

# **Exploring Philosophy of Holism Approach on HRM's Practice of Discrimination: Ripple Effect on Micro, Meso and Macro-Analysis**

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**Abstract:** The study discusses the role of human resource management (HRM) in administering and managing the diversity of the workforce and investigates critical issues of HRM's discrimination in Malaysia. Malaysia is a unique country with a multi-diverse background. Unfortunately, discrimination issues are deeply ingrained among Malaysians and manifest into employment market. The article adopted a philosophy approach to investigate issues of HR discrimination by presenting relevant evidence and simultaneously interpreting data on three-level units of analysis: micro, meso, and macro. Philosophically, the present study makes a solid argument based on previous findings which has been synthesized to illustrate on how discrimination issues within HRM practice rippling the social system existed in a country. The study also aims to forward the holism approach into HRM theory and expanded the field across social science fields; at the same time, fill in the literature gaps on HRM discrimination issues that are scanty in Malaysia. It looks at a broad idea that goes beyond HRM and into fields related to social science, instead of focusing on HRM itself, which moves into holism to get practitioners to act in a professional way and paves the way for future research on the reality impact of HRM on three levels of analysis.

**Keywords:** HRM, workforce diversity, discrimination, ripple effect, social issues

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## INTRODUCTION

With rapid changes over the years, the business world has become more dynamic, chaotic, and unpredictable. A company's human resources claim to be one of the company's vital assets and play an essential role in an organisation's activities. Human resources have long become a vital resource in most businesses. As suggested by the resource-based view model (RBV), firms are now dependent on human resources to gain a competitive edge (Cooke, Dickmann, & Parry, 2020; Fogarassy, Szabo, & Poor, 2017; Pfeffer, 1998). HRM is an employment management framework focusing on workers' importance as a critical resource. There are several interpretations of HRM; for instance, a method of systematic and comprehensive management of individuals in an organisation. Another definition of HRM involves the management of individuals from a macro perspective in an organisation. HRM also refers to a department that is concerned with the management of individuals. While there is no specific description of HRM, the term offers context for handling people from entry and onboarding before the employee voluntarily leaves the organisation, retirement, or resignation. Human resources are recognised as the most crucial element of running a company, particularly affecting company performance and profitability, which are heavily dependent on employee performance (Mello, 2005).

The retention and recruitment of competent employees in the company in developing countries such as Malaysia is a must for the business to maintain growth by improving its output (Awalluddin, 2019). With that, HR needs to be versatile and adapt the new strategy to suit business objectives. In emerging economies, according to Khilji (2002) a new model of HR practises is needed to attract and retain expert employees to sustain the growth of a firm as these skilled professionals have new perceptions about their career. An outstanding HR department is vital to the creation of highly dedicated, efficient, and trained employees. Good HR practise also strengthens the company's bottom line by understanding how to deal with employee rights and workplace relations regulations (Guest, 1987).

The changing global economy gives HR managers a new challenge. Globalization, economic and legal environments, workforce diversity, technological growth, shifts in employee educational context, and employee expectations on working conditions are the most common obstacles in HRM. Although most HRMs in the world have significant

problems coordinating cultural diversity within the organisation, some countries like Malaysia face specific human resource problems that are racial discrimination in the workplace, such as ethnicity and religion. Failure to welcome cultural differences is an endless trend in Malaysia (Awalluddin & Maznorbalia, 2019). Nevertheless, research in this particular field tends to be overlooked, despite the fact that it is not a recent concern (Rahman, Mehat, & Hamzah, 2019). Most organisational commitment (OC) and career satisfaction (CS) are shaken by their experiences in this workplace and its aftermath (Greenhaus, Parasuraman, & Wormley, 1990; Igbaria, Parasuraman, & Baroudi, 1996; Mowday, Steers, & Porter, 1979). The issues are directly linked to employee satisfaction, profitability, lower employee turnover, productivity, and serious employee engagement and performance (Abbasi & Hollman, 2000; Harter, Schmidt, & Hayes, 2002). Functionally managing workplace diversity, on the other hand, may benefit the organisation (Awalluddin & Maznorbalia, 2019).

