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# Strategic HRM Practices: Perspectives of Malaysian and Japanese Owned Companies in Malaysia

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## Abstract

**Purpose** - This study examines the applications and processes of one of the key distinctive features of strategic human resource management (SHRM), i.e., integration of HRM functions with business/corporate strategy and two key HRM functions, recruitment/selection and training/development.

**Design/methodology/approach** - The research used mixed methodology approach via questionnaire survey and semi-structured random interviews. Of the 113 questionnaires returned, 86 usable questionnaires were analyzed, a response rate of 16.5 percent. Semi-structured interviews were conducted with 12 HR practitioners and 9 line managers from Malaysian and Japanese owned companies.

**Findings** - Analysis of the questionnaire responses on strategic integration, recruitment/selection, and training/development show little difference in practices between the Malaysian and Japanese owned companies. Both Malaysian and Japanese owned companies indicated a higher HR involvement in the business/corporate strategy formulation process, either from the outset or in implementation. However, there were some contradictions in actual practice of strategic integration of HR with business/corporate strategy as evidenced by the interview data. In relation to recruitment/selection and training/development practices, there were differences in the practices in terms of elaborateness, approach and process. On a positive note, HRM in Malaysia seems to be in a state of change though the process is slow.

**Practical implications** - Provides some insights and practical implications to HRM practitioners and line managers about SHRM practices in Malaysia.

**Originality/value** - This paper contributes to the existing literature and also to overcoming the dearth of empirical research on the importance of SHRM practices in Malaysia.

**Keywords** Strategic integration, Recruitment/selection, Training/development

**Paper type** Research Paper

## Introduction

The impact of globalization and highly competitive markets has undoubtedly caused the HRM to take on a more strategic role in the organization and management of human resources (Lundy, 1994). Accordingly, the new positioning of HRM to SHRM emphasizes the integration of HR practices with business/corporate strategy. To achieve strategic integration it is anticipated that each of the key activities making up HRM, e.g., recruitment and selection and training and development should be similarly integrated, vertically and horizontally aligned with their strategic imperatives (Wright and McMahan, 1992). The SHRM practices and competitive advantage of an organization reflect its effective implementation of human resource practices.

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Prior to the more recent emphasis on and pleas for strategic integration, organizational recruitment/selection and training/development remained relatively unchanged, having evolved into a relatively standardized approach frequently labeled as “traditional” (Storey, 2001).

Holbeche (2001) asserts that recruitment should not be simply a question of filling gaps but should focus proactively on bringing into organization the skills and experience which cannot be built from within. Undeniably, effective recruitment/selection is critical to success of the organization. Similarly, HR teams are often criticized for developing training/development strategies which do not match business priorities.

The question that needs to be addressed in the context of training/development strategies is how to ensure that people are trained and developed to their full potential and maximum effectiveness in line with organizational strategies and objectives. By effectively managing the key human resource management practices of recruitment/selection and training/development, organizations should be able to attract and retain qualified employees who are motivated to perform and hence will contribute to organizational effectiveness. Against the background and in examining the evidence of its reality in practice, the issues of strategic integration, recruitment/selection and training/development have become increasingly relevant. Thus there is need for further exploration. The following section presents a review of the literature relating to the research.

## **Review of Related Literature**

### **Strategic Integration**

The whole concept of SHRM is predicated on the belief that HR strategies should be integrated with business or corporate strategies (Guest, 1991; Lengnick Hall and Lengnick Hall, 1988; Schuler and Jackson 1999; Wright *et al.*, 1992). Strategic integration is necessary to provide congruence between business and human resource strategy so that HR supports the accomplishment of organizational goals. The aim is to provide strategic fit and consistency between the policy goals of HRM and the business. The rationale for SHRM thinking is that by integrating HRM with business strategy, rather than HR strategies being a separate set of priorities, employees will be managed more effectively, organizational performance will improve and therefore business will follow (Boxall, 1992; Schuler, 1992). Review of the strategic integration literature suggests that in order for HR management to be effective in aligning HR strategies with business/corporate strategies, HR must be able to play a key strategic role in the process. Sheehan (2005) noted that the integration of HRM effectively encourages everyone in the organization to take responsibility for HRM, not just the HRM department. This ensures that HRM is given a much more central position in decisions that are made at the strategic or operational level, and reminds decision makers that an investment in people is a key organizational policy.

This study revealed similar issues regarding HR capabilities to those noted by Huselid *et al.*, (1997) and Sparrow and Marchington (1998). These researchers found that HR managers may not be meeting the challenge of this new business partner role. They observed that many of those involved in the HR function continue failed to understand the demands of their new role and lacked confidence in their ability to be strategic business partners. Similarly, Osterman (1995) and Poole and Jenkins (1997) argued that the greater the extent to which senior directors are able to influence the strategic decision making process, the more likely it is that effective HRM policy design will be achieved. Other factors identified in the literature that may impact on HRM integration in the strategic planning process include: direct access to the CEO through the formal reporting mechanism (Budhwar, 2000; Golden and Ramanujam, 1985; Lawler, 1995) and the

success of the informal network that HR managers develops with key senior executives (Hope-Hailey *et al.*, 1997; Sparrow and Marchington, 1988; cited in Sheehan, 2005).

### **Recruitment/Selection and Training/Development**

Research has shown that a firm's strategy may be important, but in many cases is not a sufficient determinant of the firm's overall performance. Ginsby and Venkatraman (1995) and Yetton *et al.*, 1987 cited in Buller and Napier, (1993) pointed out that contingency theories of strategic management have suggested that successful long-run firm performance is a function of the configuration among a number of variables such as the firm's environment, strategy, technology, structure, management processes, culture, and management skills and values. Another variable that has received increasing attention is the degree to which the firm's HRM practices such as recruitment/selection and training/development are integrated with its business strategy.

