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Achieving Organisational Prosperity through Employee Motivation and Retention: A Comparative Study of Strategic HRM Practices in Malaysian Institutions

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ABSTRACT

A growing concern among companies operating in the Malaysian labour market with high job mobility is how to maintain a workforce capable of fulfilling corporate exigencies. This study compares and contrasts how strategic human resource management activities from different country origins are implemented in Malaysian companies to motivate and retain talented cadres. The findings reveal there were significant differences across the study countries. Moreover, the study results demonstrate that, while an attractive pay package is effective in manifesting job motivation, complementary strategic human resources practices are profoundly important in reducing staff turnover. These findings are discussed in terms of the other application aspects of well integrated human resource practices.

INTRODUCTION

Human resources (HR) are the backbone of an organisation (Gerhart & Milkovich 1990, Pfeffer 1998). Moreover, the continuing prosperity of a firm is likely to be enhanced by employees who hold attitudes, value and expectations that are closely aligned with the corporate vision (Borman & Motwidlo 1993, Spector 1997, Cable & Parsons 2001, Feldman 2003). Clearly, hiring capable people is an attractive point of departure in the process, but building and sustaining a committed workforce is more likely to be facilitated by the employment of sophisticated human resource management (HRM) infrastructures (Schuler & Jackson 1987, Beechler, Bird & Raghuram 1993). Arguably, HRM policies and practices can be strategically designed and installed to promote desirable employee outcomes, which include the enhancement of the in role and extra role behaviours of employees. Yet, despite such costly investments, corporations are continually searching for techniques to improve and cement the linkage between employees and their organisations.

Weak employee organisational linkages are often displayed as the phenomenon of turnover. Indeed, people are likely to job hop to obtain better monetary rewards and career development opportunities. However, traditional approaches that rely heavily on competitive monetary rewards often have limited success in staff retention and job motivation in the long run. This limitation has brought practitioners to consider, along with the facilitation of sophisticated HRM infrastructures, other techniques to enhance employee attachment towards their organisation (i.e., person organisation fit selection approach, performance based incentives, extension of the attractive executive perks to all employees). With proper implementation, these techniques often facilitate a more committed

Volume 13:

Issue 2

Guest
Editorial

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Papers

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workforce. This effect can be achieved through the enhancement of in role (i.e., organisational commitment) and extra role (i.e., organisational citizenship) behaviours (Allen & Meyer 1990, Organ 1990). The form of organisational attachment and in role behaviour, the organisational commitment that psychologically characterises an employee's relationship with the organisation for which he or she works, has implications for whether or not an employee will choose to remain with the organisation. Past research (Porter & Steers 1973, Allen & Meyer 1990) found that organisations with strong employee attachment, or organisational commitment, tend to have lower turnover or intention to leave than would those with weak employee attachment. Organisational citizenship behaviour (OCB), a form of extra role behaviour and reciprocation of fair treatment by employees (Colye-Shapiro, Kessler & Purcell 2004), is considered as part of work related activities performed by employees that contribute to organisational prosperity, and yet, are beyond the regular scope of job descriptions and contractual sanctions or incentives (Organ 1990). Past work found fair management of the reward distribution and procedures in an organisation would foster employees' intention to display OCB (Organ & Konovsky 1989), and further enhance the employees' intention to stay with the current firm (Carsten & Spector 1987).

The issues of staff retention and job motivation have continued to plague organisations in Malaysia. Annual surveys by Malaysian Employers Federation (MEF 2004, 2005) report that the annual labour turnover rates for 2003 and 2004 were high, approximately 17 per cent and 16 per cent respectively. Another survey (Lim 2001) reports that Malaysian respondents are only willing to stay with their current organisations for less than three years. Considering the need for HRM to address low organisational linkages to motivate staff and retain them, and that multinational corporations (MNCs) tend to introduce different home country practices to efficiently manage and control local operations, this study compares and contrasts how the strategic HRM activities from different country origins are implemented in Malaysian companies to motivate and retain talented cadres. This study also discusses the application aspects of well integrated HRM practices.

There is a body of academic research that examines the HRM activities to achieve organisational prosperity. Much of the research has focussed on a specific HRM activity (Butler Ferris & Napier 1991, Snell 1992). A literature review (Abdullah 2001, Sheppard 2001, Yong 2003) reveals that numerous case studies involve general comparisons that lack a depth of study in Malaysia. Further, this study, which uses a sample of Malaysian based Japanese and Western MNCs, in addition to Malaysian local firms, is deemed important due to the magnitude of these MNCs' impacts on the Malaysian economy. According to Ariff (2004) of the Malaysian Institute of Economic Research, the United States and Japan are the second and third largest investors in Malaysia. Their total exports and imports were above USD38 billion and USD18 billion respectively (Ministry of International Trade 2005). Also, these MNCs create huge employment and skill enhancement opportunities in Malaysia. In addition, data collection and preliminary interviews with the senior management of various industries reveal that the personal care industry is ideal for this study, given its competitive nature in which the labour turnover rate is high and the employees are highly mobilised. This industry is also considered as ideal in terms of the growing Asian market, the ability of such companies to offer higher than average pay packages (MEF, 2004), and high labour turnover (14.5 per cent) as a consequence of the heavy poaching of talented cadres by both business rivals and unrelated industries (MEF, 2004). This situation calls for investigation into the personal care industry. Thus, this study is expected to become, in part, a meaningful guideline for management practitioners in motivating and retaining talented cadres in the Malaysian context.

