaysian cultural values, women tended to be excluded from the workforce. When employed, women tended to work in menial and low skilled jobs such as those found in the agricultural and fishing sectors. Nonetheless, exceptions could be found the traditional female workplace roles such as nursing and teaching. Regardless of the employment sector, Malaysian women are still marginalised in terms of opportunity for advancement.

Nevertheless, the shift to the export-led economy and thence to the K-economy has resulted in a dramatic increase in the number of women employed in the manufacturing sector – the so-called ‘feminisation’ of the labour force common to many developing nations. As Table 8.5 shows, this has been accompanied by a commensurate decline in the percentage of women employed in the agriculture and fishing sectors. Regardless, women tend to be employed in the most mundane production-line activities rather than in supervisory or managerial positions.

In recognition of the increasing importance of women in the workforce the sixth Malaysia Plan (1991—1995) included a section headed ‘Women in Development’ and in 1991 the ‘National Policy for Women’ which was introduced in 1991. However, despite the rhetoric of these policies, their intent was contradicted by the government’s reluctance to accede to the convention on the elimination of all forms of gender-based discrimination. Indeed, it was only in 2001 that the government announced that it would amend Article 8 (2) of the Federal Constitution, which allowed gender-based discrimination in the areas of employment, property rights and the establishment of or carrying on a trade, business or profession.

The increasing percentage of women in the workforce has also been accompanied by an increased number of complaints with respect to sexual harassment. In response, the government adopted a Code of Practice, the aim of which is to eradicate sexual harassment. Unfortunately, there is no legal requirement for organisations to adhere to the code and consequently, sexual harassment continues (Ng 2004).

Of interest to HRM is the fact that the percentage of women in professional and technical categories is steadily increasing, as is the percentage of women in administrative and managerial positions. To further assist the integration of women into the workforce certain Employment Acts have been amended to make part-time employment more attractive. In keeping with most

Western nations, Malaysian women are also beginning to outnumber their male counterparts in both secondary and tertiary education occupying 66 per cent and 55 per cent of places respectively (2000 figures, Eighth Malaysia Plan). The 'Plan of Action for the Advancement of Women' (Eighth Malaysia Plan, 1996—2000) outlines the government's vision for women in the labour market as including the following strategies to:

- increase the participation of women in the workforce;
- provide more education and training opportunities for women to meet the demands of the knowledge-based economy and improve their upward mobility in the labour market; and
- enhance the involvement of women in business.

Given that women are expected to become increasingly involved in the labour market, it is reasonable to expect that they will gradually assume more leadership roles. However, at present they still lack the opportunities, authority and salaries of their male counterparts (Koshal, Gupta & Koshal 1998; Ng 2004).

Micro-individual level HRM issues

As this is a comparatively new area of HRM research there is little research to refer to. It is plausible, however, to suggest that in Malaysia, there are sub-cultures of management associated with the ethnic groups that dominate Malaysian organisations. Thus, a Chinese manager might well apply a Confucian-based approach to management, a *Bumiputra* manager an Islamic managerial approach and an Indian manager a Hindu-based cultural approach. 'Terror management theory' suggests that 'how strongly individuals identify with the cultural values of their in-group is positively correlated with whether the individuals feel threatened by a specific event' (Fontaine & Richardson 2003, p. 80). According to these authors, Western management theories, despite overlooking the richness of the diversity of relationships found within ethnic groups, go some way towards explaining Malaysian workplace behaviour. Of the few studies that sought to compare Malay, Chinese and Indian management styles it appears that differences increase between the levels (see Table 8.5), but one (see Rashid 1988, in Fontaine & Richardson 2003) found that Malay (rather than Malaysian) managers displayed values that contradicted the 'normal' values of Malay culture.

This contradiction, according to Rashid (1988), might be because the managers were trying to adapt to national Malaysian organisational culture. Given that the *Bumiputra* represent more than half the population and dominate the political sphere, the influence of the dominant religion, Islam, on Malaysian HRM is a factor that must be considered by all Malaysians. Indeed, a study comparing Malay, Chinese and Indian managers found that of eight constructs, the only significant difference was on the construct 'religiosity' (Asma & Lim, cited in Fontaine 2003).

Future directions: Key HRM opportunities and challenges

The Eighth Malaysia Plan (2001—2005) is primarily aimed at sustaining economic growth and competitiveness in the face of growing globalisation and liberalisation. To sustain growth under the new Plan, themed *Achieving Sustainable Growth with Resilience* will require prudent macro-economic management to ensure optimum and efficient utilisation of resources. Efforts to strengthen the resilience of the financial and monetary system will also be required. The thrust of

the plan is to shift the growth strategy from input-driven to one that is knowledge-driven; accelerate structural transformation within manufacturing and services sectors, and revitalise the agriculture sector; and strengthen socio-economic stability through the equitable distribution of income and wealth.