Today's organization cannot ignore the fact that a key element of resource capability is its people, and greater attention is being given to the recruitment/selection process than ever before. Recruitment/selection is just one of the key HR practices that need to be integrated into a coherent "bundle" by organizations in order to support the delivery of business or corporate strategy. Newell and Rice (1999) have noted that for some, recruitment/selection lies at the very centre of HR practices in organizations where appointment decisions are among the most crucial ever taken by employers. Similarly, strategy-linked training may be essential to the success of the organizations challenged by increasing global competition, accelerating technological change, and shifting workforce demographics. In fact, according to Redding and Catalanello (1989), several leading organizations, including Motorola, General Electric, and Hewlett-Packard, credit their business success to training. Accordingly, recruitment/selection and training/development represent two of the four key functions of HRM necessary and critical to support organizational strategies.

### **Why this study is important?**

The electrical and electronics industry is Malaysia's leading industrial sector which contributes significantly to the country's manufacturing output, exports and employment with Japan foreign direct investment (FDI) remains a major contributor and crucial for Malaysia industrial development (FDI Magazine, 2008). This industry has developed significant capacities in the manufacture of a wide range of semiconductor devices, high-end consumer electronic goods and information and communication technology (ICT) products. Moreover, with increased globalization and global competition, mergers and acquisitions, organizations in this sector are facing greater challenges in their constant quest to develop new capabilities and employee commitment, pursue innovation and creative initiative, and manage change. Therefore, a more strategic deployment of their human resources is required.

Interestingly, in recent years the Japanese production and management system has made a lot of inroad in overseas and has attracted a great deal of attention. It has been noted by Liberman *et al.*, (1990), that Japanese auto producers achieved higher productivity after they had adopted better HRM methods. Japanese system of management has been known as a complete philosophy of organization which can affect every part of the enterprise. Undeniably, strategic HR involvement is more prominent among Japanese companies with the flexibility of their organizational structure with systems that facilitate interaction between department, participatory decision making, clear devolution of HR functions with line management supports and their cross-functional activities. This study examines the relevant practices of Malaysian and Japanese owned companies in Malaysia. Research involving Japanese and Malaysians owned companies is important as it allows comparison between two countries in relation to the emerging role of

SHRM practices. Moreover, it is of interest to see how foreign companies adapt their SHRM practices in Malaysia. This study adds to existing knowledge and contributes to overcoming the dearth of empirical research on the importance of SHRM practices in Malaysia, and draws meaningful and practical implications.

### **Objectives of the Study**

Given the review outlined here, the general emphasis of this study is to examine the applications and processes of one of the key distinctive features SHRM, namely integration of HRM functions with business/corporate strategy and two key HRM functions, recruitment and selection and training and development.

The research aims to address the following related questions:

1. Whether company strategies are in place? e.g., HR strategy
2. (i) At what stage is HR involved in the formulation of business/corporate strategy?  
(ii) Who is involved in the strategy formulation process?  
(iii) What are the issues discussed?
3. What are the organization's strategic approaches in the business/corporate strategy formulation process?  
(i) What are the organization's strategic approaches in recruitment/selection practices?  
(ii) What are the organization's selection criteria?
4. (i) What are the organization's strategic approaches in training/development practices?  
(ii) What are the organization's training and development methods?

The next sections of the paper provide the methodologies, findings and discussion. Finally, some of the key findings and implications for researchers and practitioners are provided, followed by the conclusion.

### **Research Methodology**

#### *Research design*

The research used a mixed-methodology approach via questionnaire surveys and semi-structured random interviews.

#### *Sample and data source*

The sample in this study was obtained from the database of the Federation of Malaysian Manufacturers Directory. The 260 companies chosen were under the category of electrical, electronics products, components and parts. Companies with 50 or more employees were included for sample selection. Two sets of questionnaires for each company, totaling 520 questionnaires with cover letters describing the purpose of the study, were sent to the Head of HR/Director of HR or Personnel or equivalent and Head/Director Manufacturing/Production or Line Managers. Of the 113 questionnaires returned, 86 usable questionnaires were analyzed, a response rate of 16.5 percent. The rest were either incomplete or were returned notifying inability to participate in the study.

Of the 86 questionnaires, 58 were returned by the Malaysian owned companies and 28 by the Japanese owned companies. To supplement the quantitative results, semi-structured random interviews were also conducted with 12 HR practitioners and 9 line managers from both Malaysian and Japanese owned companies in Malaysia during two visits in March and July, 2006. The interviews lasted on average about 90 minutes. All interviews were tape recorded with

the permission of the interviewees, and where possible the text was transcribed verbatim. Descriptive statistics, e.g. frequency counts, percentages (personal and organizational profile), means and standard deviations were used for all measures and to provide the summary of the findings.

#### *Instrument*

The instrument used in this study was by mean of survey questionnaire and semi-structured interview questions (see Appendix A for Semi-Structured Interview Questions and Probes). The questionnaire was divided into two parts. Part A contained items relating to personal and organizational profile. Part B (Sections 1i, ii, iii, iv, and v) contained items relating to strategic integration. Part B (Section 2) contained (i) 10 items relating to the key features of organization's recruitment and selection practices and (ii) 7 items pertaining to selection criteria. Part B (Section 3) contained (i) 9 items on the organization's strategic approaches to training and development practices, and (ii) 12 items on training and development methods. The responses on the items in Part B (Sections 1v, 2, 3) were in the form of a five-point likert Scale, requiring respondents to choose from five given responses i.e., 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; and 5 = Very Great Extent.

### **Empirical Findings and Discussions**

The findings from the questionnaire survey are detailed and illustrated below with tables in the following sequence. Excerpts from interview findings are included verbatim where possible from the interview records of the researcher.

#### **Profile of Respondents**

The majority of the respondents participating in the questionnaire survey for Malaysian owned companies and Japanese owned companies were CEOs, HR Directors, Production Directors and other line managers. The respondents from the companies had graduated with either a master's or bachelor's degree from different academic fields of business studies, engineering, social sciences, economics and human resource management. The length of operation for both the Malaysian and Japanese owned companies was 11 to 20 years. On the question as to whether the participating company had a Personnel/HR Department or Division/Unit, 86.2 percent of the Malaysian owned companies indicated having a Personnel/HR Department and 8.6 percent indicated that their HR functioned as part of some other department. In contrast, about 96.4 percent of the Japanese owned companies had a Personnel/HR Department. The majority of respondents from both the Malaysian and Japanese owned companies believed that companies with Personnel/HR Departments were more likely to have designated HR Directors or HR Managers handling HR functions than companies without. They also reported that in the 1990's most HR functions had come under the responsibility of an Administrative or Personnel Administration Department or shared functions with other functional activities. The change in the name of the department from "Administrative" or "Personnel Administrative Department" to "HRM" Department indicated positively, that HRM in Malaysia could be seen as evolving and progressing into a more pro-active and strategic role. The current situation reflects that most of the companies had established HR departments that were responsible for HRM functions.

