



Kobe Gakuin University East Asian Industry and Economy Research Center *News Letter*

Vol. 1 No. 6 (March 2006)

ERC

East Asian Industry and
Economy Research Center

518 Arise, Ikawadani-cho, Nishi-ku, Kobe 651-2180 TEL +81-(0)78-974-4829 FAX +81-(0)78-974-5856

E-mail : asia@eb.kobegakuin.ac.jp
http : //www.erc-kobegakuin.prg

CONTENTS

Message	1
Synopses of Speeches	2

Session 1

- Human Resource Development in Japanese Perspectives
- Human Resource Development in Thai Perspectives
- Human Resource Development of Managers from the viewpoint of international comparison between US, Germany and Japan

Session 2

- A Comparative Study of Social Mobility between Eastern Seaboard Industrial Zone in Thailand and Technology Development Zone in Guangzhou.
- A Comparative Study on Human Resources Management between Thai Companies and Chinese Companies ? A Field Work in Guangzhou, China
- The Formation of Industrial Clusters and Human Resources Development in China

Keynote Lecture (Detailed)	5
ERC Director's Lecture (Detailed)	7

Cooperation with the Thammasat University Human Resource Institute

In March 2005, WAI Chamornmarn, an extra-university researcher at ERC and Associate Professor of the Faculty of Commerce and Accountancy at Thammasat University, which has been instrumental in ERC field studies in Thailand, was named Director of the Human Resource Institute at that same university. On this opportunity, the ERC concluded an agreement with the Human Resource Institute aimed at strengthening joint research between the two organizations. As the first wave of cooperative activity, a joint symposium on "Cluster and Human Resource Development" was staged at Thammasat University on August 26, 2005, there following the preliminary signing of the agreement. This newsletter presents synopses of the speeches delivered at that joint symposium. This joint symposium is also being planned for 2006. The ERC is very excited about growing and developing through the agreement with the Thammasat University Human Resource Institute, in order to provide useful advice on human resource management to Japanese businesses operating in Thailand.

Megumi NAKAMURA

Professor, Faculty of Economics, Kobe Gakuin University
Director, East Asian Industry and Economy Research Center

Cluster and Human Resource Development

Date/Time: August 26 (Fri.), 2005/13:30 ~ 18:00

**Place: Wanwaitayakon Conference Room,
Tha Prachan Campus, Thammasat University**

Session 1 Keynote Lecture

Human Resource Development in Japanese Perspectives

Yoshimasa *TAMURA*, the Former CEO of Panasonic Group in Thailand

Human Resource Development in Thai Perspectives

Dr. *CHIRA* Hongladarom, Secretary General, Foundation for International Human Resource Development.
Lead Shepherd of APEC Working Group

Human Resource Development of Managers from the Viewpoint of International Comparison
between US, Germany and Japan

Megumi *NAKAMURA*, Professor, Faculty of Economics, Kobe Gakuin University & Director,
East Asian Industry and Economy Research Center

Session 2

A Comparative Study of Social Mobility between Eastern Seaboard Industrial Zone in Thailand
and Technology Development Zone in Guangzhou

KITTIPOOM Visessak, Researcher, Human Resources Institute, Thammasat University

A Comparative Study on Human Resources Management between Thai Companies and Chinese
Companies -A Field Work in Guangzhou, China

SOPON Thitajajja, Professor, Faculty of Commerce and Accountancy, Thammasat University

The Formation of Industrial Clusters and Human Resources Development in China

WAI Chamornmarn, Associate Professor, Faculty of Commerce and Accountancy & Director,
Human Resources Institute, Thammasat University

Editor's Note

Because of space restrictions, we are unable to present the entire content of the lectures. Therefore, a synopsis is provided of each speaker's lecture, followed by slightly more detailed summaries of the keynote lectures by Mr. Yoshimasa *TAMURA* and ERC Director Megumi *NAKAMURA*.