The format of this paper is in six stages. First, a brief overview is given of the distinctive work values that shape the HRM practices of the study countries. This brief introduction will provide a general idea of the HRM activities that may influence the operations of the five study companies of the personal care industry. Second, the methodology of this case study will be presented. The third stage will cover the comparison of six major HRM activities of the study companies. The purpose is to show how the strategic HRM activities from the different country origins are implemented in the Malaysian companies to motivate and retain talented cadres. In particular, the recruitment and selection, salary and compensation, fringe benefits, training and development, and performance appraisal (PA) system, and promotion and succession planning will be examined. The fourth stage will illustrate other aspects of the well integrated HRM practices of these organisations in enhancing the in role and extra role

behaviours of the employees. Fifth, the findings will be discussed to highlight the distinctive approaches of study companies before concluding (the sixth stage) with some challenges and HRM implications important to achieving organisational prosperity in Malaysia.

BACKGROUNDS OF HRM IN HOST COUNTRIES

Compared with MNCs from other countries, Japanese MNCs have a strong tendency to transfer their parent country's HRM practices, which are called the 'Japanese-style HRM', and to control their local subsidiaries through the overseas assignment of parent country expatriates (Peterson, Napier & Shim 1996). It is generally known that Japanese MNCs are largely group oriented, and emphasise harmonious work relationships and teamwork. They also tend to adopt culturally distinctive HRM practices to elicit the employee's sense of loyalty and commitment to their organisations. For example, the seniority wage and promotion system, lifetime employment, extensive training programmes, and group oriented approaches (Gomez-Mejia & Welbourne 1996, Chew 2005) are features of Japanese firms. Traditional staffing of young graduates with learning potential is viewed as being critical as Japanese firms expect the new recruits to assimilate the organisational culture (Hatvany & Pucik 1981, Pucik 1984). Mid career employees are generally not recruited. Under the paternalistic management pay and promotion systems decisions have traditionally been based principally on age and seniority, rather than on job classification or performance. Although this approach helped strengthen the intention to stay (Befu & Cernosia 1990), evidence suggests that the importance of seniority has declined in pay and promotion (Clark & Ogawa 1992, Morishima 1992). Efforts such as replacing seniority with merit were made to decrease the emphasis on seniority as being the main criteria for salary increase. This change is partly due to the economic slump and the elevated labour costs of seniority practices (Mroczkowski & Hanaoka 1989). In addition, the younger Japanese employees may be changing towards a more individualistic orientation. Japanese firms invest heavily in training employees (Hashimoto 1990, Mueller 1992). Apart from equipping employees with skills, training also integrates employees in the firms through socialisation and the immersion of organisational culture (Pucik 1984).

In contrast, Western MNCs reward performance, not seniority (Mroczkowski, Linowes & Hanaoka 1992). Pay is contingent on performance and the performance reward tie is strong and mainly individual based. This nature of the reward system reflects HRM practices that are close to their individualistic national values in motivating employees for superior performance (Hofstede 1980). Monetary rewards are generally integrated with the benefits, job contents, and prestige rewards to form attractive compensation packages. Benefits are extensive in the United States (U.S.), but are often less salient to employees than pay. This is because U.S. employees generally consider most benefits as entitlements. Promotion decisions are also based on capability and merit (Mroczkowski, et al. 1992). High performers are identified and given extra attention and training for succession planning. However, training can also be a punishment for poor performance (Von Glinow & Chung 1989). Western MNCs tend not to hesitate in terminating poor performing employees given the economic nature of the employment contract. In short, the Western, and particularly U.S. management systems are characterised by high individualism, impersonality in relationships, emphasis on pay as a main motivator (money oriented), and high inter firm mobility (Chang 1989, Zhuang 1992).

Malaysian HR practices, systems, and regulations are largely influenced by the British colonisation experience of the nineteenth century. It is commonly viewed that HR practices of Malaysia are the artefacts derived from an integration of Western and indigenous HR practices. Hirano (1991) categorised Malaysian HR practices into two mainstreams, namely British oriented values and ethnic oriented values (e.g., Malay, Chinese and Indian values). It is found that companies were managed either in more of the British or the indigenous way. Other research describes Malaysians as being money oriented and inclined to job hop, with little hesitation for better financial offers (Kawabe 1991). This tendency is traced back to the previous proactive introduction of Western management and education systems. In addition, the increased convergence of work related values and the expectations of Malaysian overseas graduates quicken the absorption of new Western ideas and reshape the value systems of Malaysians (Sheppard 2001).