#### **Strategic Integration**

##### **Whether company strategies are in place?**

The research results illustrated in Table 1 show that majority of the Malaysian owned companies and Japanese owned companies had a mission statement, corporate statement, business/corporate strategy and HR strategy which was either written or in unwritten form. The findings show that the availability of these various strategies in organizations is an important indicator of integration

of strategy, as it is not that possible to achieve strategic integration without having an explicit mission statement, corporate statement, business/corporate strategy and HR strategy.

**Table 1.** Whether company strategies are in place?

Variable	Malaysian Owned (%) (N = 58)				Japanese Owned (%) (N = 28)			
	Yes(W)	Yes(UW)	No	Not Sure	Yes(W)	Yes(UW)	No	Not Sure
Mission statement	73.7	17.5	5.3	3.5	67.9	38.6	3.6	0.0
Corporate statement	38.6	49.1	8.8	3.5	53.6	25.0	10.7	10.7
Business/corporate strategy	49.1	31.6	15.8	3.5	42.9	42.9	10.7	3.6
Human resource strategy	56.1	31.6	10.5	1.8	39.3	32.1	14.3	14.3

Notes: (W) Written (UW) Unwritten

When asked about the importance of the company's strategies, most interviewees from the Malaysian and Japanese owned companies noted that an important trigger for the emergence of HR strategy is when the organization is facing competitive pressure or organizational restructuring. They believed that the company's strategies worked as a tool to integrate diverse areas of policy and would enable companies to resolve people-related business issues. However, a middle manager from a Malaysian manufacturing company emphasized the availability and effectiveness of company strategies would depend on the commitment and support of the management towards HRM. The interviews with Malaysian HR practitioners and line managers indicated that the existence of various strategies did not necessarily lead to better strategic integration, because real practice was typically very informal; some even doubted whether strategic integration occurred at all. Some interviewees expressed the opinion that HR issues are often accorded lower priority than other functional matters.

The question as to whether HR played a strategic partner role or provided active involvement in the business/corporate strategy formulation process was another concern among HR professionals and line management. Commenting on the availability of company strategies and the HR role at board level, some interviewees from Malaysian owned companies noted that the availability of the company strategy was merely evidence of its existence. They commented that in practice HR strategy was not seriously considered in overall business/corporate planning. As an HR manager and an executive commented:

*Based on my personal experience, in real practice, the various divisions or departments do not necessarily consult HR Department on issues relating to HR and vice versa. Often we just come up with our own strategy and work it through. I personally think that even some of the big companies are not doing it. Though, many knew that it is important to integrate HR strategy with business or corporate strategy.*

*I am not sure whether you can really say there is strategic integration of HR strategy with business/corporate strategy. Though we have what we may call as HR strategy, however, often HR issues are not given equal importance and time deliberated at the board level. I felt issues relating to accounts, finance and profit and loss are taking centre stage.*

In contrast, a line manager from a Japanese owned company stated in interview that the availability of company's strategy was an important measure for the integration of strategy. The line manager emphasized:

*Without the HR strategy and business/corporate strategy, integration between the strategies cannot take place. HR and the other various business units in the organizations must work collectively as strategic partners. This is crucial in achieving and maintaining organizational effectiveness. In our company, HR issues are considered as part of the overall corporate strategy.*

Similarly, a HR Manager from a Japanese owned company offered a positive view about the importance of strategic integration between HR and business/corporate strategy:

*I would say there is closer integration here which is either vertical/horizontal integration. We work closely with other functional departments and within our own department. The formulation of our department's strategy map is a cross-function in nature focusing on the operational and strategic needs. Hence, requires involvement from the line management. The line managers will have to work closely within their department and also other departments. We believe HR has to be integral part of business/corporate strategy.*

Additionally, some of the interviewees from the Japanese owned companies generally felt that it was important to have HR strategies that were endorsed and supported by the management through which the company would manage its people towards the achievement of its mission.

#### **Stage of HR Involvement/Representation/Issues Discussed**

As a means of measuring HR strategic involvement, strategic integration was also measured from the questionnaire responses pertaining to the stage of HR involvement in strategy formulation processes, representation at the board level, and what issues are discussed as shown in Table 2. When asked at what stage the Head of HR was involved in strategy formulation process, both Malaysian and Japanese owned companies indicated HR involvement in the business/corporate strategy formulation process either from the outset or from implementation, with a total percentage of 74 percent and 61 percent respectively. The findings relating to involvement at board level on the formulation of business/ corporate strategy also indicated high involvement of HR representation at board level in both Malaysian and Japanese owned companies, with 60 percent and 61 percent respectively. This finding is similar to that of Rozhan and Zakaria (1996) in their study of HR involvement in the strategy formulation process in manufacturing and service firms. The responses about the composition at board level included CEOs, HR Director/GM, Sales/Marketing Director/GM, Production Director/GM and Financial Director/GM. This indicates HR representation and involvement at the board level.

Among the important issues discussed at the board level in Malaysian and Japanese owned companies were the company's performance, finance, sales/marketing and HR issues. However, HR issues were the least discussed issue with a percentage of 25 per cent and 32 per cent respectively. Perhaps for the Japanese owned companies HR issues were usually resolved at the operational level in view of their regular meetings and the nature of their cross-functional and team based activities. It was noted by an HR manager from a Malaysian owned company in most cases, at the board level, the board members paid more attention to financial aspects and is more concerned of the performance of the companies, the profit and loss matter most to them. Undeniably, HR presence at board level has always been necessary for direction control and competitive advantage. When asked about the importance of HR representation at board level, the majority of respondents stressed that HR representation is necessary to ensure that the HR implications of strategic initiatives under consideration are taken into account.