Session 1

Yoshimasa *TAMURA*

Looked at from a general perspective, Thailand is amongst the East Asian countries with the greatest growth potential. However, engineers and manager class human resources are lacking. In order to promote further economic growth, the Thai government has made human resource development an important policy. Moreover, there is need for greater internal efforts by Japanese businesses in Thailand to develop human resources. It has always been in Japan that apprentices tacitly learned by watching and imitating their masters. Therefore, many Japanese businesses have brought this practice to Thailand and thus have not developed education and training programs with distinctive overtones of career design worthy of calling OJT. Not only in Thailand but

local subsidiaries in other countries overseas must have some sort of vision of who should be acquiring what skills in their development and training opportunities. These overseas subsidiaries come off as no more than clones of their head offices in Japan.



CHIRA Hongladarom

I am one of the founders of the Thammasat University Human Resource Institute and am currently involved with those activities. Human resource development is an important topic no matter what age and time. Moreover, the development of industrial clusters is greatly dependent on the human resources these clusters can secure and the quality of these human resources. I would like to speak about the topic of human resource development in Thailand from a macro perspective.

The Thai economy once depended on natural resources and farm products. In the initial phase of transformation from an agrarian economy to an industrial economy, Thailand has met demands with low wage labor. But, human resource development in those days did not have such high objectives. However, amidst the industrialization of today, human resource development has higher targets. Policies aimed at producing more graduates in scientific engineering fields and stronger foreign language education are the means for developing the human resources

needed to help Thailand shoulder economic activities of higher added-value within the global economy. Moreover, public job training programs are also needed to improve skill in the workplace. There have been almost no such training organizations in Thailand. As a personal opinion of mine, I would like Japanese businesses to increase investment in education and training 2 or 3-fold. I see a particular need for investment in education and training from the long-term perspective of developing creativity.

**Megumi NAKAMURA**

People often change jobs in the West. Through a survey, we learned that people in Thailand change jobs often as well. Let us look at this phenomenon in terms of the differences in the systems of promotion. In a survey conducted in the US and Germany, candidate executives are selected soon after one joins the company. Those who did not make the cut are mostly locked into a path for promotion to manager class positions. Accordingly, those who were not picked for executive promotions change jobs and shoot again at reaching the top. However, the selection process is comparatively long in Japan. And, there is even a “consolation bracket” for those who do not make the grain. As a result, one does not just get up and change his/her job if not selected for elite grooming. Horizontal transfers within a company are not that different between Japanese businesses and businesses in the US and Germany. In other words, both handle transfers as a means for accumulating

experience in a single specific function. However, though all employees in Japanese companies start off their careers in low positions, this is not the case in the US and Germany. Japanese companies believe that the experience learned in lower positions will serve an individual in his/her work after being promoted to manager, whereas in a US and German business, a low level position means one’s career path is set.

**Session 2**

I would like to speak about social mobility in Southern China based on studies done in Guangzhou, China with Professor WAI and Professor SOPON.

Let me begin with the geographical migration of labor. Since China opened up its economy, many people have migrated from rural areas to cities. The primary destinations are the large major cities on the eastern seaboard such as Beijing, Shanghai, Guangzhou and Tianjin. This migration to urban areas entailed some 30 million persons according to a 1990 study and some 70 million in 1997. It is estimated that anywhere between 80 and

100 million persons have made the migration to date. More people than the population of Japan are moving. About 60% have gone to Guangdong Province. China keeps family registers. Persons registered in urban areas have more benefits than



persons registered in rural areas. The procedures for switching one's register from a rural area to an urban area is complicated. If one received a high level of education, the opportunities increase for finding a good job in an urban area. If one earns a position, there is the possibility of gaining an urban registry. Another big trend that has been seen since China opened up its economy is that the status of working for a state-run company has declined as more people aspire for a position at a foreign company. A job at a state-run company mostly used to guarantee a job for life. Consequently, it was unthinkable that employees at state-run companies would change jobs. According to the survey in Guangzhou, the highest scoring factors (multiple choice) in selecting a job were job security (53%), high salary (46%) and health and welfare benefits (38.2%). Increasingly more people

are changing jobs in search of a better situation. The same study was done in Rayong Province in Southeast Thailand where several industrial parks are located. Not much of a difference was seen in the importance placed on the various factors, as job security, high salaries and careers were all important. The business clusters in Rayong Province have rapidly grown in recent years around the automotive industry, creating many opportunities for switching jobs. When comparing the promotion rate of persons who changed jobs in Rayong Province against those who did not, those who did was 74%, whereas those who did not was 60%. Statistically, there is a dominating difference. Therefore, the same mobility between businesses, as people seek better working conditions, is seen in Guangzhou and Rayong Province.

