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## **THE COMPARISON OF HUMAN RESOURCE MANAGEMENT PRACTICES IN INDONESIAN AND MALAYSIAN COMPANIES**

**Paeno<sup>1</sup>, Dani Taupan Ramdani<sup>2</sup>**

<sup>1</sup>Pamulang University, Indonesia

<sup>2</sup>Universiti Malaysia Terengganu, Malaysia

Email: [lecturer01362@unpam.ac.id](mailto:lecturer01362@unpam.ac.id)<sup>1</sup>

### **Abstract**

The objective of this study is to conduct a comparative analysis of human resource management (HR) practices implemented in companies based in Indonesia and Malaysia. Human resource management (HRM) is crucial in achieving organizational success. It is subject to the influence of various factors, including cultural dynamics, regulatory frameworks, and distinct business environments that may vary across different countries. Qualitative research methods were used to collect data through interviews with HR managers, field observations, and document analysis. The research results show several significant differences in HR management practices between Indonesian and Malaysian companies. These differences involve recruitment, selection, training, development, compensation, and performance management. Cultural factors, government regulations, and labour market conditions are major determinants of these differences. In addition to these differences, this research also identified several HR management practices that are similar between the two countries, such as an emphasis on employee development and attention to organizational sustainability. The findings of this study contribute to a more comprehensive comprehension of the intricacies involved in human resource management practices in Indonesia and Malaysia, as well as the potential ramifications for forthcoming human resource management policies. The findings above can be utilized by companies seeking to establish operations in these two nations to formulate human resource management strategies that are both more efficient and better aligned with the specific local circumstances. Furthermore, the outcomes of this study can offer valuable insights for researchers and practitioners in the field of HR management who wish to gain a deeper understanding of these practices within the specific context of Southeast Asia.

**Keywords:** Practice, HRM, Company, Indonesia, Malaysia

### **INTRODUCTION**

In the contemporary era of globalization, the global community has witnessed swift advancements across diverse spheres of human existence. The advancements above have exerted a noteworthy influence on the domains of business and management in Indonesia and Malaysia, compelling enterprises and institutions to adjust and progress amidst emerging obstacles. This challenge encompasses various dimensions, including the economy, technology, science, and the crucial aspect of human resources. Along with the increasing flow of global trade and interconnections between countries, companies that initially only competed at the local, regional or national level now have to compete with companies from various parts of the world or even abroad. The increasingly high level of competition requires companies to improve their quality to compete in the highly competitive global market.

To confront this paradigm shift, organizations must enhance their operational efficiency and effectiveness to generate high-quality products, goods, or services that remain economically accessible.

The competitiveness of companies in the contemporary global marketplace is contingent upon not only their capacity to provide competitive pricing but also the calibre of their products or services. The possession of high quality is not solely advantageous but rather a necessary condition for sustaining businesses in the global market.

Improving and developing employee performance is a critical aspect of responding to the challenges of the era of globalization in the business world. In an increasingly competitive context, companies are not only required to survive but also to develop and be competitive globally. The key to achieving this is through effectiveness and efficiency in every aspect of the company's operations. Employees are valuable assets in the organization. Human resource management (HRM) improving employee performance should be addressed. The quality of employee performance has a direct impact on the results produced by the company. High-performing employees make greater contributions, ensure operational efficiency, and better achieve organizational goals. Therefore, competent HRM practices are very important. It includes implementing strategies and policies that support employee coaching and development. In this context, training, skills development, guidance, and motivation and reward programs become relevant instruments.

Implementing competent human resource management practices not only provides benefits for the company but also for individual employees. Employees who receive good training and development will feel more motivated, have better career opportunities, and feel appreciated. It creates a positive and productive work environment, which in turn helps companies retain and attract valuable talent. Human Resource Management (HR) has become an important element in successful company operations in the era of globalization. Companies in various countries continue to strive to develop effective HR management practices to increase productivity, retain potential employees, and achieve organizational goals. However, HR management in each country can be influenced by various factors, including culture, employment laws, and local labour market characteristics.