The Plan will place greater focus on private sector initiatives, while the public sector will undertake a facilitating role through the provision of a conducive institutional framework and the provision of quality services. In order to enhance Malaysia's competitive edge, special emphasis will be given on increasing productivity and efficiency through HR development, encouraging R&D activities and utilising the latest technologies, particularly information communications technology (ICT). Of the nine key strategies outlined in the Plan, the following strategies are relevant to HRM:

1. Maintaining macro-economic stability. In the domestic market, private demand will be the driving force with private investment continuing to provide the stimulus for the economy. Manufacturing and services will be the major contributors to economic growth.
2. To increase effective *Bumiputra* participation and their equity ownership to at least 30 per cent as stipulated in the OPP3, *Bumiputra* companies will be encouraged to diversify into manufacturing and services sectors. As for Indian equity ownership, measures will be taken to double their share to three per cent by 2010. Greater efforts will also be undertaken to enhance the implementation of employment restructuring strategy and programs to reflect the ethnic composition of the population.
3. Enhancing productivity-driven growth. Enhancing productivity-driven growth is essential for achieving high growth with price stability. Thus, it is necessary to accelerate the shift in development strategy from input-driven to productivity-driven. To support this shift, emphasis will be given to enhancing the education, skills and expertise of the labour force, improving management and organisational techniques, upgrading research and development, protecting intellectual property rights and expanding usage of ICT, among other things.
4. Increasing competitiveness in key economic areas. With economies competing for investments, production and markets, the nation's competitiveness particularly in key sectors must be enhanced to ensure sustainable economic growth. During the Plan period, the main economic drivers will be manufacturing, services and agriculture sectors.
5. Expanding the use ICT. The diffusion and usage of ICT within and across sectors will be further expanded as ICT has a strategic role in accelerating economic growth.
6. Enhancing HR development. In support of the knowledge-based economy and to enhance productivity and competitiveness, the principle thrust of HR development will be the creation of a strong HR base. Therefore, an efficient and responsive education and training system will be developed to meet demand for a knowledgeable and highly skilled labour force that is equipped with positive values and attitudes. On training, public institutions will continue to assume a major role in training skilled and technical manpower, especially in new technologies.
7. Steps will be taken to identify prudent, cost-effective and appropriate management approaches that yield multiple benefits in order to ensure that development is sustainable and resilient.
8. Strengthening moral and ethical values. Attributes such as honesty, discipline, diligence, integrity, commitment, respect and tolerance will continue to be nurtured and inculcated through the education system, religious, social and business organisations and the media.

The Plan does not take into account one of the biggest threats to Malaysia's sustained economic growth; namely, the regional free trade agreement whereby Malaysia must reduce import tariffs to as little as five per cent by 2008. Meeting this expectation will be difficult given the Malaysia's current high import tariffs serve to protect local manufacturers. Nowhere is this better exemplified than by the national car manufacturer, Proton which is protected by import tariffs of between 40 and 300 per cent. Today, however, domestic sales are declining and overseas sales are all but non-existent. The establishment of Proton was just one of Dr Mahathir Mohamad's nationalist visions, yet despite its cheap price and iconic national status (*The Economist*, 2004) locals are now prepared to spend considerably more on imported vehicles rather than waiting many months for a Proton, which is perceived as out dated and inferior. In this respect, both Proton and Malaysian industry in general are reaping the consequences of operating in a heavily protected domestic market.

Given Malaysia's intention to become a global player, other less protected nations will demand greater access to the Malaysian market. Therein lies the challenge for both the government and for local enterprises. Based on the experiences of other nations that have made the transition to competitively open up their economies, it will be a difficult process both politically and industrially. Economic vagaries aside, in the drive for efficiency organisations will be forced to restructure and jobs will be lost. This scenario imposes particular challenges for HRM in Malaysia. Under the shared logic of the convergent managerial model, Malaysian managers will thus have more in common with managers in more developed nations. As shown in Table 8.6, the stereotypical authoritarian Malaysian manager will need to become more flexible and responsive to the operating realities in a global environment.