Evidence shows that a seniority emphasis in the reward system is weakening. A survey by MEF (2004) showed that 90.5 per cent of 304 companies practised performance based reward systems, although seniority still minimally counts to a varying degree in pay decisions. Similarly, promotion based on seniority as a reward for loyalty is replaced with a performance and merit system. It is common that training expenses is the first company facility to be curtailed in times of budget restraint. This reduction in staff service is particular in those HR departments that are administrative in nature.

Malaysian firms often feel that it is too costly to train employees beyond the required basic skills. This feeling is partly attributable to the general notion among Malaysian firms that employees should shoulder training beyond the contractual scope of work. These firms also tend to look at developmental training as a threat to staff retention (Yong 1996). Such reluctance may also be largely due to the need to offer better pay packages given that training enhances job mobility. The reluctance of Malaysian firms in human development led the Malaysian government to intervene to promote skills training. Hence, a levy grant system was introduced in 1993 with the purpose of providing financial assistance to defray part of the training costs undertaken by employers. Manufacturing firms are now required to contribute one per cent of payroll to this training fund. Although the role of the HR department and its importance are gradually expanding to broader perspective in many of Malaysian firms, the general notion is that the HR department still plays merely an administrative role. However, some progressive Malaysian firms, which undertook a genuine effort to adopt Western HRM practices, have recognised the strategic importance of the HR department, evolving from a focus on employee welfare to one that emphasises both human development and optimal productivity.

METHODOLOGY

Site and Subjects

The study site was provided by the five leading companies of the Malaysian personal care industry that have distinguished themselves in world markets. These companies were located in either Kuala Lumpur or in neighbouring cities. These five study companies manufacture and sell various kinds of consumer goods (e.g., laundry detergents, pharmaceutical goods, home care, and beauty care products). The anonymity of each of the five companies is preserved by identifying them alphabetically by codings of A to E, inclusive. Their parent nationality and business type are also provided. For instance, Company A was a Japanese MNC that replaced traditional Japanese management style with performance based Western HRM in 2002. Company A reexamined the role focus, and functions of the seniority systems within the Malaysian subsidiary, and redefined its HR mission to shift from an administrative role to a strategic one, playing an active role in corporate strategy. Company B was an Anglo Dutch MNC, and Company C was a U.S. MNC. Company D was a Malaysian MNC managed by independent management, and company E was managed by the descendents of its Malaysian Chinese founder. Both of the local MNCs own businesses and manufacturing plants abroad. The study respondents were the senior managers of the five companies. At Company A, the author only interviewed the HR director, while the HR director, the Distribution director and the Customer Service manager were interviewed at Company B. At Company C, the author interviewed the HR director, the HR manager and the Marketing director. At Company D, the HR manager, the operation executive and the chemist were interviewed. The author interviewed the Senior Manager at Company E. These managers voluntarily participated in the study.

Procedure

Data were obtained when the author engaged with each of the senior managers, separately. Initially, face to face interviews were conducted with each manager, often in the manager's office. Later, engagements were undertaken with electronic facilities (e.g., telephone, email, fax). To avoid inter tensions and to encourage genuine information transference the interviews were not recorded, but field notes were undertaken.

Meaningful interviews were facilitated with a two stage process. First, an exploratory research was undertaken with probe questions, such as what, how, and why to understand the underlying purpose of the HR policies and practices. This technique allowed the author to generate a platform for

complimentary interviews that would tap into a natural flow of information. These second round of interviews had key questions that were prepared from the material obtained from the initial interviews. This two level interview strategy provided opportunity for the author to employ consistency of questions across all the study organisations.

Analysis

Quantitative data are not given in this paper. Hence, statistical procedures are not employed to evaluate the data. Instead, an overview of the responses is provided in a descriptive and comparative manner. To analyse the interview data, the author first transposed the data collection and field notes into a text. Then it was reorganised to give a consistent flow and structure for easy reference and analysis. Tables and figures were later designed to allow for comparison.

RESULTS

When the interview data were analysed, the results show that there is a growing recognition of the importance of the employee organisational link. This institutional feature is facilitated by a common set of HRM activities to achieve organisational prosperity. Each HR activity represents the various creative approaches undertaken by the study companies to motivate and retain talented cadres. These HRM activities are recruitment and selection, salary and compensation, fringe benefits, training and development; and performance appraisal (PA) systems, as well as promotion and career advancement. These categories provide the underpinning for the presentation of the following results.