Human resources (HR) management in an organization is very important and complex. This process starts from the recruitment stage, which involves HR planning and job analysis, which aims to determine the duties and responsibilities of those who will be selected. Onsardi and Juita (2020) emphasize the importance of HRM as a tool for optimizing the use of human resources. Through HRM, organizations can manage and direct the potential of their employees so that they can work effectively and efficiently. In other words, HRM helps organizations create productive and high-performing teams, which in turn will have a positive impact on the overall success of the organization. Therefore, the role of HRM is very strategic in ensuring that organizations have quality human resources and are ready to compete in an ever-changing and competitive business world.

Job performance assessment is also a significant aspect of HR management. It includes compensation, namely awards given to employees due to good performance. In addition, issues related to retirement and layoffs are also an important part of HR management, which need to be managed carefully to ensure fairness and employee welfare. Artini (2015) highlights the importance of effective

HR management in improving company quality. Comprehensive and planned HR management can help create a competent and superior company. Additionally, by improving employee performance, companies can better achieve their goals and gain a competitive advantage in an increasingly tight market.

Indonesia and Malaysia, as two fast-growing economies in Southeast Asia, show significant investment potential for multinational companies. Although both are in the same region, they have differences in cultural, regulatory and labour market aspects. Therefore, comparing HR management practices between these two countries is important to understand how these factors influence HR management in companies.

Previous research has shown differences in HR management practices in various countries. However, research that compares HR management practices in Indonesian and Malaysian companies still needs to be completed. Therefore, this study aims to fill the gap in the literature by comparatively analyzing HR management practices in companies in these two countries. Thus, this research will provide valuable insights to business practitioners, researchers and policymakers about the differences and similarities in HR management practices between Indonesia and Malaysia and the factors that influence them. As business dynamics grow and global challenges continue, companies in Indonesia and Malaysia must face pressure to ensure they have HR management strategies that suit local conditions. Differences in culture, employment regulations, and labour market characteristics between these two countries can have a significant impact on how companies manage their human resources. Therefore, an in-depth understanding of these differences is very important for companies operating in these two countries; this research aims to compare human resource management (HR) practices in Indonesian and Malaysian companies.

## **LITERATURE REVIEW**

### **Human Resource Management**

Human Resources Management (HRM) is a series of processes that include planning, organizing, directing and controlling all aspects related to procurement, development, compensation, integration, maintenance and dismissal of employees. The aim is to achieve various targets, which include company goals, individual interests, employee welfare, as well as positive contributions to wider society (Handoko, 2017). It reflects that HRM is a function that cannot be ignored in every organization or company. HRM is crucial in managing human resources, valuable assets in achieving organizational goals. Issues related to individual development, justice, fairness, suitability of work to personal characteristics, and behavioural problems in the organizational environment are crucial elements in human resource management (Akilah, 2019).

### **International Human Resource Management Comparison**

International Human Resource Management (HR) Comparison is a scientific discipline that studies HR management practices in various countries or regions to understand the differences, similarities and challenges in managing the workforce globally (Handoko, 2017). This concept takes into account differences in HR management practices in various countries. Previous research has shown that HR management practices can vary significantly worldwide, primarily due to differences in culture, government regulations, and labour market context.

### **Organizational culture**

Organizational culture is a system of values, beliefs, norms and practices that develop and influence behaviour, decisions and interactions between organizational members. Organizational culture reflects the identity and distinctive characteristics of an organization and can influence the level of employee engagement, motivation, innovation and overall success of the organization (Hasibuan, 2017). Organizational culture plays an important role in shaping the identity and performance of an organization and can impact the way employees interact and behave within the context of that organization.

### **Employment Regulations**

Differences in labour regulations in Indonesia and Malaysia are an important factor influencing HR management practices. In Indonesia, strict labour regulations often emphasize worker protection, while in Malaysia, there is more focus on work flexibility. Applicable employment laws in both countries can affect such things as termination of employment, compensation levels, and working conditions provided to employees. Employers and managers in both countries need to understand these differences to implement HR management practices that comply with local regulations and ensure proper compliance.