Since independence in 1957, Malaysia has always had many problems in dealing with racial discrimination. To the extent that the issue has already become a norm in society, people tend to have their generalisation towards particular races, and some business firms, either small or big, tend to employ specific races as their employees. Hiring decisions in the workplace can be predicted by an applicant's race (Lancee, 2021) and religion (Wallace, Wright, & Hyde, 2014). For example, Chinese firms tend to reject applicants or put strict rules on Malays due to their faith, e.g. prayer during working hours or gaps in cultural (Norhasniah & Husin, 2012). The employers believed that the employees were wasting working time by not being productive. Some thought that the employees misused praying time to kill a working hour, locally known as "*mengular*", skipping working time.

Lee & Muhammed (2016) found strong evidence of discrimination by Chinese firms. They conducted a field experiment by sending fictitious Malays and Chinese resumes to an actual job opening and received surprising feedback. For every 1000 Chinese job applicants, 221 were called for an interview, compared to only 41 out of 1,000 Malay job applicants. The evidence indicates that discrimination favouring Chinese over Malay includes linguistic and cultural compatibility; doubts about the veracity of Malay graduate qualifications; and pro-Chinese preference as a counterweight to pro-Malay choice in the public sector government (Lee, 2017). Studies on these topics are rarely undertaken and are generally avoided

(Awalluddin & Maznorbalia, 2019) and considered sensitive in nature for Malaysians (Aminnuddin, 2020). Besides, public opinion towards this research and its outcomes is also not well received. Therefore, this paper seeks to contribute towards the literature review and contribute to the analytical framework of a ripple effect of discrimination by HR practise at three different levels of analysis; micro, meso, and macro; from the perspective of the Malaysia case using a holism approach.

## HUMAN RESOURCE MANAGEMENT AND HOLISM APPROACH

The effectiveness and efficiency of an organisation are determined by the quality of the people it employs. A successful organisation depends on finding the right employees who possess the right skills to perform the tasks required to achieve company goals. Business success is most likely to be achieved if firms' personnel policies and procedures are closely linked with corporate objectives and strategic plans (Elrehail et al., 2020). Human resource management is a vital component of the organisation, which is a place for complaining and addressing employee issues. It is profound to claim that HRM is the parent of the labour force. Effective HRM within an organisation is undeniably vital (Delaney & Huselid, 1996); from 590 for-profit and non-profit firms from the National Organization Survey, the researchers found a positive relationship between HRM practises and firm performance. Good HR practises significantly influence employee motivation and innovative job performance (Khoreva & Wechtler, 2018).

The functions of HR professionals are to make sure that all employees are treated fairly and equally. In exchange, employee satisfaction towards HR professional practise was found to be positively correlated with employee organisational commitment (Cherif, 2020). Moreover, human resource management is regarded as one of the critical elements for the organisation to achieve a competitive advantage. The study by Nemli Çalişkan (2010), suggested that the HR practises of an organisation can assist a firm to gain a competitive advantage. Human capital can improve 4M: materials, machines, money, and methods. The most critical reason is that human resources vary from one organisation to another; they are unique and inimitable (Shaukat, Ashraf, & Ghafoor, 2015). The inimitability of human resources depends on the skills, abilities, and knowledge possessed by the employee. To achieve this level, a firm needs to have effective strategic human resource planning by providing

employees with training and learning opportunities for their development. This statement can be supported by several studies such (Qureshi, Mohammad, & Zubair, 2007) effective HR practises positively correlate with employee performance, and HRM practises on employee performance are significantly positive and astonishing (Arthur, 1994; Huselid, 1995; Macduffie, 1995).

Discussing HRM, one cannot adopt reductionism or narrow the scope mainly to the HRM theory of organisation. The term HRM itself draws from several fields such as anthropology, sociology, psychology, and economics. For instance, The Harvard Framework for HRM is an excellent HR model that explains a lot of HR in a big picture by considering holistic aspects such as stakeholders' interests and situational factors that influence HRM policies, HRM outcomes, and long term consequences. The centre point of HRM always lies with the individual in the organisation. However, this paper would like to broaden this scope to the level of analysis in sociology by pinpointing the negative impacts of HRM discrimination practises from micro, meso and macro-perspectives. People are not only vital for a firm but also a driver for a country's economic growth. Discrimination issues by HRM jeopardise firm reputation, affecting its performance and moral decline but also spontaneously affecting the whole system requiring "people" as its generator. For instance, Singapore has become one of the most developed countries in Asia, primarily due to its strong emphasis on developing human resources and continuously making significant investments in its human capital (Osman-Gani, 2004) regardless of racial and religious attachment.