SOPON Thitajajja

Prior to China's opening of their economy, employment of manager class human resources was managed by the Ministry of Personnel, while worker class resources were managed by the Ministry of Labor and Social Security. But, today, one may change jobs as he/she pleases. Because of this, personal connections, which have traditionally been underlined in Chinese society, are playing a key role in helping people change jobs. The same can be said of Thailand: personal connections are a major factor in changing jobs. In fact, as Mr. Tamura and others have pointed out, the lack of scientific engineers is a problem. They conducted their recruiting activities with the help of university and high school classmates.

China's labor market can be divided into the following four segments: Chinese nationals living in China, Chinese nationals living outside China, Chinese nationals who have returned to China from abroad and Chinese living in Hong Kong, Macao or Taiwan. The Chinese living abroad and those who have returned from abroad are familiar with Western business practices and fit in easily at foreign companies operating in China. However, the number of Chinese living in Hong Kong, Macao or Taiwan is growing, whereas there are not many Chinese living abroad or returning from abroad to China. Accordingly, it is necessary to hire and train the Chinese nationals living in China, that is to say,

the local human resources. The wages of a typical worker are low, but a general manager can make between ¥100,000 and ¥300,000. This is 3 to 15 times more than the typical worker. There is a limited number of this class of human resources and they are changing jobs looking to find a company that offers better conditions. This very same trend can be seen in Thailand. Nevertheless, personal relationships in the workplace seem to be a more important reason for changing jobs in Thailand (looked at from a different angle, it could be called job satisfaction). Personnel managers at foreign companies will have to show consideration in their hiring practices and training programs for the circumstances of the local culture because of the way money is a motivation for changing jobs and because human relationships in the workplace can change as a result thereof.



WAI Chamornmarn

We of the Thammasat University Human Resource Institute have studied human resources and industrial clusters as important themes. To date, we visited Vietnam, Korea, Taiwan and China, and talked with persons in charge at universities, human resource organizations and local governments. In all of these countries, the formation of industrial clusters is an important topic. Because businesses of similar industries concentrate near to each other, there is an external economic effect of clustering. One particular goal of forming clusters is the creation of new knowledge within the cluster. With a cluster, businesses of the

same industry can exchange knowledge. Two important elements of this are the diffusion effect and learning process. By sharing knowledge, new knowledge is born from the cluster



(diffusion effect). Furthermore, other businesses absorb this new knowledge (learning process) and still other new knowledge is born. This enables serial innovation and flexible adaptation to changing environments.

Clusters in China

The automotive industry is concentrated in clusters around Shanghai in the Yangtze Delta. The machine industry is big in Beijing and Tianjin. Toyota has its production base in Tianjin and industrial clusters have formed in Beijing where there are many universities and research institutes. The clusters in the Pearl River Delta are around Guangdong. This includes Shenzhen, the starting point of China's economic reform and where the electronics industry has concentrated. Once a single major assembly company made inroads, a host of supporting suppliers located in the area. Big companies of the Pearl River Delta account for 70% of the orders in clusters. In forming clusters in China, it was first necessary to introduce technology, that is to say, knowledge. For this, technology transfer is promoted by inviting foreign companies to invest directly. Next, Chinese living abroad are encouraged to bring technology home. There are two types of technology. One is how to produce quickly and precisely. The other is to develop new technology. Looking at which is the objective, the clusters of Vietnam, Thailand and Malaysia are centered on production technology, whereas those in Japan, Korea, Taiwan and Singapore are oriented around development technology. The clusters of China are somewhere in-between. Accordingly, the key to clusters in China is to develop innovation skills.

Cluster Type and Human Resource Development

How to develop and spread technology within a cluster are management topics of clusters. Put in another way, the question is how to develop human resources in the cluster. Here following, clusters centered around production technology are called "Economy 1" and those centered on development technology are called "Economy 2" .

