

The role of human resource management (hrm) in australian-malaysian joint venture...



As is stated in the article “ The role of human resource management (HRM) in Australian-Malaysian joint ventures” by Gladys Cheah-Liaw, Stanley Petzall and Chris Selvarajah, the two human resource management issues that was agreed in the article are the staffing policies in term of compensation plan and the cultural differences issue that’s mostly discussed in the article.

Compensation gap has become the issue between the host country nationals and parent country nationals. Besides that, joint ventures between Australia and Malaysia have that gathering two differing cultures has be one of the challenge for human resource management to overcome if wanted to be success in joint ventures.

Arguable issue always occur about the compensation gaps between host country nationals (HCNs) and parent country nationals (PCNs). As stated in the article, PCN on an international assignment would have a higher level of compensation then a HCN or a third-country nationals (TCNs) doing the same job and this cause HCN and TNC react negatively (Gladys et al., 2003).

However, not adapting pay scales to local market can present human resource manager with more problems then it solve. The fact is that it can be extremely more expensive to live in some countries like UK than other like Malaysia, and if these cost of living differences aren’t considered, it may be most impossible to get managers to take high cost assignment. One international compensation trend of growing importance concerns the awarding of long-term incentive pay to overseas managers. Nowadays, a lot multinational are finding to formulate new long-term incentives specifically for overseas executives. Thus, joint ventures should devising performance-based long term incentive plans that tied more closely to performance at the

subsidiary level. These can help build a sense of ownership among key local managers while providing the financial incentives needed attract and keep the people we need overseas.

The second issue as is agreed in the article is about the cultural differences. As joint ventures involve of employees from different background, human resource manager must be aware of cultural traditions and practices in the nations they are operating in. Unawareness of such things often causes offence to potential overseas business partners and customers. This is one of the factors needed to be attentive. Understanding the national culture can be vital. National culture refers to the attitude and perspectives shared by the people of a specific nation or cultural group that shape their behaviour and the way they see the world. There is wide ranging cultural and ethnic differences from country to country which demand corresponding differences in personnel practices among joint ventures. A high degree of sensitivity and empathy for cultural and attitudinal demand of employees is always important when selecting employees to staff overseas operations. However, such sensitivity is especially important when the job is human resource management and the work involves all labour force. Is important also for human resource department that shares the employee's cultural background is most likely to be sensitive to the employee's needs and expectation in the work place and it's thus more likely to manage successful join venture.

In summary, human resource management in joint ventures played an important role in overcoming all the issues that might cause failure to the joint ventures development.

Question 5

What was the pattern of HRM practices for successful joint ventures? Explain it accordingly to the phase of joint ventures development.

The pattern of human resource management practices or successful joint ventures is whereby human resource management can fit with the organization's stage of development in joint venture. Each stage of development needs human resource management to adjust the firm accordingly with the different stage. The five organization stage was initiation, functional growth, controlled growth, functional integration and strategic integration.

In the initiation stage, joint ventures should had operates for one to three years. In this stage, human resource practice was taken from the parent company. Employment in the initiation stage was said ethnocentric have been taken place which have their own management control and particularly use all capable managers for joint venture. By succeed in the initiation stage, human resource management need to lay emphasis on training, appraisals and aware of compensation for the employees to be in line with the host country. However, the cultural differences issue whereby human resource management need to attentive on it.

In transition stage, joint ventures are mainly controlled by a parent country and focusing in the mechanized sector. Transition stage was said to be put up with local demand and is in polycentric perspective, like joint venture was managed by host country nationals. In this stage, training and development was intend to improve current and future employees performance by enlarge

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employees' ability in achieve goal. Compensation was needed to be restructure to retain talented employees as if is due to the labour shortage. In this stage, cultural differences issue was not that critical as employees were monitored to work together and improve by communication.