Holism refers to the notion that social occurrences should be described in terms of the properties of the entire societies being investigated, i.e., the entire societies should be utilised as units of analysis for the explanation (Zahle, 2016). In anthropology, holism attempts to incorporate everything known about humans and their actions. The central notion or underlying interpretative principle of holism is the social system, which excludes individual reflection, whereas individualism favours individual acts and the meanings that individuals assign to social phenomena (Mihail, 2013). In HRM, the approach is interpreted as discussing HRM issues from micro, meso, and macro perspectives, where all levels are interconnected and influence one another. What affects the psychological well-being of an employee (individual) will impact his or her working relationship with the firm. Discriminated employees have a tendency to express their

anger or act impulsively. This conduct will negatively impact the firm's health. If the matter becomes public, such as by going viral, there is a greater likelihood that the firm will suffer negative consequences. As human resources drive the growth of a nation, a negative chain at the micro and meso levels will have repercussions at the macro level. In a simple analogy, issues at the micro level will affect the well-being of human resources, while issues at the meso level will affect the well-being of the firm. Thus, issues at both levels will have an impact on issues at the highest level. Consequently, it is simpler to comprehend holism by stating that the whole is greater than the sum of its parts. In the context of HRM, human resources, or the employee is the central factor affecting the entire system.

### WORKFORCE DIVERSITY IN MALAYSIA

The inception of diversity management and equality in the workplace has gained lots of attention from researchers, such as in the health industry (Ali, Burns, & Grant, 2013) sports industry (Spracklen, Hylton, & Long, 2006) and hotel industry (Gröschl, 2011). Diversity in the workplace refers to the variety of differences between people within the organisation. It is essential to understand that diversity in the organisation is not based solely on cultural differences. Diversity in an organisation refers to the categories of gender, race, ethnicity, age, and individual backgrounds, including disabilities (Patrick & Kumar, 2012). Having a diverse background positively benefits the organisation as people with different backgrounds have different strengths and abilities, which may boost innovation and creativity for an organisation (Abdul Wahab & Hirwan Jasbir, 2018). Malaysia is a diverse country with various ethnicities, having more than 136 different languages, and is home to the world's majority religions. Malaysians are made up of Malay/Bumiputra (62.5%), Chinese (20.6%), Indian (6.8%) and Others (10.1%) (Department of Statistic of Malaysia, 2018). For religions, Islam (61.3%), Buddhism (19.8%), Hinduism (6.3%), Christian (9.2%), others (3.4%) (CIA World Factbook, 2021).

Being one of the diverse countries, Diversity and Inclusion (D&I) are gaining a solid foothold for firms operating in Malaysia. Most of the operating firms have distinct types of workers from different cultural backgrounds. A study done by a recruitment company, MichaelPage (2017) indicated that Malaysia scored an average of 93%, which on par with six other Asian countries in the survey (China,

Taiwan, Hong Kong, Indonesia, and Singapore). It also found that the focus area for D&I was gender (47%), age (40%) and minority ethnics (25%). In another survey done by PwC (2013) with support from Bursa Malaysia, 122 companies from 11 different industries, the study found a good level of ethnic composition for management level 34% Malay, 54% Chinese, 6% Indian and 6% others.

Hiring people with diverse backgrounds means going more profound than just ethnic and cultural beliefs, but means professional diversity. A diverse population with different strengths and abilities makes a better-rounded team and contributes to the firm's performance. They have different ways of thinking, cultural values and beliefs, and diverse experience, making that person an added value to the organisation. If this asset moulded correctly, it would significantly benefit the firm (Curado, Tai, Oliveira, & Sarmento, 2021). Several studies found that cultural diversity does bring added value for competitive advantages, such as (Richard, 2000) diversity composition in the organisation improves turnover and performance through its impact on affective, cognitive, communication, and symbolic process. Milliken and Martins (1996) and Hartenian and Gudmunson (2000), found that firms culturally diverse have a higher percentage change in revenue, net income, and better performance. An investigation by Li, Wang, Haque, Shafique, and Nawaz (2020), from 324 respondents emphasised that workforce diversity with effective management contribute to the job match, job satisfaction and job performance. Therefore, workforce diversity will be one step forward to get productive job outcomes if managed by matching skills, preferences, functions, and interests.