Recruitment and Selection

Table 1 shows the various hiring approaches across the study companies. The evidence reveals there are striking differences in the implementation style of a hiring exercise, in particular, between the foreign and the local MNCs . The Western MNCs in this study employ newspaper advertisements and university qualifications as the medium to recruit talented cadres. These companies facilitate the hiring exercise by placing a great emphasis on the person and organisation (PO) fit. Company B highly considers how the personality and the characteristics of a potential recruit may fit in well with its organisational policy and climate. For instance, this company screens job candidates to gauge their work enthusiasm and compensation expectations. In addition, both Company B and Company C facilitate the staffing exercise with a set of clear selection criteria. Indeed, the HR personnel work closely with their functional managers in setting selection criteria (i.e., trainability, required skills and competency). While these Western MNCs have ' deep pockets' that enable aggressive staffing and poaching, they are particularly careful in selecting job candidates who seek employment at Malaysian local firms due to a mismatch of work values that may lead to high hiring failure.

Table 1

A Comparison of Recruitment and Selection Practices of Study Companies

Approach	Company A	Company B	Company C	Company D	Company E
Medium	Newspaper University Word of mouth	Newspaper University	Newspaper University	Newspaper	Newspaper
Selection criteria	PO fit Clear criteria Rehiring middle aged cadres	PO fit Clear criteria Aggressive Do not hire cadres from local firms	PO fit Clear criteria Aggressive Do not hire cadres from local firms	PJ fit No clear criteria Reactive stance in hiring cadres	PJ fit No clear criteria Reactive stance in hiring cadres
Selection decision	Teamwork between HR director Manager	Teamwork between HR director Manager	Teamwork between HR director Manager	Heavy reliance on manager' s individual judgement	Heavy reliance on manager' s individual judgement

Note: PO fit = person and organisational fit, and PJ fit = person and job fit.

The Japanese MNC , Company A, mainly employs newspaper advertisements, university qualification,

and word of mouth as the medium of recruitment. This company previously practised the traditional hiring policies of the headquarters in Japan. Under the traditional practice, Company A previously employed only novice and unspecialised graduates, and offered an unattractive base salary. With the adoption of Western management systems, Company A started to ease its hiring strategy by considering the deployment of experienced middle aged cadres. This Japanese MNC also started to emphasise the PO fit in the selection process. In addition, the HR department began to work closely with the departmental head to set the selection criteria. The new hiring strategy is a departure from the seniority systems in which work experience is valued before entry, and the base salary is competitive with the market rate.

Compared to the aforementioned foreign MNCs in Malaysia, the two local MNCs, Company D and Company E place somewhat less attention on hiring practices to attract and retain talented cadres. This is because the talented cadres in Malaysia seem to gravitate to foreign owned firms, including Japanese (Company A), European (Company B), and U.S. MNCs (Company C), in consideration of their attractive employment packages. Companies D and E mainly recruit people through newspaper advertisements. These local MNCs are also different from foreign MNCs in that they emphasise person and job (PJ) fit, a congruence between the demands of the job and the needed skills, knowledge and abilities of a job candidates (Edwards 1991). Based on the various interview findings and evaluation, it is understood that these local companies have little notion of selection criteria. This may be a strong factor in the sole emphasis of the PJ fit that further allows the functional manager to assume full responsibility in the selection decision. In summary, the influence of the parent company values and practices are very noticeable when observing their distinctive recruitment and selection strategies.

Salary and Compensation

Table 2 illustrates the pay increase strategies of the five study companies in managing employee motivation and retention. The content of Table 2 demonstrates a vertical comparison of the pay increase structure within each of the five study companies using two features, 1) performance appraisal (PA) category, and 2) the degree of gap between two performance categories. The degree of the pay increase is determined by comparing the percentage of pay increase between two levels of the PA categories of the same company. Table 2 shows that the study companies practise a pay for performance system (PFPS) to varying degrees, making meaningful distinctions in pay increase to reward high and low performers. In addition, these MNCs do not furnish blanket pay increase, nor do they reward non performers. The foreign MNCs generously reward average and above employees, ranging from a medium to high degree of difference. Comparing the average pay increase of the study companies with that of an annual report (MEF 2004), most of the study companies offer median quartile range rewards (Company A, Company B and Company D).

Company B endeavours to motivate and retain talented cadres by strongly differentiating the salary increase for average and excellent performance. Besides rewarding past performance, this strategy helps to motivate future performance. However, the Anglo Dutch company structures less incentive differentiation between non and poor performers. Apparently, it is the corporate intent to instil some form of pressure on poor performing employees. Similar to Company B, Company C also substantially differentiates reward distribution according to performance rankings.

Table 2

A Comparison of the Degree of Pay Increase Structure within a Company

PA Category	Company A	Company B	Company C	Company D	Company E
Excellent	High	High	High	Low	Low
Good	High	Medium	Medium	High	Low
Average	Medium	High	High	Medium	Low
Poor	Low	Low	Medium	Low	Low
Non performer %	0	0	0	0	0
Average Increase %	5	5	8	5	3.5

Note: variance of 2% and below = low, variance of 3% = medium, and variance of 4% and above = high.

Company A previously implemented seniority based reward systems. Exacerbated by a change of

socio economic values, consequently, this traditional system resulted in a below market salary, perceived unfairness, and demoralised employees. Company A adopted PFPS given that the intended motivation and retention strategies were complicated by more traditional practice. This new scheme introduced a large differentiation from average to excellent performance levels.

