

**INTERNATIONAL CONFERENCE PROCEEDING**

**BUSINESS MANAGEMENT:  
DIRECTIONS AND STRATEGIES  
IN RESPONSE TO  
ASEAN ECONOMIC COMMUNITY 2015**



**November, 2<sup>nd</sup> 2013**  
**FACULTY OF ECONOMICS**  
**UNIVERSITY OF JEMBER**

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**UNIVERSITY OF JEMBER  
FACULTY OF ECONOMICS  
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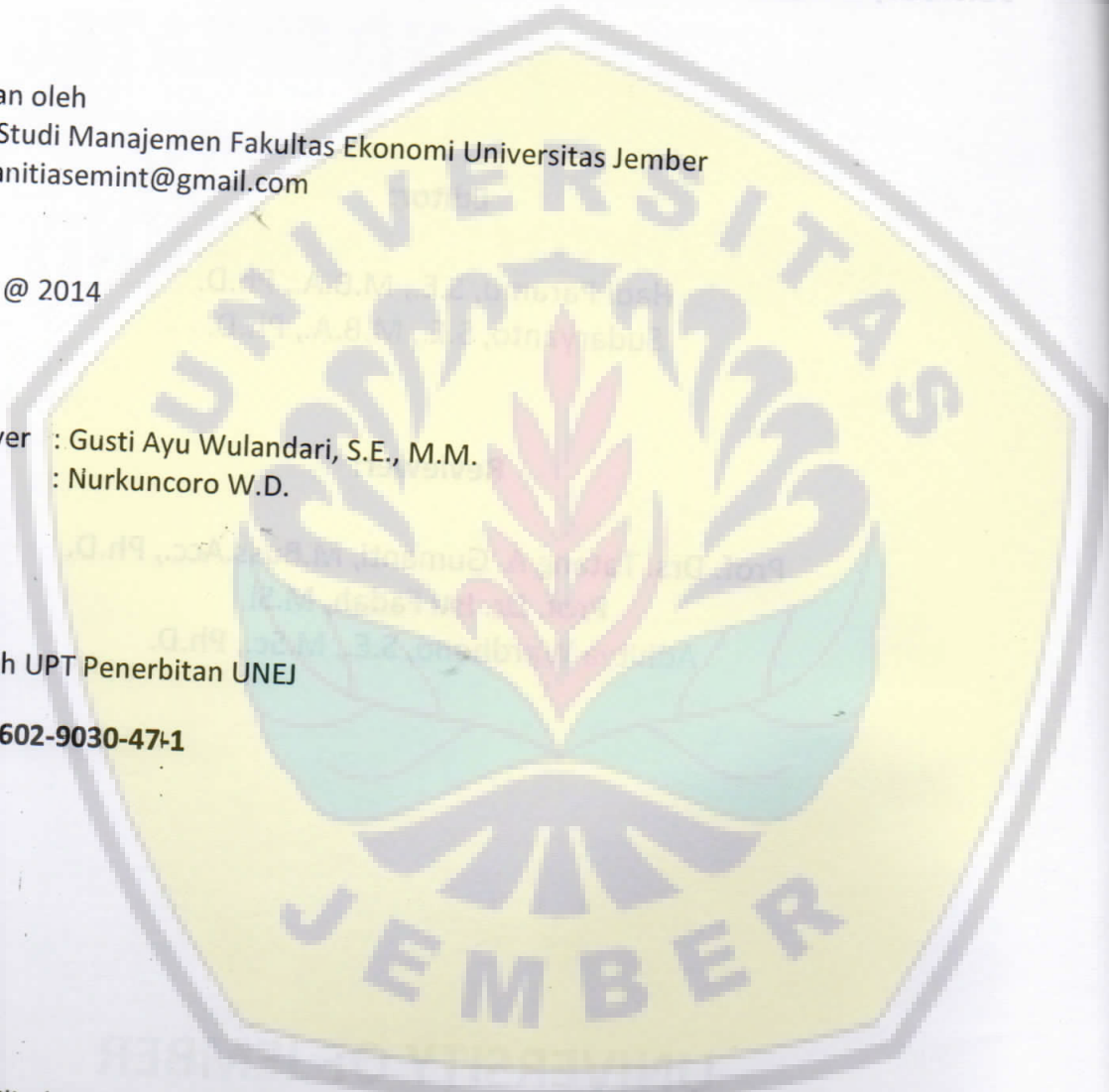
Hak Cipta @ 2014

Design cover : Gusti Ayu Wulandari, S.E., M.M.  
Layout : Nurkuncoro W.D.