It should be noted that diversity among applicants, employees and customers has positive or negative effects on every management feature, including organisational behaviour, human resources, and strategy. Organisations diversity initiatives can also mislead and did not produce desirable results (Leslie, 2019). HRM discrimination in managing a diverse workforce can affect employee working satisfaction and their involvement in the task (Kim, 2015). Discrimination in the workplace affects one capability to perform their job and damage employee psychology; such as anxiety, sadness, depression, feeling of guilty, emptiness, loss of interest, eating disorders, and substantial stress. Affected employees show harmful health disorder such as depression and will start looking for a new job (Ensher, Grant-Vallone, & Donaldson, 2001; Lim, Cortina, & Magley,

2008). They also have low working satisfaction, low organisational commitment and low organisational citizenship (Nielsen & Einarsen, 2012; Raver & Nishii, 2010; Regmi, Naidoo, & Regmi, 2009).

#### HRM DISCRIMINATION FROM PHILOSOPHY OF HOLISM (INDIVIDUAL, ORGANISATION, NATION)

Employment and national development are distinctly supported by each other and located on the same continuum. Both elements are reinforcing each other. Work is driven by the profitability and management philosophy, which at the core are people who signed up for the contract and completed the task given. The availability of skilled labourers in the marketplace drives the firm to achieve the desired objectives (Armstrong, 2006). Human resources are a critical asset as a determining factor in the success or failure of an organisation. Every organisation needs financial support, material resources, and human resources to survive (Boudreau, 1996). The importance of human resources is not limited to the firm but also extends to the nation's development. For a country to progress aggressively, it needs a constant flow of human resources, which can develop into human capital, an individual possessing potent capability through continuous learning and experience.

Human resources should also be viewed from a holistic perspective, such as an economic lens, to understand how HRM functions and activities may serve as valuable approaches to capture value and the creation and mobility of knowledge and skills. The transformation of human resources to human capital has been proved by (Jiang, Lepak, Hu, & Baer, 2012) that HRM enhances organisational performance by building a valuable human capital pool and encouraging employee behaviour. Lepak and Snell (2002), stated that developing human capital requires HR practise to achieve the best result. As mentioned before, discrimination within the labour market may hinder the firm from acquiring specific knowledge, skills, abilities, or other characteristics possessed by specific people from different cultural backgrounds. Obtaining intricate and tacit-oriented expertise and crafts is often critical to achieving a competitive advantage for firms (Coff, Coff, & Eastvold, 2006). It may also prevent people from entering firms that are not supporting their values and beliefs, which contradicts with them. Coff (2002) stated that firms should use positive approaches that bring individuals inside the boundaries of their firm. According to him, this positive approach can be achieved through

hiring procedures that involve the lateral movement of an experienced individual. Furthermore, highly skilled human capital has proven to be significant for national progress. The evidence from Great Britain, Canada, and Germany suggests that they have favourable policies attracting highly qualified migrants and integrating them swiftly into society and the labour market to support their economy's needs (Schittenhelm & Schmidtke, 2010).

As a rising emerging market, Malaysia needs robust human capital to stimulate its economy. Human capital is recognised as an intangible asset to escape poverty, backwardness, and boost economic growth (Awalluddin, 2019). The value of human capital development can be understood from deliberation and the continuous process of acquiring the necessary knowledge, skills, and experience that can be employed to produce economic value for driving national progress (Harbison, 1973). When they are kept out of the job market because of their race, the country cannot acquire the skills and experience they need. Discrimination practised by HRM will reduce equal employment opportunities and hamper the firm's ability to compete globally. According to the new social accounting matrix analysis, Malays work in low-wage industries, whereas Chinese and Indians work in higher-wage industries (Saari, Dietzenbacher, & Los, 2014). The prolonged ethnic conflict in Malaysia is evidence that many Malaysians are taking a flight to another country. In other words, Malaysia has an enormous brain drain as a small country. It is reported that approximately 1 million Malaysians are working abroad (Bernama, 2010) and the country is ranked at number nine in the world, with every two out of 10 Malaysians with higher education seeking employment anywhere. Lowell and Findlay (2001), cited that better wages and employment settings, better information, recruitment, and cheaper transportation are becoming primary reasons why people choose to fly to another developed country. Losing highly skilled workers makes the country incur an invisible cost and stagnates its progress. The issues also fall below the nation's standard of national competitiveness and efficiency (Shamsul Haque, 2003).