With "Economy 1", efficient production is an issue. The important points are to educate and train manufacturing line workers and develop production engineers. The development of production engineers is the foundation for training development engineers in the next phase. Moreover, it has been learned that the difference in skill level amongst leaders (foremen) that manage line workers and set up production on the production floor has a big effect on the difference in productivity. For Thailand that falls into this category, the most important issues today are to improve the quality of secondary education, strengthen job training programs and develop engineers for the responsibilities of developing production technology. On the other hand, in order to transition to "Economy 2" in the future, efforts are underway to improve the quality of higher education and upgrade research organizations. Moreover, it is necessary to prepare the groundwork for developing entrepreneurs, innovators and inventors. The Pearl River Delta has shown itself to be a leading economic success and this has drawn entrepreneurs and innovators with dreams from outside of the clusters.

Keynote Lecture

Human Resource Development in Japanese Perspectives

Yoshimasa *TAMURA*, the Former CEO of Panasonic Group in Thailand

Within ASEAN, what sort of international competitiveness do Thailand and the Thai people have? Let us take university entrance exams as an example. One is accepted to a university based on his/her total performance in various subjects such as math and English. Thailand may not be number one in any particular subject like math, history and foreign language, but they are number two or three in each of those classes, and therefore number one overall. In Southeast Asia, Thailand is second to Indonesia in population. Their GDP is second. Their GDP per capita is just behind Singapore and Malaysia. Leave

Brunei out. So, they are second or third in all of these categories, but as a total, I think of them as number one. For example, as far as political stability is concerned, Thailand is stable compared to other Southeast Asian countries. Their infrastructure is considerably developed. The quality and quantity of their labor power are highly ranked.

During my years working in Thailand, I met with many people from the Japanese government and university professors. Many asked, "Isn't China the future? Shouldn't you be investing in China rather than Thailand?" I answered all of them, "You are

wrong. Open your eyes wider and look closely. That's how you will see the goodness of Thailand. Investing anything and everything in China is a big risk. It's OK to invest in China, too. But, it is also important to invest in Thailand to distribute the risk." A big keyword for this is "positioning" within a global production network. Thailand occupies an important position within that. That goes for Panasonic, as well.

Working with the Thai People

There is a lot that Japan can learn from Thailand. The Thai people are very tenacious. I recognize this as a very mature feeling. They are particularly good at organizing things. I worked twice in Thailand for a total of 15 years. Through those experiences, I came to know the nature of the Thai people in how they are persistent and steadfast in attaining their objectives. The Menam River flows slowly. Which way does it flow? Unless you carefully look at the floating reeds, you cannot tell which way is upstream and which way is downstream. It flows that slowly. But, it always flows from upstream. If you hastily force conclusions halfway through a thing, you'll fail. The best conclusions come from following the flow. This is important. The Japanese people sometimes fail because they rush too much.

Thoughts on Human Source Development

About 10% of the university graduates in Thailand major in engineering. Right now, Thailand is trying to increase this number in their National Development Plan. They plan to graduate 45% in engineering in 2006. Nevertheless, despite this initiative, particularly the engineers in Thailand are job-hopping. For that reason, Japanese businesses pay the same salary to BA and BS grads, but in Thailand, good human resources with a science or engineering background will not come unless you pay them highly. The economic relations between Thailand and nearby countries are becoming increasingly closer. Action with AFTA and FTA is expanding. Improving the skill of local human resources, including engineers, is important towards international competition. The Thai government is promoting a vision of a Thailand Science Park. They are thinking of developing new technologies there. I think this will become a big topic in the future.