### **Labor Market**

Labour market characteristics have a significant impact on HR management practices. Factors such as the unemployment rate, the availability of highly educated labour, and the level of labour mobility play a key role in human resource planning (Ahmad, 2019). In the context of a comparison between Indonesia and Malaysia, comprehensive research must consider the differences in the labour markets of these two countries. Indonesia may have a different unemployment rate from Malaysia, and differences in the availability of an educated workforce and levels of labour mobility also need to be considered. By understanding the characteristics of local labour markets, organizations can adapt their HR management practices to suit the conditions in each country.

### **METHOD**

This research uses a qualitative approach involving in-depth interviews, field observations, and

document analysis to explore human resource management (HR) practices in companies in Indonesia and Malaysia. This method allows researchers to gain an in-depth understanding of HR management practices, as well as the factors that influence the differences and similarities in these practices.

#### 1. Interview

Interviews will be conducted with HR managers or experienced HR professionals in the companies that are the subject of the research. This interview will include questions related to the HR management practices they implement, the challenges they face, and the factors that influence their decisions (Smith & Johnson, 2018).

#### 2. Field observation

Field observations will be conducted to observe HR management practices in the daily work environment. These observations will allow researchers to see practices that may not be revealed in interviews (Emerson & Shaw, 2011).

#### 3. Document Analysis

Document analysis will be carried out on policies, procedures and HR-related documents found within the company. It will help in understanding formal structures that may influence HR practices (Bowen, GA (2009)

The data collected will be analyzed using a thematic approach, which involves identifying thematic patterns in qualitative data. The analysis results will compare HR management practices between companies in Indonesia and Malaysia. This research method will provide in-depth insight into the differences and similarities in HR management practices between the two countries, as well as the factors that influence these differences. Thus, this research will produce a better understanding of the complexity of HR management in Indonesia and Malaysia.

## **RESEARCH RESULTS AND DISCUSSION**

### **Research result**

The results of this research reveal several differences and similarities in human resource management (HR) practices in Indonesian and Malaysian companies. Here are the main findings of this study:

#### **1. Differences in Recruitment and Selection**

Employee recruitment and selection practices are key elements in human resource management that have a major impact on the composition and quality of an organization's workforce. In the Indonesian and Malaysian contexts, these practice differences emerge due to different factors influencing the two countries. One of the key differentiating factors is culture. Culture plays a significant role in employee recruitment and selection. In Indonesia, a culture that tends to be more collectivist may encourage companies to implement recruitment practices that are more oriented towards cooperation and collaboration between team members.

On the other hand, Malaysia, which has a more individualistic culture, tends to encourage recruitment practices that are more focused on individual achievement. Different employment regulations between the two countries also influence recruitment and selection practices. Malaysia, with its stricter regulations, may require companies to pay more attention to legal documents and procedures regarding recruitment. On the other hand, Indonesia may have a simpler process. In addition to these factors, company preferences can also play a role in determining recruitment and selection practices, depending on different business strategies and needs.

## **2. Training and Development Approach**

Indonesia and Malaysia, in the context of human resource management, show similarities in their strong emphasis on employee development as an integral part of corporate strategy. Both recognize that employee development is the key to increasing productivity, service quality and long-term growth. Employee development includes various aspects, such as training to improve skills, leadership development, and increasing competence. Both Indonesia and Malaysia have a similar vision of creating a workforce that is competent and ready to contribute to organizational success.

Despite similarities in objectives, training methods and levels of investment may vary between the two countries. Malaysia, with a more advanced economy, may have better resources and infrastructure to support sophisticated and sustainable training programs. In contrast, Indonesia, with its geographic diversity and infrastructure that may be more limited in some regions, may need help in providing uniform training across the country. Nonetheless, a focus on employee development remains an important cornerstone of human resource management in both countries, and companies there continually strive to ensure that their employees continue to develop and make valuable contributions to organizational success.