Company D, a Malaysian local that practises PFPS, narrowly fixes the percentage of pay increase for poor and excellent performers. In other words, Company D focuses more on the motivation and the retention effort for average and good performers, given the medium and high degrees of variance in pay increase. A further contrast is the pay increase structure of the highly family managed and cost sensitive Company E. This company has a structural design of pay increase that depicts narrow and even an incremental spread of pay increase across all degrees of performance, indicating that the policy of Company E is to give equal attention, or priority, on each performance level.

Fringe Benefits

The interviews revealed that benefit practices are extensive in the foreign companies, offering equally attractive perks that appeal to different groups of employees (i.e., senior, younger and newer staff across different hierarchical levels). A more interesting finding was that these foreign MNCs responded to changing social values by redesigning the fringe benefits. Redesign was also undertaken on the other traditional fringe benefits (i.e., housing subsidy, retirement scheme and insurance coverage) that were becoming less attractive amongst the highly mobilised younger workforce, and who prefer real time monetary rewards. These social changes have prompted the Western MNCs to practise flexible benefit schemes to better meet the specific needs of the employees. For instance, these foreign MNCs extend the medical benefit to the immediate family of the employees. Company B compensated new entrants in 2001 by replacing the housing subsidy with higher pay. As for the Malaysian companies, Company E mainly provides the basic fringe benefits as per statutory requirement and its fringe benefits are less generous than those of Company D.

Besides retaining the cadres through selective hiring and competitive compensation, Company A and Company B offer very generous fringe benefits. These fringe benefits are exhibited as higher medical coverage, a generous housing subsidy and longer seniority based annual leave, health maintenance for senior staff, and an attractive retirement gratuity. In Company C, rank related benefits (i.e., car loan, MBA programme, extensive medical benefits) are offered to senior and middle management personnel. A distinctively unique benefit is that Company C allows full reimbursement of education without any contractual binding, which is rare and very appealing to Malaysian society (Rioux, Bernthal & Wellins 2002). Like Company B, Company C also redesigned certain traditional benefits to better meet the needs of talented cadres (i.e., transferring the retirement allowance into an additional three per cent of payroll onto the employee provident fund).

The fringe benefits of Company D seemed too simplistic and less attractive than those of the foreign MNCs. However, further investigation reveals that Malaysian firms generally embrace less elaborative written rules. The extension of benefits can be decided case by case, and hence, the absence of fixed and clearly articulated policies. For instance, Company D is less stringent than the foreign MNCs in extending car and housing subsidies to lower ranked employees. Company E manages its organisation in rather an indigenous way and offers most of its fringe benefits by adhering to the minimal legislative requirement.

Training and Development

Table 3 demonstrates the training strategies of the study companies to achieve organisational prosperity. Some features of Table 3 are the training purpose, use of training analysis and types of training development programmes. Training and development is one of the main strategies for the foreign MNCs examined in this study to express the worth of their people, as well as their eagerness to invest and develop exceptional employees. Besides replacement and retraining, these foreign MNCs invest heavily in training for promotion and succession planning. For instance, job specific training is provided for replacement so as to equip new recruits with basic on the job skills, and comprehensive development programmes are extended to high performing staff as apart of the succession planning, as well as to prepare employees for the larger responsibilities that accompany promotion. Moreover, the

foreign MNCs seriously view training analysis for the proper identification of the necessary training or reskilling required to better aligned with future plans and other critical systems. Unlike the foreign counterparts, the local MNCs in this study mainly provide training for a replacement purpose and lack the interest in deploying training analysis.

Table 3
A Comparison of Training Strategies

	Company A	Company B	Company C	Company D	Company E
Purpose	Replacement Retraining Promotion Succession planning	Replacement Retraining Promotion Succession planning	Replacement Retraining Promotion Succession planning	Replacement Retraining	Replacement Retraining
Analysis	In use	In use	In use	Occasionally	Not in use
Types of training programmes	OJT; DT; Overseas posting Induction	OJT; DT; Overseas posting	OJT; DT; Overseas posting	OJT; DT;	OJT
Designs and features of training programmes	Beyond job scope; Structured training; Customised to company needs; Extensive;	Beyond job scope; Structured training; Customised to company needs; Coaching;	Beyond job scope; Structured training; Customised to company needs; Cross sectional;	Job specific; No structure training; Generalised development training at external institution	Job specific; No structure training;

Note: OJT = on the job training, DT = developmental training.

Apart from on the job training (OJT), the high performing staff of the foreign MNCs can enhance their skills beyond current job scope by undertaking developmental training conducted by a professional consultant. In addition, the Western companies designed a six month, or one year overseas posting to broaden the international exposure of company members. The training strategy of Company C is more cost effective than the training system of the other four study companies. A further unique feature of the self directed cross sectional training (employed in Company C) is reflected by the voluntary participation of ambitious employees who wish to display their new talents to the management.