**Table 2.** Stage of HR involvement/representation/issues discussed

Variable	Malaysian Owned (%) (N = 58)	Japanese Owned (%) (N = 28)
<b>Stage of involvement in business/corporate strategy formulation</b>		
From the outset	38.0	39.3
On implementation	36.0	21.4
Not consulted	27.0	39.3
<b>Involvement in Business/Corporate Strategy Formulation</b>		
CEO	79.0	71.4
HR director/GM	60.0	61.0
Sales & marketing director/GM	64.0	68.0
Production director/GM	61.4	79.0
Financial director/GM	51.0	54.0
Other	0.0	4.0
<b>Issue Discussed</b>		
Company's performance	57.0	64.0
Finance	83.0	56.0
Sales & marketing	36.0	48.0
Human resource issues	25.0	32.0

A line manager emphasized that HR representation and involvement at board level is necessary so that HR can have a better understanding of the company's mission and issues relating to other functional activities, some of which are inseparable from HR. Another manager stressed that in order to prosper in the increasingly competitive market an organization must have HR managers who are able to participate actively in operational and strategic decision making.

In spite of the high percentages score for stage of HR involvement and HR involvement in the business/corporate strategy formulation process, as derived from the questionnaire responses, the evidence from the interviews about HR representation and involvement at board level was variable and contained some contradictions. As noted earlier, interviews with some Malaysian managers about the involvement and HR representation at the board level indicated frustration that although HR is represented at the board level and was part of the decision making process, in reality HR was not able influence that process. Also, in some companies, there were few board members, with directors being responsible for HR functions. This finding is consistent with the study by Hazman (1998) of the level of participation and influence of HR managers in the strategic management process in Malaysian corporations. Hazman also found that managers tended to have little influence in strategic decision making. Similarly Kochan and Dyer (1993 as cited in Rozhan *et al.*, 2000) reported that evidence from past findings has shown that HR influence was weak despite HR involvement in strategic decision making.

Additionally, some interviewees from the Malaysian owned companies also noted that there were companies which did not include HR in their strategic deliberations. The reasons given were lack of HR understanding of the company's business operation and also lack of confidence in the ability of HR to play a strategic business partner role. One HR manager from a Malaysian owned company noted that HR often lacked support and commitment from the board. He further emphasized that the CEO's support for HR is crucial, because it will likely and naturally lead to other directors' support. This commonly occurs among Japanese owned companies in which HR reports directly to the CEO/MD. However, on a positive note, other interviewees from both the Malaysian and Japanese owned companies felt that representation of HR at board level would facilitate consideration of HR issues. Nevertheless, some believed that this again would depend largely on the credibility and influence of HR in bringing HR related issues to the board to be heard and accepted. Similarly, most of the interviewees felt that HR managers should form

business partnerships with line managers in the formulation and implementation of company strategies.

The following comments from an HR Manager and a Corporate Finance Manager from Malaysian and Japanese owned companies are indicative of the issues on possible failure of HR in becoming strategic partner:

*I think the persons who lead HR apart from competence in HR works, he/she must also have some business knowledge and must be able to put forward their ideas effectively, be heard and acted upon at the board level.*

*I have been working in three different private organizations. I noticed that an experienced HR person with the added business knowledge is able to play important role in the corporate decision making. Like other functional role, HR will get equal support from the board members.*

Most of the interviewees believed that HR practitioners should ensure that their staffs are well developed in strategic capabilities such as business operational knowledge rather than emphasizing too much on the administration of HR systems.

Another interviewee suggested that management should also provide strategic training for HR in business operation, accounting, and general management, rather than just focusing on HR systems. Similarly, some interviewees believed that HR professionals should be rotated to other functional activities in order to gain operational and general management experience, as often practiced in Japanese organizations with proven success. Accordingly, there is now greater recognition in the strategic integration literature of the need to involve HR from the outset and also to ensure HR representation and involvement in strategic decision making at the board level (Fisher and Dowling, 1999; Sheehan, 2005; Tichy, 1982). Many believe that HR representation and involvement facilitates the coordination of HR issues as integral part of the corporate decision-making process (e.g., Fombrun *et al.*, 1984).

### **Business/Corporate strategy formulation process**

Another important measure of strategic integration related to the strategic approaches in the business/corporate strategy formulation process, as shown in Table 3. All nine items relating to strategic approaches in the business/corporate strategy formulation process were scored higher for the Japanese owned companies. However, despite the Malaysian owned companies having lower item-by-item scores than the Japanese owned companies, the mean scores for responses as to whether HR issues were incorporated in the business/corporate strategies and HR issues were an integral part of business/corporate strategies were (3.28) and (3.40) indicating a positive response of above moderate extent.

The average mean scores for all the items relating to strategic approaches in the business/corporate strategy formulation process for Malaysian and Japanese owned companies was (3.30) and (3.75) respectively, indicating that overall the response were above the mid-point of the scale. The interview findings also suggested that strategic approaches in the business/corporate formulation process were quite extensively used among Japanese owned companies. Generally, these results indicate that strategic HR involvement in the business/corporate strategy formulation process among Malaysian owned companies was moderately high, although in practice it may not be as elaborate as that in the Japanese owned companies, as indicated from the interview responses among Malaysian managers.

**Table 3.** Strategic approaches in the business/corporate strategy formulation process

Item	Malaysian Owned (N = 58)		Japanese Owned (N = 28)	
	Mean	SD	Mean	SD
a. HR representative at the board has the business knowledge	3.27	0.94	3.79	0.79
b. HRM issues are incorporated in the business/corporate strategies	3.28	0.90	3.79	0.79
c. HR issues are an integral part of business/corporate strategies	3.40	0.82	3.86	1.04
d. Business/corporate strategies are developed by top-down approach	3.46	0.87	3.93	0.81
e. HR influence management in the strategic decision making	3.25	0.85	3.64	0.87
f. Business/corporate strategies are developed by top-down, bottom-up	3.18	0.90	3.86	0.71
g. Board members debate the strategic issues	3.26	0.90	3.61	0.92
h. Employees contribute development of business/corporate strategies	3.32	0.87	3.82	0.82
i. Each of Head of Dept has their part in strategy formulation	3.30	1.03	3.86	0.97
	<b>Average Mean Score</b>		<b>3.30</b>	<b>3.75</b>

Notes: 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; 5 = Very Great Extent

Some HR practitioners from the Malaysian owned companies noted that HR issues are often seriously considered only after strategic decisions have been made. One interviewee asserted that although emphasis on HR often occurs during strategy formulation, it may be forgotten during strategy implementation and at times also left out during strategy formulation. Interview responses from both Malaysian and Japanese owned companies also emphasized that the integration of strategy between HR and business/corporate strategy required broad support from areas elsewhere in the organization. An HR manager commented that HR cannot work on formulating our HR strategy on their own as HR issues are broad and interrelated with other line functions. Therefore, the cooperation and support among the cross-function are crucial. He emphasized that HR should be a shared responsibility. Unfortunately, this does not happen as expected. Additionally, he noted that the reality is management knows the importance of integration of strategy but they are not seriously doing it.