#### HOLISM APPROACH AND RIPPLE EFFECT OF THREE LEVELS OF ANALYSIS

Issues of workplace discrimination do not begin at the office but in society. Societal racial discrimination sustains inequality between individuals based on their ethnic background, values, and beliefs.

Discrimination poisons the atmosphere of trust within the community we live in, creating caution and issues of faith as people develop bias, prejudice, and stereotyping toward others whose ethnicity is not similar to theirs. Discriminatory norms and behaviours remain widespread and continue to drive social exclusion. This societal sickness appears as a ripple effect that has an invisible negative impact that is slowly degrading national development. A ripple effect, or chain reaction, is a cumulative effect produced when one event sets off a chain of similar events. If one knocks off one domino, it will affect the first domino and all the ones who stand in its path. The ripple effect was used to understand the importance of philosophy of holism in HRM practice. It shows how a discrimination problem in a firm can spread like a disease from the individual/employee level to the organisation level to the nation level.

For instance, O'Brien, McAbee, Hebl, and Rodgers (2016) individuals experiencing discrimination at the workplace will have depression, thus degrading their wellness and affect the performance of the firm. Racial discrimination leads to occupation segregation, racial wage differentials, and labour market segregation through network referrals. Beliefs reinforce segregation along racial lines (Whatley & Wright, 1994). Arrow (1998), discrimination in the labour market, such as income differences, employment treatment, and job opportunity, will affect the social transactions of the economy-level, such as one able to purchase a house and sustain their life. Schultz (1961), mentioned that the most distinctive feature of the economic system is the growth of human capital; without it, there will be only hard, manual work and poverty.

As a retribution of facing discrimination, some employees will act out of ethical context by sabotaging their own firm. They may spread bad words or viraling about the firm's practice in social media. In a worst case, they might gained support from their own race to start boycott, destroying firm reputation or campaigning against the firm, which will affect the value of the firm. Also, racial tension issues might discourage any foreign investments which may hinder human capital development. Similarly, the issues may increase rate of unemployment in a country. Frank and Bernanke (2007) proposed that human capital is a mixture of elements such as education, experience, training, intelligence, energy, work habits, and trustworthiness, which affect the value of a worker's input. From such opinions, it is clear that human capital refers to one's skills, knowledge, competencies, and

ability to perform tasks with high efficiency and be productive. The development of an individual can only be achieved if that person is underemployed and given proper training and motivation (Romer, 1990). Investment in people will transform them into human capital, where a person will obtain the required skills and knowledge to process goods and deliver services at a practical value. HR practises are a collection of practises or systems that collectively improve an employee's skills and motivation (Delery & Roumpi, 2017). Besides, the human capital pool is created, maintained, and stimulated through multiple HR practises (Jiang et al., 2012).

The ripple effect illustrates a change in one behaviour will activate a chain reaction and cause a shift in related behavior, leading a series of events. Discrimination in the workplace has an astounding interconnectedness with people's employment, organisational stability, and national development. Mansour (2009) opined that being in gainful employment not only helps a person financially but also uplifts a person's status, self-esteem, and dignity in society. The term "employment" connotes a positive impression about a specific condition and socio-economic position. Also, if a person doesn't have a competitive job or is treated unfairly, they might have a fear of missing out, which is a form of anxiety that can make them feel lonely and unmotivated (Tutar, Çoban, & Awalluddin, 2022). Without a job within the homeland, people may choose to fly to another country, which may cause the industry to have a shortage of skilled workers, hamper the booming sector, and draw in low-skilled foreign labourers into the country (Jauhar & Mohd Yusoff, 2011). Losing highly skilled workers might hinder Malaysia from being a developed country in the near future, as the country relies on foreign direct investment (FDI) to fuel its economic development. According to Paul Cooper of PageGroup, Managing Director of the most prominent recruitment firm, Malaysia has successfully attracted foreign firms to operate their businesses in this country. Yet, if Malaysia continuously suffers from a shortage of talent, these firms might choose to relocate their operations to neighbouring countries such as the Philippines, Thailand, and Vietnam (Vanitha, 2016). On top of that, Educational Blueprint 2013–2025 suggests that Malaysia is already experiencing a shortage of more than 700,000 skilled workers to meet job demand. This indicate that the country already having a problem, evidenced the failure of Malaysia to become fully developed country by 2020.