Dicetak oleh UPT Penerbitan UNEJ

ISBN : 978-602-9030-47-1

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## PREFACE

We would like to thank to Allah SWT due to His blessing the international seminar on **Business Management: Direction and Strategies in Responses to the Implementatation of ASEAN Economic Community 2015** was successfully been held by the Study Program of Management Faculty of Economics University of Jember. The seminar was conducted on 2<sup>ND</sup> of November 2013 with the venue in Aston Hotel Jember.

The conference is aimed to provide meaningful coverage on current trend related to the possibility of ASEAN Economic Community (AEC) in 2015. The conference being an important forum for policy-makers, scholars and business leaders to exchange ideas about one of the most dynamic economic in the regions. The forum also discussed the consequences of AEC to liberalisation in trading, investment, and factors of production in the area. Furthermore, the conference is intended to explore regionalism and business role within Asean's countries on increasing capabilities as an innovator and several other areas that will prove to be the cornerstones for tomorrow's economy.

Four keynote speakers had given their enlightenment about the relevance issue, opportunities, and the treaths in relation to the implementation of ASEAN Economic Community 2015. They were (a) Prof. Jerry Courvisanos, Ph.D (Innovation Management and Entrepreneurship expert, University of Ballarat, Australia), (b) Dr. Setya Riyanto (Retail and Property Director, PT. Pos Indonesia), (c) Dr. Corazon G. Anzano (University of San Carlos the Philippines), and (d) Dynand Fariz (Presiden Jember Fashion Carnival, Indonesia). In addition, there were papers presented by academics and researches discussing the topics related to the implementation of ASEAN Economic Community 2015.

Greatly appreciated is forwarded to all stakeholders that provide some important contributions to succeed this international seminar. They are the International Office Universitas Jember, PT. Pos Indonesia, PT. Bank BRI Tbk, PT. Senyumindo Mediatama, Forum Manajemen Indonesia, University of Ballarat, Australia, and University of San Carlos, the Philippines. Appreciation is also given to all presenters and audiences.

Finally, we highly expect that this proceeding as a result of the seminar can provide positive and beneficial contribution for policy-makers, scholars and business leaders in relation to the implementation of ASEAN Economic Community 2015.

Jember, 2 November 2013  
Chair of Organizing Committee  
Hadi Paramu, S.E., M.B.A., Ph.D.

## THE IMPACT OF ASEAN ECONOMIC COMMUNITY ON WORKFORCE: HUMAN RESOURCES PLANNING

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### ABSTRACT:

Asean Economic Community (AEC) is the part of a larger plan for the ASEAN Community while its five main pillars, namely free trade in goods, free trade in services, free flow of skilled labor, free flow of investment, and a free flow of capital. Each pillar supports the goal of a single market and production base. It is ultimately imperative that member states somehow ensure this balance to prevent economic domination by certain member states. Likewise the non-discrimination in the recruitment or employment process of staff to ensure that both local and foreign workers are offered equal opportunities in seeking employment can foster unemployment among citizens if their skills and work ethics are inferior to those of the foreigners. While competitiveness and open market is good for business, some leeway for affirmative measures may be needed to give a leg-up to the local people. For success in the global business arena, human resource planning should be part of the strategic management process, both in terms of strategy formulation and strategy implementation.

**Keywords:** Asean Economic Community, global business, human resources planning, strategic management process

### **Background**

The AEC Blueprint was initiated by the ASEAN leaders at their summit in Kuala Lumpur, Malaysia in 1997. The leaders decided to transform ASEAN into a stable, prosperous, and highly competitive region with equitable economic development, and reduced poverty and socio-economic disparities (ASEAN 2020). At the Bali Summit in October 2003, the ASEAN leaders declared that the AEC shall be the goal of regional economic integration (Bali Accord II) by 2020.