Rosner and Kleiner (1998) describe the emerging organisational roles as follows: (a) the *change seeker*, typically, is a middle manager/departmental head who focuses on efficiency and cost reduction rather than one of personnel supervision; (b) the *researcher* is the equivalent of an R&D engineer and is interested in professional and academic competence, rather than promotion; (c) The *innovator* is akin to a private consultant who moves from company to company solving problems; (d) The *programmer* is a computer expert whose skills as an IT manager will become increasingly important; and (e) The *committer* is a high-level decision-maker with expertise in accounting, finance, and marketing who will have considerable power in formulating business policy and strategy.

The evolution from traditional management to 'new' management is essential if Malaysia is to meet the aims of Vision 2020. Doing so will make Malaysian managers global in their outlook, rather than ethnocentric. In the case of joint ventures, the ability to adapt quickly to different management styles will also facilitate the adoption of mutually acceptable management practices especially during the early or initiation phase of an operation (Chiah-Liaw et al. 2003). Tomorrow's successful Malaysian organisation is likely to be one which manages knowledge better than its competitors, and according to Rahman (2004), links knowledge and strategy essential to maintaining revenues, customers and markets. Of importance to the future of HRM in Malaysia, departmental heads (i.e., the change seekers) were the ones charged with the responsibility of implementing knowledge management in their respective organisations. This hierarchical approach is counter to the logic that IT is considered the primary source of knowledge in knowledge-based firms. If departmental heads are to be the managers of

knowledge it is requisite that their traditional, authoritarian role evolves to accommodate their new change management role.

Summary and conclusion

HRM in Malaysia is in a 'catch-up' phase as it tries to keep pace with the demands of the government's export-led strategy as revealed in Vision 2020 and with the reality of the market forces associated with globalisation. These two factors have resulted in a realisation that HRM in Malaysia is generally weak in terms of possessing the knowledge and skills requisite to lead organisational change. The weakness is attributed, in part, to many organisations still operating under the now outmoded and inefficient system of British management and hierarchies, and in part, to the poor quality of the management courses taught in Malaysian universities.

The cultural mix of Malaysia also poses special problems, especially when it is viewed in the context of affirmative action designed to raise the status (politically and economically) of the *Bumiputra*. Critics of affirmative action point out that it engenders complacency and an aversion to risk-taking, and has created a system prone to cronyism and corruption. The proof of the system's failure, say the critics, became apparent in the financial crisis of 1997. It was only then that many recipients of the government's largesse were exposed as being deeply in debt and poorly managed (*Positive Discrimination* 2000). Further criticism is directed at the failure of the *Bumiputra* to take advantage of the business opportunities offered to them in the form of training, premises, financial assistance and marketing support. Too often, it appears, the entrepreneurs involved transfer operational control to the Chinese or subcontract the work to more efficient and capable competitors.

Despite these seemingly counterproductive practices, the government has no intention to resile from its affirmative action policies. On this basis, the MNCs in Malaysia will be under added pressure to cede further control to their Malaysian partners. While this will be a difficult process, it will hasten the development of a Malaysian HRM style, which does not yet exist. All of this must also be considered in the context of the government's intention for Malaysia to become a model Islamic nation. Whilst this is currently being achieved in a politically stable environment, there is concern in some quarters that certain aspects of Islamic fundamentalism do not sit comfortably with government policy and with the adoption of contemporary (i.e., Western) management practices.

Finally, Malaysian management and employment, in general, must become a meritocracy rather than one that employs and promotes on the basis of status, seniority, ethnicity and connections. This applies especially to the preference shown by *Bumiputra* to select their own, even to the extent of excluding more meritorious candidates (Manshor, Jusoh & Simun 2003). Given deep-rooted ethnic biases such as this, some reforms will be difficult, if not impossible, in the short-term given the government's commitment to affirmative action. Some (e.g., Ahmad 2001; Chatterjee & Nankervis 2002) suggest that Malaysia would do well to look beyond Western managerial models (notably those of the US and the UK) as a source of inspiration. Their proposal is that the Japanese model, though not perfect, has lessons for Malaysian management. By adopting the 'best of all worlds' approach, Malaysian management will continue to evolve along convergent lines. This trend will only increase as Malaysia continues to embrace IT as a cornerstone to its economic growth strategy, because as observed by Webber (cited in Rashid &

Ho 2002), the development of a universal technology, or education, is likely to result in the occupational structures of different cultures to be similar.

Questions and exercises

1. Explain the effects of Malaysia's multi-ethnic society on employment relations systems and practices.
2. Discuss the challenges and opportunities for Malaysian HRM under Vision 2020.
3. Consider the implications for Malaysian HRM practices in the 'key strategies' of The Eighth Malaysia Plan

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