The weakness of HRM in Malaysia is not due to a lack of professional ethics. Still, the seed of discrimination among Malaysians is too strong, and it is hard to distinguish whether they are making a professional decision. As long as they can find qualified people from within their own ethnic group, the issues will not bother them. Unfortunately, many discrimination issues by HRM are not well recorded, as discrimination topics are often considered "taboo" and sensitive to talk about in an open environment. Openly speaking on this issue leads to being called "racist", and some people might not share similar opinions with them. The alleged mentioning cases are just a few of them. Malaysians are divided by discrimination not only in terms of where they live, but also in terms of where they work. The ripple effect of discrimination has already taken place, perhaps since the country achieved its independence.

## CONCLUSION

Based on the discussion and argument given, the issue of discrimination in Malaysia is not new. The narrated analysis shows that discrimination that originated from a societal problem has now entered into the employment area. From the aspect of the social contract, it goes into the employment contract, where several HRMs fail to see the benefit of diversity and the concept of resource-based view in making competitive decisions. Organisation needs human capital as its base resources, it needs people to drive the economy and its development. Wage and job polarisation destroy the social capital base if all races are not offering proper employment to develop their skills. In the Eigbiremolen and Anaduaka (2014), absence of substantial investment in human capital in any country, sustaining economic growth would only be merely a wish. A man can only gain proper skills and develop their expertise through equal employment opportunities, as one needs experience to go to the next level. Okojie (1995), supported the idea that a person who has acquired skills, education, and knowledge is vital for economic development. Low earnings distribution and a glass ceiling imposed on specific ethnic groups may be impeding earnings income and reducing one's ability to meet their living standards. The chain reaction of the labour market is strongly related to the performance of a country. Weinberg (2011) said that a country's GDP is closely linked to how many well-known scientists are born and stay there. A country's GDP comes from people who spend money to sustain their lives. How can an employee have

extra money to spend if they are not properly paid or are underpaid? The epicentre of this paper stressed the importance of HRM in playing a significant role and acting as a true friend and advocate of an employee.

The strength of this paper was that it highlighted the issue of HRM discrimination, which is usually ignored in academic field and is considered a passive issue in society. Many people are aware of various forms of discrimination, such as mistreatment based on age, gender, racial background, or religion. However, it stays quiet because no serious action has been taken and the offence is largely overlooked. As a result, the study emphasised how the issues could jeopardise the country's assets if neglected. Following that, the study has several implications. The study introduces a new paradigm of sociology's holistic approach to management. The article emphasises that the HRM field is multidisciplinary, i.e., it applies to all areas, particularly those involving people. People are shapers, not objects that can be isolated, and the concept of a human resource should be viewed holistically, rather than as a servant of a firm.

In terms of managerial implications, the article urges HR managers to be fully aware that HRM plays an important role not only in supporting firm operations but also in assisting the national agenda. People are no longer merely tools used by businesses to improve their financial performance. They are also valuable to a country's ability to compete on a global scale. As a result, HRM should recognise that when they manage people, they are driving people for significant competitive advantage and preparing human capital for a country. As a result, they must understand the implications of diversity and inclusion as well as the role of human resources in upholding justice for human resources by advising firm management and developing policies that promote inclusiveness, particularly in a multi-racial country.

Finally, the implications for government bodies are that the issue of discrimination in the labour market should no longer be underestimated. The issues are capable of delaying the country's development as well as increasing mental health issues among its human resources. Such issues may result in brain drain in emerging markets such as Malaysia, resulting in lower intellectual capital, lower ability to innovate, slower economic growth, demographic shifts, and higher public-goods costs. Therefore, strict laws and regulations must be enacted to address the issues while also encouraging businesses to adopt diversity and inclusion policies. Such policies should be

encouraged by the government by giving them incentives or making sure that government projects are open to firms that have diversity policies and a good track record in human resource management.

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