Next, I would like to focus on the problems with human resource training in Japanese businesses. What did companies in Japan do in the past? Many people say that "Japan's style is what made the Japanese economy successful." For one, one's job was

decided when joining a company. A team rather than an individual was in charge of the job. And, the individual shouldered roles expected of him/her within the team and was assigned responsibility. Because the team does the job, there is a lot of reporting, communication and consultation. However, this is easily done because Japan is a monoculture, because there is just one culture. The environment was such that the Japanese people could understand each other even without talking. A Japanese manager who has only experienced this kind of environment has trouble developing local human resources in Thailand. Everyone says that "they develop human resources via OJT." But, OJT is just a convenient excuse. Even with human resource development implemented via OJT, what is important is for leaders to "indicate a clear vision of what capabilities they want this or that person to have and what kind of person they want them to become", and then systematically instruct them based on that. Without that, it is obviously hard for the Thai employee that gets chewed out immediately after making a mistake. What kind of company is a strong company? It is a company that carefully deploys its personnel in jobs where they can exhibit their best skills. A concrete human resource development program is absolutely necessary. Accordingly, the Thai staff must require the company to provide that training. Dialog is needed for this kind of request to come from the Thai employees.

Localizing Human Resources and Positioning of Overseas Subsidiaries

Let's imagine, a Mr. Yamada was sent from Japan to head up an overseas subsidiary and then he is replaced in time by a Mr. Tanaka, this pattern repeating over and over. In this way, human resources will never be localized. In other words, because the headquarters in Tokyo wants to create a clone in Thailand, localization is not possible. Clones live a short life. They do not try a new style of management.

Let me talk about National and Panasonic. The Matsushita Group has 16 companies in Thailand. Each has a human resources manager. These 16 managers get together for meetings. The 16 companies have a joint training program. There are two types of courses: by job skill and by job level. Moreover, in Singapore, there are a Human Resource Center and a Manufacturing General Center. Personnel are sent from Thailand to the training centers in Singapore and Japan.

Human Resource Development of Managers from the Viewpoint of International Comparison between US, Germany and Japan

Megumi NAKAMURA, Professor, Faculty of Economics, Kobe Gakuin University and Director, East Asian Industry and Economy Research Center

I was part of a joint research project into white collar and manager class career development in Japan, the USA and Germany in the latter half of the 1990s. Today, I will introduce from those findings the similarities and differences in manager training between Japan and the West. I hope this will help when thinking about human resource development for manager classes.

One major focal point is on job experience in the company and career improvement. I regularly hear that managers in Thailand often change jobs like in the West. In Japan, there certainly is little switching between companies, whereas more people change companies in the USA and Germany than in Japan. However, two-thirds of the people that responded to the questionnaire said they pursued their careers within the same company. In interviews as well, Western managers admitted that “job experience within the same company is important.” The reason for focusing on the jobs, experience and careers within the same company is because “skills are developed through work and experience.” From the concept of economics, both general skills that serve in any company whatsoever and company-specific skills that are acquired through training and serve only within a specific company are important. The thinking behind this is that, in order to beat out the market competition, a company must do something that other companies cannot imitate. It is quite easy to surmise that, in order to be inimitable, it is basically necessary to shape the skills and characteristic information accumulated within the company.

We studied company careers on that pretext, but careers have two sides to them. One is vertical transfers, which are intended as promotions, while the other is horizontal transfers, which means to experience various jobs of the same responsibilities.

Why Do So Many People Change Jobs in the West?

To begin with, a difference can be made between “fast selection” and “slow selection” with regards to vertical transfers or promotions. Many people in Western companies change jobs, but in response to the question of “Is there a difference in the number of years after one joins a company before he/she is promoted?” the result was about 15 to 20 years in Japan and

between 2 and 5 years in the West. This question was aimed at learning how quickly candidates for midlevel managers are selected. Though Japan was 15 years, that period of time is not without competition. For 15 years, people are competing for promotions. What is characteristic of Japanese businesses is the “second chance” to catch up with those who were promoted earlier that people who fail to win the promotion competition get in the 15th or 20th year. And, in that process, there are persons who use this second chance to surpass those who were promoted earlier. In that sense, there is no second chance in selections made from the 2nd to 5th year. In the “quick selection” process of the West, those that fail change companies as soon as possible and take on the challenges again. I believe this is a big reason why people often change companies in the West.

Are Japanese Managers Generalists?