Regarding the integration of HRM with organizational strategic decision-making processes, it has been argued that representation on the board of directors or at the senior committee level is crucial if HR managers are to have appropriate input into strategic decisions (Poole and Jenkins, 1997; Shipton and McAuley, 1993). Such representation has also been considered important in the development of the internally consistent and strategically focused HRM policies and practices. To be effective, HR managers need to be part of the strategic planning mechanism to ensure an internal fit between HRM policy areas and the strategic business initiatives developed at the senior committee level. It has also been argued that, the greater the extent to which HR can influence the strategic decision-making process, the more likely it is that effective HRM policy design will be achieved (Osterman, 1995; Poole and Jenkins, 1997).

Another important factor which determines the effectiveness of the integration of strategy is the credibility of HR in a strategic business partner role. The following comments by a Senior Manager HR of a Japanese manufacturing company highlight the importance of HR role as a strategic business partner:

*It is a common practice in Japanese companies that employees are subject to be transferred on a job rotation basis. This helps HR to gather the business knowledge and knowing the business operation on hand-on which is valuable being in HR as we are regularly involved with the line operations. HR has to be seen to be credible.*

*Unlike in the earlier days, HR is very much involved in the administrative functions. But these days, HR has to play a more strategic role. Meaning HR must have the business operation knowledge. The career background, the job rotation and the regular meetings with the line have widened the HR executives' knowledge on the business operation. This is a positive sign of the changing role of HR.*

As observed from the interviews, integration is difficult to achieve if there is no company strategy in place, no representation and involvement of HR at board level, no commitment and support from the management, and no subsequent development of personnel initiatives designed to support the overall organizational objectives. Importantly too, HR and other functional activities need to be an integral part of the planning process before actual implementation. Generally, the survey and interview evidence presented quite mixed findings in this regard. Although companies appeared to successfully integrate HR and business/corporate strategy, the interview findings demonstrated that this development did not seem widespread, especially among Malaysian owned companies. In the case of Japanese owned companies, the direct reporting relationship of the HR department to the company's CEO or Managing Director, the closer working relationship and communication, the frequent meetings within and between departments, the earlier consultations and deliberations with line management prior to finalizing the proposals for decision making led to better management support, hence facilitating to effective integration of HR strategy with business/corporate strategy. Interviews with some of the respondents from Japanese owned companies indicated that integration of HR strategy with business/corporate strategy was apparent in companies where HR had significant and visible top management support, especially where the head of HR reported directly to the CEO or Managing Director.

### **Recruitment/selection**

The results tabulated in Table 4 shows that strategic approaches to recruitment/selection have all been used to varying degrees to attract candidates into the organization. The results indicate that both Malaysian and Japanese owned companies employed a number of activities in their recruitment/selection policies. One of the strategic approaches to recruitment/selection was that recruitment and selection is not only an integral part of HR strategy but is also linked with business/corporate strategy. The mean scores for the Malaysian and Japanese owned companies for these two items (integral part/linked with business/corporate strategy) were (3.57) and (3.11) and (3.70 and 3.26) respectively. Additionally, the specifications for applications reflected not only current needs but also future needs.

Accordingly, both the Malaysian and Japanese owned companies showed joint involvement of HR and line managers in the recruitment/selection process. Evidently, responsibility for policy decisions in relations to recruitment/selection was shared jointly by HR and line managers, but in most Malaysian owned companies final decision making still lies in the hands of HR, with the exception being companies where the decision to recruit/select is fully devolved to line managers. However, in some companies the selection process involves mutual decision making between HR and line management.

Interview responses with line managers and HR managers of a Malaysian owned with telecommunication and HR consulting company confirmed that HR and the respective line management were involved in the recruitment process because the line manager had the relevant knowledge about the position and what would be required from applicants. As one line manager explained that HR will usually invite the line managers as part of the interviewing panel e.g.,

when HR conduct interview for engineering position, they will invite Head of Engineering Department to be one of the panel of interviewers.

**Table 4.** Strategic approaches in recruitment/selection

Item	Malaysian Owned (N = 58)		Japanese Owned (N =28)	
	Mean	SD	Mean	SD
a. Recruitment/selection are linked with business/corporate strategy	3.11	0.70	3.26	0.94
b. Recruitment/selection based on job analysis	3.67	0.58	3.54	0.69
c. Recruitment/selection process are integral part of HR strategy	3.57	0.88	3.70	0.79
d. Recruitment/selection include developmental and succession plans	3.54	0.88	3.70	0.80
e. Recruitment/selection deliver against the goals of the organization	3.67	0.85	3.61	0.79
f. Applications specifications reflect current as well as future needs	3.77	0.85	3.46	0.74
g. Appropriate skills are in place to support the strategies	3.79	0.73	3.50	0.69
h. Induction, training/development and mentoring programs available	3.74	0.79	3.65	0.90
i. HR and LM jointly involved in recruitment/selection process	3.64	0.69	3.53	0.96
j. Job description is used as the basis for interview	3.65	0.72	3.75	0.70
<b>Average Mean Score</b>	<b>3.62</b>		<b>3.57</b>	

Notes: 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; 5 = Very Great Extent

Accordingly, he asserts that this should be the appropriate practice because Engineering Head would know better in terms of specific skills and knowledge required for the job. The findings show that there were no great variations among the participating companies in their strategic approach to recruitment/selection processes. Interview findings also indicated that the internal and external recruitment process continued to enjoy popularity. All respondents from the Japanese owned companies interviewed emphasized giving priority to internal staff for new openings through internal promotions, depending on the suitability of candidates, prior to sourcing externally. From an overall perspective there was evidence that a number of strategies were adopted in an effort to facilitate the recruitment/selection process.