And lastly, joint ventures was said to be greatly successful if reached the maturation stage. They said to be aware of adopting the best practices and be competitive in the universal market. Employment was said to be geocentric which by using the best approach around the world and forces managers to take a wider, global view of operations. Training in this stage was still in improving their efficiency and effectiveness. And the compensation needs to be reorganizing by following the Hire Worldwide Remuneration Consultants (HAY) system for the organizational levels. Cultural differences challenge was said to be solve out and creating a successful diversity workforce.

In short, every stage of the successful joint venture development is still on the purpose of “ getting the job done”. As the joint venture development stage can be accomplish stage by stage, join ventures is said to be greatly successful.

Question 6

Do you opine that your employers or the organization where you are familiar with has same HRM practices patterns as the organizations highlighted in the article? Discuss your answer.

On year 1997, Malaysia Airlines (MAS) and General Electric Company of the United States (GE) have signed an agreement to shape a joint venture after a year of signed a Memorandum of Understanding for a joint venture which MAS and GE will joint together to form a Centre of Excellence in engine repair at Malaysia, The Aero Centre facility in Subang. The plan of joint ventures between GE and MAS in opening the Aero Centre of Excellence is to provide service and repair of to the aircraft engine to Asia Pacific customer which last time use to service in the United States and Europe. As stated in the Press Centre of GE, the joint venture is significant for the country, company and customers. GE is one of the world largest high-technological and blue chip company which joint venture with Malaysia Airlines.

In this joint venture, Malaysia gain benefits in upgrading its present aerospace technological capacity, able Malaysia to develop indigenous technology and lead to becoming an aerospace hub. As stated by Tan Sri Tajudin Ramil, the chairman of MAS, this joint venture have bring advantages to MAS through upgrade the navy support and improved skill and productivity. MAS' employees also gain benefits from the advance training in leading-edge technology for GE, the world class company. The president of GE Engine Services Inc. affirmed that through CE investment, and joint with MAS, they intend to make Kuala Lumpur the first-class shop operation that

will drive future growth. In the joint venture, Malaysia Airlines able to carry to the undertaking a state-of-art facility and a trained workforce.

As Aero Centre of Excellence in Malaysia which was the joint ventures between GE and MAS has gain profitability through growth, this joint ventures is to be said as successful just like stated in the article of “ The role of human resource management (HRM) in Australian-Malaysian joint ventures” which involved with the pattern of human resource management practices for successful joint ventures. The successful joint venture development consists of 3 main stages which is initiation, transition and maturation. In the initiation stage, GE from U. S had started to assemble their own human resource policies and practices which included local demands. This was be said as ethnocentric whereby is the parochial belief that the best work practices and approaches are those of the home nation. The advantaged of ethnocentric are the organization will have simple structure and managers can implement closer control. However, there’s still disadvantages in this view whereby that decision-making may be less effective. There is no flexibility for employees working in foreign locations and there will be difficulties in building good business relationships in the host nation. Due to the shortage of labor, they can’t choose the people they want. So, training is needed in this stage and basic compensation was needed to be structured as the principle of the host country. In this stage, cultural issue will be the issue and challenges as human resource department needed to overcome the diversity problems.

In the stage of transitional, human resource practices hold to local demand.

This stage was polycentric perspective which , this is the view that managers
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in the overseas, host nation know the best work practices for running operations in that nation. The advantages are that the managers working in the overseas operation will have extensive knowledge of how best to run the workplace and meet market demand. Local managers are likely to be more committed and have higher morale than managers imported from the home country. Also the host government is more likely to provide support. The disadvantages are that duplication of work efforts and facilities in both the home nation and foreign host nation leads to inefficiencies and ineffective use of resources. It is also difficult to maintain a single focus on global objectives as operations in each nation concentrate on their own operations. In this stage, career development for staff is to be organized to improve the productivity. Compensation in this stage need to be restructured to retain the potential workers. However, the cultural differences issue has been reduced in this stage. And lastly, when reach the maturation stage, geocentric perspective was taken place whereby global-oriented view focusing on finding and using the best approaches from around the world. The advantages of this view are that it forces managers to take a wider, global view of operations. As in this stage, joint venture was said to be greatly successful which had managed cultural diversity.