The other side to company careers is horizontal transfers. For example, the same sales manager exhibits horizontal breadth by experiencing several manager positions. Japanese managers are often called “generalists”. However, a service manager, sales manager, accounting manager or labor manager will often develop a career within a single field up until the 15th or 20th year. In other words, they do not get transferred around 2 years in sales and then accounting and then some other department. As far as that is concerned, Japanese manager are not generalists but closer to specialists in the sense that they have specialized skills. Similarly, in the USA and Germany, the tendency is to develop one’s career within a specific function. Yet, even within the same function, work is not always the same in content, as it can be divided into multiple fields. For example, with sales, work can be categorized by products or customers. Accounting has settlement, budgeting and cost calculations. When looking at how broad the experiences of managers are in a specific function or field, we see that Japan and the West are very similar. However, though they look similar on that point, there is one big difference. Japan uses a “slow selection” process, while the West uses a “fast selection” process. For example, sales managers in Japan spend a long time in lower level sales at the beginning of their careers. We asked a German marketing manager about this

with the question: “Do you want to try your hand at grunt work sales?” He responded “yes”. That would more than likely have a good influence on marketing work. However, he would like to try it, but does not. He told me that, if he went into sales, he wouldn’t get promoted. In Japan, all employees do the grunt work at the beginning of their careers, whereas in the West, because of the “fast selection” process, many are worried that promotions will come late if they do the grunt work. This difference may be what is causing the surprising difference in productivity, but I will leave that out for today. In any case, a hint for identifying what is different between a manager of high productivity and one that is not is possibly found in the quality of the skill and content. I believe at the center of this is “what is done about unknown things, things that change daily and hard-to-understand directional changes.” If this is the case, some important themes would be what sort of in-company or extra-company training or personnel transfers would be good for enhancing skill.

OJT and Off-JT

There was mention earlier of OJT and off-JT. I want to talk about the positive aspects of OJT and off-JT. In interviews, we asked this question: “What was the most useful towards acquiring the knowledge and skills of your current manager position?” A common answer was “one’s job experience.” Another often given response was the “advice of veterans and superiors.” In that sense, the effectiveness of OJT in the job experience and conversations with superiors and veterans is highly rated. In contrast to that, managers gave lesser importance to off-JT. The only exception was one who answered that getting his MBA in the US was a good thing. The rest did not highly rate off-JT. Though this is how managers feel, researchers do not feel that off-JT is entirely worthless. Off-JT done midway through

one’s career is a valued for the way people can objectively view their job experience and for the way it provides a theoretical base.

Salaries

I talked about promotions, therefore I want to also talk about salaries. There may be some misunderstanding about Japan’s pay system. Though there are differences between the USA and Japan, there are conceivable commonalities between Japan and the West in that payment is based on merit rating and job grade.

Viewpoint of Personnel Policy of Thai Companies

I myself would like to know more about the situation of Thai businesses. To find this out, I can imagine that it is necessary to have a correct picture of how much people switch companies. Does switching companies have a positive or negative effect on productivity? I would like to delve into that. For what regards careers and vertical transfers, do Thai companies have an early selection system for the few elite? That is to say, I would like to know if Thailand gives a second chance or not. I have heard that Thailand gives few second chances, but I would like to verify that. I would like to know what payment system they use, how it will change and whether it is currently changing amidst the greatly changing market environments. Japan’s salary system changed in the 1990s. Given the opportunity to talk with everyone, I would like to learn about the situation of Thailand’s salary system.

Asia Economy and FTA

Date/Time: February 18 (Sat.), 2006/13:00 ~ 17:00

Place: No. 11 Bldg. Conference Room, Kobe Gakuin University

Lecture 1

Recent Economic Situation in Asia

Yoshihiro *OTSUJI*, Former Planning Manager, JETRO

Lecture 2

Economic Agreement Activities

Masayoshi *ARAI*, Assistant Director, Industrial Organization Division, Economic and Industrial Policy Bureau, METI

More details will be provided in the next newsletter.

East Asian Industry and Economy Research Center

e-mail chief@erc-kobegakuin.org

C/O Kobe Gakuin University 518 Arise, Ikawadani-cho, Nishi-ku, Kobe, Japan 651-2180

TEL +81-(0)78-974-4829

FAX +81-(0)78-974-5856