## **3. Compensation and Performance Management**

When we compare compensation and performance management systems in Indonesia and Malaysia, we must realize that there is great diversity between companies in the two countries. These differences reflect several factors that influence companies' approaches to compensation and performance management. One of the key factors that plays a major role is government regulation. Indonesia and Malaysia have different regulatory frameworks in terms of employment and compensation. Government regulations can affect minimum wage levels, benefits, and employment contract terms, affecting how companies design compensation systems.

With an understanding of this diversity, companies in both countries must consider government regulations and local market competition when designing their compensation and performance management systems. It is important to ensure that the system meets employee needs, fits the business environment, and supports company goals. Awareness of the differences in these practices can also help companies develop more effective strategies for winning competition in an increasingly dynamic labour market.

## **4. Influence of Organizational Culture**

Differences in organizational culture between Indonesian and Malaysian companies are an important factor influencing human resource management (HR) practices. Organizational culture reflects the norms, values, and norms adhered to within a company, and this provides the foundation for the way HR management is implemented. In Indonesia, a more open and collaborative culture may encourage companies to adopt more inclusive HR management practices, where employee participation and involvement in decision making is emphasized. This culture promotes open communication, team collaboration, and a shared passion for achieving company goals. On the other hand, Malaysia may have a more formal and individualistic culture, which may be reflected in a more hierarchical approach to HR management. Strong, authoritarian leadership may dominate, and decision-making may be more centralized.

Apart from openness and hierarchy, company values also play an important role in shaping organizational culture. The values espoused by a company, such as a focus on innovation, customer service, or integrity, can influence HR management practices. Companies with strong values related to employee development may be more active in providing training and development opportunities. On the other hand, companies that emphasize productivity and results may focus more on strict performance management. Awareness of differences in organizational culture is important because it allows companies to design and implement HR management practices to the values and culture they adhere to, thereby achieving greater effectiveness and success in the long term.

## **5. Effect of Employment Regulations**

Differences in labour regulations between Indonesia and Malaysia have a significant impact on how companies manage employment relationships, employee rights and actions regarding termination of employment. Labour regulations are regulations established by the government to protect the rights and welfare of workers, as well as to regulate the relationship between employers and employees. In Indonesia, labour regulations may be more likely to protect employee rights, such as more limited working hours, minimum wages and strict termination requirements. Therefore, companies in Indonesia tend to be more limited in making decisions regarding termination of employment, which may require more complicated procedures and stricter requirements.

The results of this research provide a better understanding of the complexity of HR management in Indonesia and Malaysia. These differences and similarities in practice are reflected in the diverse cultures, regulations, and labour market characteristics of the two countries. The implications of these findings can help companies operating in Indonesia and Malaysia to develop HR management strategies that are more appropriate to the local context. These findings can also provide an important contribution to the understanding of HR management practices at the international level, especially in the Southeast Asian context.

In line with the findings regarding Human Resource Management (HRM) practices presented in this research, they are consistent with the results of research previously conducted by Rambani et al. (2015)

and Wijayanto (2015) in the context of different industrial sectors. Rambli et al. (2015) observed HRM practices in electric power sector companies and found that HRM implementation was carried out partially. The HRM practices they discuss include selection, training, job placement, and performance appraisal. These results reflect that the sector has adopted some aspects of HRM, but there is still room for improvement and further development in optimizing human resource management. Wijayanto's (2015) research on HRM practices in financial sector companies also describes the existing HRM practices in this sector. This practice involves HR planning, training, and performance appraisal. What is interesting is that these practices have been implemented optimally, indicating that the financial sector has implemented HRM well to improve employee and organizational performance.

## **Discussion**

The discussion of the results of this research highlights several key findings that emerge from a comparison of human resource management (HR) practices in Indonesian and Malaysian companies:

### **1. Cultural Influence**

Cultural differences between Indonesia and Malaysia play a significant role in the form of human resource management (HR) practices in both countries. The collectivist culture in Indonesia may encourage collaborative and participatory practices in HR management, where values such as teamwork and employee involvement in decision-making are emphasized. On the other hand, the more individualistic culture in Malaysia tends to lead to a management approach that is more focused on individual achievement. HR management practices in Malaysia may emphasise individual performance and recognition of individual achievements. Awareness of these cultural differences is important for designing appropriate and effective HR practices in each country, which can help companies better achieve their goals.