### Selection Criteria

Table 5 relating to selection criteria shows that the overall mean scores for all the relevant questionnaire items were (3.64) for and (3.62) for the Malaysian and Japanese owned companies respectively. Generally, the Malaysian and Japanese owned companies used a combination of wide selection criteria. Both the Malaysian and Japanese owned companies have found that experience in a related job, ability to perform the specific job requirement, ability to work in teams, a match/fit with company's values, the right academic qualifications and the right competencies, and the belief that the candidate had the right attitude were important criteria for selection. Contrary to the common practice of Japanese parent companies practices of hiring fresh high school, college and university graduates (Gregory, 1991), there were some modifications concerning recruitment/selection practices by their subsidiaries companies in the host country, perhaps to suit the local requirement and labor demands. Therefore, it is not surprising that the Japanese owned companies in Malaysia also emphasized hiring employees with the right qualifications among their selection policies, with lesser emphasis on experience. In contrast to the selection practices of the Malaysian owned companies according to the interview responses, the traditional and current emphasis among Malaysian owned companies is on experience in a related job, regardless of the labor market. It is clear that most advertisements

for vacant positions require 2-3 years' experience in related jobs. Another common selection criterion among both Malaysian and Japanese owned companies is that the candidate has a qualification which matches with job specifications. It can be anticipated that larger companies are more likely to adopt a greater variety of recruitment/selection strategies than smaller organizations.

**Table 5.** Selection criteria

Item	Malaysian Owned (N = 58)		Japanese Owned (N = 28)	
	Mean	SD	Mean	SD
a. Experience on the related job	3.79	0.75	3.96	0.84
b. Ability to perform the specific job requirement	3.70	0.59	3.71	0.60
c. Ability to work in teams	3.67	0.74	3.39	0.83
d. Right match/fit with company's values	3.60	0.70	3.43	0.88
e. Right academic qualifications are required	3.52	0.66	3.46	0.79
f. Right competencies are required	3.68	0.85	3.68	0.72
g. Belief that the candidates has the right attitude	3.53	0.85	3.68	0.82
	<b>Average Mean</b>		<b>3.62</b>	
<b>Score</b>	<b>3.64</b>			

Notes: 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; 5 = Very Great Extent

As an example of recruitment/selection practices of the world's largest food company, Nestle (Malaysia) has embarked on an approach to ensure that the right talent is hired from the beginning of its New Talent Development Program. An applicant who matches the criteria and profile of +/-3 years' working experience, a university degree and being active in extra-curricular activities stands a better chance of being selected. Each applicant is subjected to three levels of selection as follows: a preliminary interview and test battery (aptitude, personality and interest assessment), a second interview with HR and line manager, and a final interview with the directors. In reply to questions about how recruitment and selection strategy was integrated with the overall business/corporate plan, the HR Manager from a Japanese owned company cited an example:

*We have to work closely with our Manufacturing Department to produce manpower forecasts as a basis for finding and developing the right people with the right knowledge, skills and attitudes. We wouldn't know exactly what kind of people do they need and also the exact numbers that they need. Hence, we have to work together in determining our manpower requirements.*

Two of the interviewees from a Japanese owned company emphasized the importance of selecting candidates who are versatile, with the right sort of temperament and personality, who are adaptable and can work as a team, in view of the company's emphasis on teamwork, participatory decision making and devolution of functions and cross-functional activities. These traits were necessary, and that focus was an integral part of their recruitment and selection process which led to a better commitment, loyalty and relationship among employees and management, similar attributes that are valued in Japan.

As the HR Manager of a Japanese owned electronics company explained regarding recruitment and selection criteria:

*Apart from having the right qualifications, we prefer candidates who can work as a team not individualistic, in view of the company's team based*

*activities. We clearly stress on these traits during the interview and we will ask whether the candidates have such traits in order to fit into our strong team based culture.*

In addition to qualifications, other selection criteria that were considered important were problem solving skills, written and oral communication and personal initiative. A major difference between the Malaysian and Japanese owned companies was that majority of the Malaysian owned companies' emphasized prior working experience, which were almost the main prerequisite and the common hiring criterion for mid-career candidates.

**Table 6.** Strategic approaches in training/development

Item	Malaysian Owned (N = 58)		Japanese Owned (N =28)	
	Mean	SD	Mean	SD
a. Training/development are linked with business/corporate strategy	2.67	0.76	3.18	0.90
b. Training/development are an integral part of HR strategy	3.24	0.73	3.50	0.79
c. Increasing focus on team building	3.55	0.71	3.64	0.68
d. Performance feedback through evaluation	3.48	0.82	3.61	0.69
e. Training/development an integral part of performance evaluation	3.71	0.65	3.57	0.84
f. Development of all employees to close skill gap	3.72	0.77	3.64	0.87
g. Training to meet future needs	3.67	0.78	3.71	1.01
h. Training to meet current needs	3.60	0.73	3.82	0.77
i. Promotes continuous learning	3.60	0.73	3.71	0.81
<b>Average Mean Score</b>	<b>3.47</b>		<b>3.60</b>	

Notes: 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; 5 = Very Great Extent

### Training/development

Table 6, relating to training/development approaches, shows that the overall mean scores were (3.47) for Malaysian owned companies and (3.60) for Japanese owned companies, indicating an overall response above the moderate extent mid-point of the scale. The higher overall mean score for Japanese owned companies is not surprising, as evidence from the literature has shown that Japanese companies are known to pay considerable attention to training/development. They provide training/development for all levels of employees with tremendous investment in human capital. As explained by the HR Manager of the Japanese owned companies, apart from the routine specific training as per job functions, employees were also trained for current and future requirements, such as the transfer of technology from the parent company, and the adoption of new work practices due to promotions and new technology requirements.