Local firms with less interest in a skill enhancement approach to training on a needs basis, limit learning to job specific training (Yong 2003). From the interviews it was revealed that the training at Company D and Company E was mainly job specific training. Company D occasionally sends employees to a public training institution in which the training contents are generalised to cater for all types of companies. While the training effort is improving in these two companies, the lack of a proactive mindset in HR development apparently made these companies less attractive to job seekers.

Performance Appraisal

Table 4 illustrates the pertinent differences in how the study companies employ PA to motivate and retain employees. Some features of Table 4 are purpose, measurement criteria, participation, transparency and monitoring issues. Table 4 shows that the foreign MNCs in this study extensively integrate and utilise PA for PMS, administration (salary and promotion decisions), and development (training and reskilling). The foreign MNCs also embrace the PA that applies objective criteria, detailed formula and quantitative measures in a pay decision. In contrast, the local companies tend to handle their PA systems in simpler and less formal ways. Hence, the local companies implement mainly qualitative oriented PA measures that are less clearly articulated than that of the foreign MNCs. Although the measurement criteria of all study companies are performance oriented, the criteria of foreign MNCs are relatively more detailed, standardised and job specific than that of the local companies.

Table 4
A Comparison of Performance Appraisal Practices

Policies		Company A	Company B	Company C	Company D	Company E
Purpose and Applications of PA	Performance management	Extensively, Formally	Extensively, Formally	Extensively, Formally	Moderately, Less Formally	Extensively, Less Formally
	Salary decision	Objective, Detailed, Quantitative	Objective, Detailed, Quantitative	Objective, Detailed, Quantitative	Subjective, Quantitative	Subjective, Quantitative
	Promotion	Extensively	Extensively	Extensively	Rarely	Moderately
	Development	Extensively	Extensively	Extensively	Moderately	Rarely
Measurement Criteria	Orientation	PFPS	Highly PFPS	Highly PFPS	PFPS & seniority	PFPS
	Measurement criteria	Detailed, Standardised, Job specific, Comprehensive	Detailed, Standardised, Job specific, Comprehensive	Detailed, Standardised, Job specific, Comprehensive	Simple, Not standardised	Simple, Not standardised
Monitoring and Control	Trained assessors	Trained	Trained	Trained	Trained	Trained
	Parties involved	Department Head	HRD	HRD	None	Three directors
	HR monitoring	Not in practice	In practice	In practice	Not in practice	Not in practice

Note: PA = performance appraisal, PFPS = pay for performance system.

As part of the attempt to uphold the validity, reliability, and credibility of PA systems, the foreign MNCs seem to put serious efforts on monitoring and control (i.e., trained assessors, revision of goals and bi annual readjustment of key performance index in response to external and internal forces). Moreover, PA at Company B and Company C are performed under the close supervision of the HR department for managing irregularity and favouritism. For instance, in the event of suspicious results, Company C would investigate the respective departments, and the failure of appraisers to provide a satisfactory explanation.

Promotion and Career Advancement

Table 5 shows that all the study companies practise performance based promotion to a varying degree. Excellent performance and consistent proven track records are the necessary recipes for promotion considerations in the foreign MNCs in this study. The promotion consideration is facilitated by PA, succession planning and performance management system (PMS) to enable sound promotion decisions.

Table 5
A Comparison of Promotion and Career Advancement Practice

	Company A	Company B	Company C	Company D	Company E
Type	Upward promotion	Upward promotion Replacement of expatriate position with local staff, Overseas posting	Upward promotion Lateral promotion, Overseas posting	Upward promotion	Upward promotion
Tools for decision making	PA, Succession planning, PMS	PA, Succession planning, PMS	PA, Succession planning, PMS	PA, Seniority	PA, Seniority Family relation

Note: PA = performance appraisal, PMS = performance management system.

Company B offers various types of career plans, such as, upward promotion, overseas posting, or top designation previously undertaken by expatriates. Company C strongly supports internal talent

mobility and makes extensive use of internal candidates when filling vacancies at the leadership level (i.e., overseas posting, upward and lateral promotion). This U.S. MNC makes serious efforts in embarking on succession planning, an ongoing activity to identify and develop future cadres from the current pool of talents. Under this programme, Company C intensively assesses the current skill levels of talented cadres to determine the extra training that could best maximise their potentials.

Company A previously practised a guaranteed seniority promotion system that promotes cadres in a lock step, seniority based and time consuming fashion. However, given the better access available to tertiary education that enables faster promotion in Malaysia, the seniority promotion practice became a threat to organisational prosperity. High performers left for firms that reward rapid advancement, whereas less competitive cadres had continued to stay. According to senior personnel of Company A, most of these excellent cadres that had left Company A are currently directors of well established companies. With the adoption of PFPS and PMS, Company A takes an active role in identifying talented cadres for promotion decisions. In contrast, Company D and Company E adopt a traditional concept of career management with the relatively stronger element of seniority influencing promotion decisions. Managers are promoted through some form of vertical progression of positions, but one that primarily involves similar responsibilities. Although Company E rewards high performing staff with upward promotion, Company E tends to reserve senior management responsibilities for family members. Those individuals not in the family hierarchy have little hope of being promoted into corporate management.