As GE and MAS was recently successful in the joint venture, they should have overcome all the stages and apply the human resource practice effectively and efficiently to be success in the diversity environment. GE and MAS was working greatly together with the profit that reached \$ 1 billion last year. This is because, Aero Centre of Excellence in Malaysia which is joint venture between GE and MAS has overcome all the problems and challenges

that occur on the joint venture development, especially the working environment that full of cultural differences.

Question 7

Explain two human resource problems experienced by your employer of the organization where you are familiar with and to strategies for overcoming the problems.

The two human resource problems experienced by my employer of the organization are the compensation and cultural differences. Compensation and retaining workers have always be the problems to human resource management because employees always not satisfy with the salary and benefits that been given by the employers. Developing a pay plan that is internally and externally equitable is no less important in a small firm or large firm. Besides the compensation problems, managing diversity workforce also be a problem to employer as Malaysia is a mixture country with different of race, religion and so on. Everyone have their own backgrounds which lead to the different thinking compare with others. To keep organization still that competitive, human resource problem needed to be solve out before it get worse.

Employee compensation means all forms of pay or rewards going to employees and arising from their employment. Everyone knows that people have many needs, and some which can be satisfied directly with money. As every employee always as for a better life, they expect employers will provide them with satisfied salary just to retain them. Some employees always compare their salary with others. If salary was lower than their colleague, they will just go search for another job might increase the job

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turnover. In such case, employer should have policies on compensation-related method. Human resource manager need to ensure why the amount of salary among employees is is different and employees need to understand the reason to reduce conflict that might happen in organization. Employers should develop a workable pay plan by conducting a wage survey which collects the information about the job and set a base salary that deserve to receive by the employees. It can be easier also in structure the compensation plan if split employees into three group to managerial, clerical and plant personnel. For each of the three groups, determine the compensable factors to be evaluated and then rank or assign points to each job based on the job evaluation. For each class of jobs, employers should create a pay range. Besides this, employers also can provide reward to employees that attaining company's goal. This was not only can motivate employees but also keep them getting the job done, just to get the reward.

Reward also can be a way in retaining potential worker. Capability workers will always surrounded by head-hunter and intellectual employees will just leave the organization if other company can provide better benefit package to them. Not all employees asking for money to satisfy their need but some may ask for achievement, affiliation, power or self-actualization. Yet, even with job enrichment can be a modern motivation technique. Besides that, to retain worker, non-monetary reward like vacations and holiday, sick leave, annual leave and so on can help in retaining potential workers. For employees that attaining organization goal, employers can reward them with promotion or paid vacation as a reward. Employees will somehow work hard just to get the reward offered by employers.

Cultural factor have been generally be a problem to human resource. As Malaysia was known as rich of different cultural, most of the company in Malaysia was facing the same problem which is workforce diversity. To overcome this problem, employers can increase relationship between employees by regular meeting. Training also needs to be providing to employees in how to communicate efficiently to reduce conflict in the workforce. Besides that, employers can use teamwork to build relationship between employees while completing their task. In teamwork, sharing will be more to be occur and this can make employees understand each other more. Employers should encourage idea sharing among employees, just to make them discuss more and build relationship without knowing. This kind of method not only can help in diversity labor force but also can come up with new ideas and improve the productivity in the organization.

In short, every company has their own human resource problem as is important for employers to apply strategies that is effectiveness and efficiency. Retaining workers has mostly been the problems faced by most of the organization and compensation needs to be structured carefully to avoid from any turnover. Cultural differences are something Malaysian companies can avoid from as Malaysia is a multi-cultural country. To cut down the problems in cultural differences, human resource need to solve out the diversity labor force by monitoring and liaison employees with each other.