In the case of Malaysian owned companies, it is clear that larger firms in Malaysia have more structured and elaborate training/development processes. For example PETRONAS, Malaysia's national petroleum corporation, espouses the belief that employees needs to be "conditioned" and "trained" to identify the best job fit and realize optimum return from recruiting the right people. The common practice is that once PETRONAS employees have joined the company, they may start focusing on career development and take advantage of the learning and development opportunities available. Their training/development may take different forms, such as on-the-job training, attachments, taskforce assignments, on-site visits and mentoring (see Petronas Malaysia, 2005).

### Methods of training/development

The results for methods of training/development, as shown in Table 7, coincidentally show similar overall mean score of (3.56) for both Malaysian and Japanese owned companies. The findings indicate that a wide range of training/development methods were used by the Malaysian and Japanese owned companies. The three most widely used methods of training/development among the Malaysian owned companies were external training, orientation program and job rotation, whereas the three most widely used methods among the Japanese owned companies were off the job training, on the job training and external training.

**Table 7.** Methods of training/development

Item	Malaysian Owned (N = 58)		Japanese Owned (N =28)	
	Mean	SD	Mean	SD
a. Orientation program	3.74	0.87	3.50	0.75
b. Job rotation	3.72	0.70	3.56	0.69
c. On the job training	3.67	0.82	3.71	0.66
d. Off the job training	3.53	0.71	3.75	0.66
e. Multi-skilling	3.62	0.70	3.60	0.79
f. External training	3.77	0.75	3.71	0.71
g. Special projects	3.32	0.73	3.07	0.66
h. Competency-based training	3.50	0.78	3.57	0.65
i. Specialized skill training	3.53	0.80	3.50	0.84
j. Cross function training	3.41	0.75	3.57	0.84
k. Coaching/mentoring	3.51	0.80	3.67	0.61
l. Soft skills training	3.41	0.82	3.53	0.84
<b>Average Mean Score</b>	<b>3.56</b>		<b>3.56</b>	

Notes: 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; 5 = Very Great Extent

Unexpectedly, the Malaysian companies showed higher mean score for orientation programs (3.72), job rotation (3.67) and multi-skilling (3.62). However, these results should be viewed with caution, because the rigor of these training/development methods might vary in actual practice or could be an indication of improvement in emphasis on training/development among Malaysian companies. It is also anticipated that training and development processes would vary depending on the size of the organization. Usually, larger companies provide better and more varied training/developments methods for their managerial or non-managerial staff than smaller firms. Indeed, Storey (1995) suggested that there appears to be a linear relationship between the size of a firm and the amount of formal structured training/development provided. Consistent with these findings, they noted that employees in small firms were less likely to have access to structured training than their larger firm counterparts. Larger companies in Malaysia may have a more structured and systematic approach and a written training policy as an integral part of the overall company strategy.

Generally, both the Malaysian and Japanese owned companies were placing increased emphasis on training/development of their employees. This emphasis reflected the current need for a more highly skilled workforce. Increasingly, both Malaysian and Japanese owned companies try to develop employees' technical and managerial capabilities through a variety of training programs. Past findings have shown that Japanese owned companies are known to invest heavily on training of their employees (Hashimoto, 1990; Mueller, 1992). The following interview responses with HR and line managers from Malaysian owned companies provide some insight into their methods training/development:

*We provide at least 42 hours of training per year for our managerial and non-managerial staff. We have formal training programmes: orientation*

*programmes for our new staff, in-house and external training for our managers and engineers (HR Executive, Telecommunication Company).*

*Our department provides training budget annually to HR Department. HR Department will notify us of the training activities or we request directly to HR Department for training of our staff. HR Department provides variety of training programmes (Finance Executive, Manufacturing Company).*

In contrast, an interview finding with some of the Malaysian respondents was that some companies, especially smaller ones and surprisingly also some larger companies, were not willing to invest in general training in view of the high cost of training and also the higher mobility and the tendency to job-hop among Malaysian employees. Respondents explained that the company's unwillingness to invest in training was due to the perception that the returns from investment in training could only be realized in the longer term. Hence, some companies preferred to provide training as and when required. Evidently, despite the establishment of the Human Resource Development Fund (HRDF) by the Malaysian government which provides a matching grant to encourage training of employees, and the existence of an incentives scheme, these measures were acknowledged to have been relatively ineffective. The reasons given were either those companies were simply unaware of the existence of the government training incentives or that some considered them too costly.

The results of this investigation show a wide range of strategic recruitment/selection and training/development processes used by both the Malaysian and Japanese owned companies. The approaches and content of their recruitment/selection and training/development practices may be quite similar, but the practices employed by the Japanese owned companies were seen to be more elaborate and comprehensive, although maybe not be as consistent as those of their parent companies.

### **Summary of Key Findings and Implications**

Some of the key findings and implications about the perceived SHRM practices as evidenced from the research for both groups of companies include:

Both Malaysian and Japanese owned companies indicated the existence of various company strategies. However, the interview findings with Malaysian HR practitioners and line managers showed that better strategic integration did not necessarily result, because actual practice was typically very informal and some even doubted whether SHRM practices occurred at all.

Strategic integration would not be possible without the existence of a company's HR strategy, business/corporate strategy.

Questionnaire responses from both Malaysian and Japanese owned companies indicated a high HR involvement in the business/corporate strategy formulation process, either from the outset or at implementation. However, interview findings from Malaysian companies suggested that HR was merely represented and not able to influence the decision making process.

HR practitioners and line managers from the Malaysian and Japanese owned companies believed that HR practitioners' lack of understanding of the company's operation and the Board's lack of confidence in their ability to play a strategic business role can affect HR credibility at the Board level.

The traditional Japanese management philosophy of open door management, team based activities, close communication, management commitment, participative and consultative

decision making, teamwork and support are some of the reasons for a greater and more effective integration of HR strategy and business/corporate strategy among Japanese companies.

There were both similarities and differences in the strategic integration, recruitment and selection and training and development practices. However, the practices among Malaysian companies may not be as elaborate as those in Japanese owned companies. The content may be quite similar, but the approach and process may differ.

### **Conclusion**

The findings of this study examining the application of SHRM practices in Malaysian and Japanese companies operating in the Malaysian electronics and electrical industry, showed similarities and differences in the factors examined and are generally consistent with those reported in previous studies. However, the HRM practices of Malaysian owned companies may not be as elaborate or well integrated as those of the Japanese owned companies in terms of their approach, process and content. The investigation revealed that HRM in Malaysia is in a state of progress and is changing although slowly.