In general, MNCs may utilise similar strategic planning to manage organisational prosperity. The degree of effectiveness may, however, differ given the parent company influence and how well integrated HRM activities are in enhancing the employee organisational linkage. The common reasons for staff turnover include unfavourable work environments, unsatisfactory compensation, better offers elsewhere and personal reasons. Distinctive reasons for staff turnover in each study company are identified. Company A, a Japanese MNC, tends to lose employees due largely to its less attractive pay packages and practices (seniority based pay practices) relative to its competitors. Both Company B, an European MNC, and Company C, an U.S. MNC, tend to lose talented cadres in groups when employees resign to follow their superior to new firm. In addition, the poor competency of employees, as well as a failure of the initial hiring practices that poorly links to organisational needs, further aggravates the problem. The two Malaysian domestic companies in this study (Company D and Company E) often lose talented cadres due largely to their less attractive pay packages and the lack of matured training facilities. These study companies continually attempt to address this management issue through various sophisticated HRM activities.

DISCUSSION

The growing concern to maintain a committed workforce capable of fulfilling corporate exigencies has led corporations to continually search for techniques to improve and cement the employee organisational link. The research findings of this study reveal that the five study companies are endeavouring to address this challenge. Their continuing effort and the concurrent deployment of well integrated and sophisticated HRM infrastructures corroborate the notion that compensation packages, although important, have limited success in staff motivation and retention. The study results provide qualitative evidence that are worthy of more comprehensive discussion in at least four primary areas in achieving organisational prosperity.

First, the results of the study show that the employee organisational linkage could be enhanced through meeting the intrinsic and extrinsic needs of the individual as well as the organisational needs. One of the many approaches is selective hiring. The past literature found that a fit between the values of the individual and the organisation affects the selection and retention of personnel (Schneider 1987). In the hiring exercise of the foreign MNCs it was discussed and emphasised that a PO fit was paramount. Indeed, the Western MNCs would identify the degree of correspondence between needs of applicants (i.e., qualities, work attitude, reward expectation) and organisational reward systems and values. By carefully matching the values and expectation, Company B could effectively reduce staff turnover. Company C adopts self directed cross sectional training to fulfil an employees' achievement need that may further strengthen their sense of affiliation with the company, given a high

degree of empowerment and the solicitation of ideas. In addition, performance orientation in the pay and promotion system also plays crucial roles in reinforcing commitment and loyalty. By having pay and promotion decisions contingent upon performance, organisations are signalling to employees that high performing staff are duly recognised and distinctively rewarded through attractive pay incentives and career advancement. For instance, the pay strategies of the foreign MNCs that distinctively differentiate pay increase, particularly, from average to excellent performers, has the potential to make employees see merit pay as a truly rewarding performance and fulfilment of the extrinsic need for financial rewards. Performance based promotions play a crucial role in staff retention and job motivation in that they may satisfy the achievement, affiliation and recognition needs of individuals. For instance, the diverse promotion opportunities (i.e., overseas posting, upward and lateral promotion, promotion to top designation previously undertaken by expatriates) in Western MNCs helps these companies to retain talented cadres. The deployment of performance based pay and promotion practices has also brought Company A a positive work environment. The new recruits and existing employees appreciated this welcoming change and began to have a positive perception of their employer, which, in turn, elevated job motivation.

A second salient finding was the way the study companies managed organisational fairness through HR activities. The findings of a recent empirical research deploying Malaysian samples (Chew & Takeuchi 2005) demonstrate that the employee perceptions of organisational fairness are related to their willingness to engage in OCB. Specifically, it was found that the perceived fairness of the reward distribution (distributive justice) and performance appraisal procedure and process (procedural justice) encourage displays of OCB, particularly the respondents from Western MNCs sample. Post hoc interviews reveal that Western MNCs are highly concerned for OCB, and strategically integrate this practice into their reward and appraisal systems and practices (Chew & Takeuchi 2005). Consistent with the empirical findings above, the evidence of this study confirms that serious organisational efforts were undertaken by the foreign MNCs to ensure that organisational fairness was reflected in their HR activities. For instance, PA procedure and process were perceived fairly by their employees given the organisational support to ensure employee involvement in goal setting and appraisal criteria, transparency of PA, deployment of trained appraisers, and monitoring for irregular appraisal. In the case of Company A, it has substantially benefited since the adoption of performance oriented practices. Company A started to involve employees in operational and performance related decisions to elicit input. The company also redesigned PA to reflect fairness, objectivity, and measurability. These concerted efforts have resulted in improved employee morale, organisational and work commitment, a healthier workplace, and thereby, lower staff turnover. In fact, employees were eager to introduce their acquaintances to seek employment at Company A, enabling Company A to rely less on the mass media for recruitment. In addition, the practice of performance based reward and promotion systems among the foreign MNCs, which are well facilitated by fair and objective PA, support a fairer distribution of rewards, and thereby, further promote OCB. These findings are consistent with past work that found committed employees are less likely to leave (Carsten & Spector 1987), and more likely to display OCB (Organ & Konovsky 1989).