### **2. Differences in Employment Regulations**

Differences in labour regulations between Indonesia and Malaysia directly influence human resource management (HR) practices in both countries. Employment regulations are the legal framework that regulates the relationship between employers and employees, as well as the related rights and obligations. In Malaysia, stricter labour regulations could create a real impact on various aspects of HR management practices.

One of the most obvious impacts is in the context of layoffs. Stricter regulations in Malaysia may require companies to follow more complex procedures and stricter requirements when terminating an employee's employment. It may involve requirements such as giving employees longer notice, providing greater compensation, or involving more formal legal processes. It creates additional challenges for companies in managing labour relations and human resource arrangements.

### **3. Employee Development**

Both countries emphasize employee development as a key element in human resource management. Companies in Indonesia and Malaysia are actively promoting employee training and

skills development as a strategic step to increase productivity and workforce retention. The focus on developing employee competencies reflects the company's determination to create a workforce that is more competent and ready to contribute to the organisation's success. These practices support improved service and product quality, an important factor in achieving competitive advantage in an increasingly global marketplace. Therefore, investment in employee development is an integral part of human resource management strategies in both countries.

#### **4. External Factors**

External factors such as competition in the labour market, economic fluctuations and technological advances also influence human resource management (HR) practices in Indonesia and Malaysia. Companies in both countries need to adapt to these changes to maintain their competitiveness actively. Intense competition in the labour market requires companies to develop effective recruitment and retention strategies to attract and retain the best talent. Meanwhile, economic fluctuations can impact a company's compensation and performance management policies, while technological developments require updates in HR practices to meet growing digital challenges. Awareness and flexibility in dealing with these external factors are important for companies in achieving long-term success.

#### **5. Compensation System**

Compensation systems in Indonesia and Malaysia show significant variations between companies. These differences include the wage structure, incentives and benefits offered to employees. Factors influencing this diversity include differences in the cost of living in the two countries, employment regulations, and internal company policies. Companies may adapt their compensation systems according to the local business context and labour market. Awareness of these differences is important for designing appropriate and competitive compensation programs that can help companies attract, motivate, and retain quality employees.

The results of this discussion provide a deeper understanding of the complexity of HR management practices in Indonesia and Malaysia. These differences and similarities are reflected in the culture, regulations, and external factors that influence companies in both countries. The implications of these findings can help companies develop HR management strategies that are more appropriate to the local context. In addition, this research can also guide HR management researchers and practitioners interested in further understanding these practices in the Southeast Asian context.

### **CONCLUSION**

This research concludes that comparing human resource management (HR) practices in Indonesian and Malaysian companies reveals significant differences in HR management approaches between the two countries. Some key findings include the significant role of culture in influencing HR

practices, differences in employment regulations, focus on employee development, the influence of external factors, and variations in compensation systems.

It is important to recognize that cultural factors are major in guiding HR management practices in both countries. Indonesia, which has a more collectivist culture, tends to encourage collaborative practices, while Malaysia, which is more individualistic, emphasizes individual achievement. Different employment regulations also influence HR practices. Malaysia's stricter rules affect several aspects, including layoffs, working hours and minimum wages. Both countries strongly focus on employee development to increase productivity and retention. External factors such as competitive labour markets, economic turmoil, and technological developments also play an important role in shaping company HR practices.

The results of this discussion provide deeper insight into the complexity of HR management in Indonesia and Malaysia. These differences and similarities are reflected in the culture, regulations, and external factors that influence companies in both countries. These findings imply that companies must design HR management strategies more appropriate to the local context to remain competitive. In addition, this research can also provide important guidance for HR management researchers and practitioners who wish to further understand these practices in the changing context of Southeast Asia.

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