The measure of strategic integration from questionnaire responses showed an overall higher mean score of (3.75) for Japanese owned companies compared to that for Malaysian owned companies of (3.30). Also the interview data demonstrated higher strategic integration among Japanese owned companies. Otherwise overall, the results of the mean score analysis of the questionnaire responses showed little difference in terms of recruitment and selection and training and development practices between the Malaysian and Japanese owned companies. For some Japanese owned companies, an important determinant of their effective HR integration with business/corporate strategy was the consideration of HR policy and issues at the operational level, where HR matters were considered from the outset and leading towards implementation. In Japanese owned companies, the nature of cross-functions and team based activities leads to closer relationships and better understanding between the various departments. Regular meetings with the line managers about HR and other operational matters ensure the effective integration of HR with business/corporate strategy.

Similarly, the high investment in training/development and the full devolution of their training/development functions to a separate department of its own, have contributed to the effectiveness of the training/development functions in Japanese owned companies. Additionally, their training staffs tend to be involved in the formulation of business plans, providing an integrated approach in linking training/development needs to overall business/corporate strategy. Although these practices are also being carried out by some of the Malaysian owned companies, their implementation may not be as elaborate in terms of its approaches and processes as in Japanese owned companies, with the exception of well established multinational enterprises in Malaysia. In contrast to the high job mobility within Malaysian owned companies there was low turnover within Japanese owned companies, which could be attributable to their complementary SHRM practices.

Although this study benefited from the mixed-methodology design of qualitative and quantitative approaches, it is nevertheless vulnerable to some potential weaknesses. One of the limitations of this study is the self-reported views which could lead to bias, and may not provide reliable data about actual practices. The problems relate to subjective data based on personal judgment and also the possibility of misinterpretation by the respondents. Similarly, as Lundy (1994) convincingly argued, there are problems inherent in conducting behavioral science research. As it is concerned with human subjects, SHRM lies within the scope of behavioral science. The

boundaries are unclear, and in addition, there are problems with observation and measurement as behavioral science deals with human intangibles, such as motives or perception (Lundy, 1994).

Generally, despite some contradictions as to actual practices, the overall impression gained from the survey data and interview findings is that there is considerable diversity in the ways in which SHRM practices have been adopted by the Malaysian and Japanese owned companies. Within this review of the status of strategic integration it appears that full integration is yet to be realized among Malaysian owned companies in particular, in view of the inconsistencies between the survey and interview findings. Although recruitment/selection and training/development practices remain unchanged since the mid-1990's, there is evidence to suggest that companies in Malaysia are becoming more strategic in their approach to HR management albeit gradually. However, it can also be inferred that not all companies are adopting the SHRM approach.

## **Appendix A: Semi-Structured Interview Questions**

### **1. Strategic integration**

#### **Formulation/implementation of business/corporate/HR strategy/HR role as a strategic business partner/evidence of HR involvement in the strategy formulation process**

##### **Potential probes:**

- How does each functional unit participate in the strategy formulation process? Is it being done formally/informally, written/unwritten through discussions/meetings? Does each functional unit prepare their own strategic plan? Who are involved?
- Is the organization strategy being done quarterly/half-yearly/yearly? How often do you formulate and review those strategies? How long does the formulation process take place prior to implementation of strategy? How does it align to the overall mission/vision of the organization?
- What is HR role as strategic business partner in the formulation of strategy? At what stage is HR involved in the formulation of strategy at the board level? Stage of HR involvement: from the outset/ early stage/implementation stage? How often does HR involved in the strategy formulation process?
- What are the issues discussed at the board level? Do you see the importance of HR representation and involvement at the board level? Why is it importance for HR to be involved?
- What are the evidences of HR involvement in the business/corporate strategy formulation process? E.g. restructuring, recruitment and selection/training and development, product transfer and etc. Whether HR issues are integrated/incorporated in business/corporate strategy?
- Does HR given equal support and commitment from other board members? Does HR views being listened and acted upon? What are the problems in the formulation/implementation of strategy?

## 2. Recruitment/selection

### Recruitment and selection process/selection criteria

#### Potential probes:

- Can you explain your organization's strategic approaches in recruitment/selection practices? Is it aligned with the overall business/corporate strategy? Do you take into considerations the following as part of your recruitment/selection strategy: current strength of staff/skills and competencies, future needs, identify gaps, internal and external sourcing?
- What is your organization's strategy in attracting, choosing and retaining employees into the organization? Does your recruitment/selection strategy reflect the values, culture, and vision of your organization?
- What are your recruitment/selection methods? e.g., advertising, recruitment search, word of mouth, etc? Do you use relevant and effective methods of selecting candidates e.g., assessment centre, behavioral interviews, psychometric testing, references and etc? How rigorous is the process? Is it done on ad-hoc/continuous process?
- Can you explain your interviewing process? Do you use different process for different kind of interview depending on position? What do you emphasize in your recruitment process, e.g. "hard" technical skills or "soft" behavioral skills?
- Do you devolve your recruitment/selection process to the line managers? What is their involvement e.g., manpower planning, budgeting, decision making? Who is involved as panel of interviewer? Who are responsible for making the final decision? Is it individual or collective decisions?

## 3. Training and development

### Training and development process/methods

#### Potential probes:

- Could you explain on your organization's training/development process/methods? Is it aligned with the overall business/corporate strategy? Do you take into considerations the following as part of your training/development strategy: current strength of staff/skills and competencies, training needs analysis, the use technology, continuous learning, and internal/external training?
- Are training/development programs oriented towards developing skills needed to implement the strategic plan of the organization? What are the focus of your training/development program e.g. on the job training, and etc?
- What is the number of training hours allocated per staff? Does each staff have the opportunities to undergo training? What are the organization support and commitment towards training/development?
- What is your approach to training/development? Do you have formal induction and orientation program as part of organizational process? If so, when are they suppose to attend and for how long? What are the activities of the induction program?
- Do you devolve your training/development process to the line managers? What are their involvement e.g. determining types of training, training needs analysis, budgeting, decision making and etc?

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