A third crucial, yet fundamental enabler of organisational prosperity, suggested by the results of this study is organisational concern for employee welfare. The interview findings demonstrated how the HR activities of the study companies are reflective of their commitment to organisational concern. For instance, the serious effort exerted by the Western companies (i.e., succession planning, sophisticated developmental training, fairness management, redesign and customisation of benefit scheme, comprehensive medical benefits for family) provide employees with a sense of comfort in that their career advancement and family welfare are considered. Company D extended financial support (i.e., car loan facility) and financial benefits to lower level staff. Company A emphasises orientation for new recruits to foster a 'family like' atmosphere and helping spirit. According to Company C, most of the employees who left for better offers later requested for reemployment. Interviewers suggested this outcome was the result of a deep attachment to Company C. The interview evidence shows that organisational care reinforces employees' organisational attachment. The study evidence also demonstrates that employers have a desire to reciprocate this opportunity for corporate linkage.

The fourth salient finding was the importance of the strategic integration of complementary HR practices for achieving optimum results. Such emphasis was observed in the way the foreign

companies creatively designed and integrated HR activities to improve and cement the link between the organisation and the employee. Moreover, these companies demonstrated concerted efforts in their HR practices (i.e., performance based pay and promotion systems, emphasis of PO fit in hiring exercise and management of organisational fairness). In contrast, local companies adopted a mix of non complementary strategies that may offset intended positive outcomes. For instance, while the local companies deploy PFPS with a distinctive pay increase structures, these HR tools were not well facilitated with an appraisal criteria or measurable means within the PA exercise, which is crucial for making a fair reward distribution. Seniority continues to be the primary criterion in promotion, which contradicts the practice of PFPS. Training is limited to job specific training that hinders meaningful upward and lateral promotion through which job enrichment or diversification can be intrinsically fulfilling.

In sum, while Western HRM practices are widely adopted in Malaysia in varying degrees, the country origin of the specific MNC is still an important factor that shaped the platforms to determine how a firm can strategically foster staff retention and enhance employee organisational linkage. To a greater, or lesser, extent the HR practices of the five study companies display some form of integration of the individual and organisational components. The study's foreign companies have highly elaborated and sophisticated HR systems and practices that are well integrated. In contrast, the Malaysian companies in this study implement Western HRM practices under strong indigenous influences that may be appropriate to their organisational setting. However, some of their strategies are somewhat lagging due to a lack of concrete action plans, as well as the critical integration between the HR activities, crucial for organisational prosperity.

CONCLUSION

In an effort to explore the distinctive features of HRM across companies with different country origins and cultural values, this paper has analysed and compared the strategic HR practices deployed by the study companies. An interesting finding was that the country origin is an underlying influence on the HR activities of the study companies. This influence has translated into the HR activities that show some commonalities and many differences in enhancing employee organisational linkage to achieve organisational prosperity. This paper also demonstrated that while a focus on competitive pay packages to attract and retain talented cadres is clearly effective in manifesting job motivation, complimentary strategic HR practices are profoundly important in reducing staff turnover.

The deployment of the sophisticated techniques of complementary HR practices that well integrate individual and organisational needs may, therefore, prove to be an effective approach to the enhancement of employee organisational linkage, and hence, staff retention and job motivation. Organisational prosperity can be achieved through the combination of assessment and a close match of work values in staff selection, competitive performance based pay packages, customised fringe benefits, developmental and cross functional training, fair and transparent PA, and performance based promotion. If the local companies intend to create a competitive edge through a more committed workforce, they may be encouraged to consider refocussing on training. Furthermore, these firms may come to recognise that well directed investment in training is likely to yield far better long term results than short term job specific training. It is also recommended that these companies be responsive to the pace of change, by redesigning their HR activities to meet the current needs of employees. In consideration of the growing staff dissatisfaction, Company E may need to enhance fringe benefits as well as 'open up' more promotional opportunities at the senior managerial level. These recommendations may prove highly advantageous to local companies, particularly, if it leads to an overall increased motivational force and concerted effort to achieve organisational prosperity.

The challenges of staff retention and job motivation that have plagued corporations in Malaysia are likely to be aggravated. The annual turnover rates over the past three years have been high and above 15 per cent (MEF 2003, 2004, 2005). Consequently, corporations will be facing aggressive competition to attract and retain talented cadres. Until the pool of company cadre sufficiently meets the corporate search for talented workforces, the key implication for practitioners is to proactively cement and strengthen the employee organisational link through the implementation and improvement of HR practices, in order to attract new talented cadres while retaining high performing

employees.

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