Asean Economic Community (AEC) is the part of a larger plan for the ASEAN Community while its five main pillars, namely free trade in goods, free trade in services, free flow of skilled labor, free flow of investment, and a free flow of capital. Each pillar supports the goal of a single market and production base. In addition to the AEC, the ASEAN Security Community and the ASEAN Socio-Cultural Community are the other two integral pillars of the envisaged ASEAN Community. All the three (3) pillars are expected to work in tandem in establishing the ASEAN Community in 2020.

At the 12th ASEAN Summit in January 2007, the leaders affirmed their commitment to accelerate the establishment of an ASEAN Community by 2015 and signed the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015. They agreed to accelerate the establishment of the AEC by 2015 and to transform ASEAN into a region with free movement of goods, services, investment, skilled labor, and free flow of capital. The ASEAN Economic Community (AEC) must be the purpose of regional economic integration in 2015. AEC conceive these key characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy (TESDA, 2012).

ASEAN Member states are cognizant that in building a people-oriented, sharing and caring, and rules-based ASEAN community through the ASEAN Political-Security Community, the ASEAN Economic

Community and the ASEAN Socio-cultural Community, the pertinence of human rights cannot be ignored. However, the test is in the realization of the strategic objectives through the actions articulated in the Blueprints by member states. The extent to which then human rights-related objectives are achievable is difficult to predict because for objectives such as “equitable access” requires change in mindset and commitment of member states (Heng Keng, .

In 2015 the Association of South-East Asian Nations (ASEAN) plans to open up its borders to increase trade and stimulate economic growth across the region. The new ASEAN Economic Community (AEC) will have a combined population of over 566 million people and a GDP of over US\$1.173 trillion (TAFE, 2012).

The formation of the AEC will stimulate trade across the region as it aims to increase GDP per capita and provide larger domestic demand for regionally produced goods and services. The demand for tertiary education and vocational education and training in particular is expected to increase or remain at high levels over the next decade, with the demand being driven by students, industry and favourable government policy. This demand presents opportunities for many Australian education providers to engage in transnational education projects in the ASEAN region.

There will be increased mobility of workers across the region and many countries are concerned that the competition for talent will draw the most highly skilled workers to the higher paid destinations. The ASEAN member countries have recognised that skills development will be a key driver of economic growth, and will be vital in ensuring equal development across industries and specific countries.

Related to one of the pillars that is the free flow of skilled labor, position of human resource planning in the organization provides the essential link between Multi National Corporation (MNC) strategy and people—those who make strategy work—including outsourced workers as in the opening scenario. For success in the global business arena, human resource planning should be part of the strategic management process, both in terms of strategy formulation and strategy implementation. Critical involvement of global human resource planning in the strategy formulation process includes scanning the environment for opportunities and threats and taking an inventory and assessment of the organization’s current human resources. Without an internal assessment of the organization’s human capability, strategic plans can be laid that, at least for the present and near future, are far too ambitious and unrealistic, leading to possibly wasted time and resources when this reality crashes upon attempts to implement the strategy. Human resource decision making cannot be an afterthought; it must be an integral part of the international business strategy formulation process, ideally involving HR professionals as key members on the strategic planning team (French, 2003).

Global HR planning should be responsive to both the short-term and long-term needs and plans of the organization and its worldwide operations. For example, if a company’s goals in a particular international business venture are only exploratory or temporary in nature, it would most likely make sense to seek a short-term or temporary labor supply to meet the corresponding uncertain or temporary work demand.

## Human Resources Planning

Human resource management is the strategic approach to the management of an organization's valued assets, that is, the people who individually and collectively contributes to the achievement of the objectives of the organization. HRP is a process by which human resources are identified, determined and planned that an organization needs in order to meet both its short term and long term requirements.

Bulla and Scoh (1994) explain human resource planning (HRP) that "it is the process for ensuring that the Human Resources requirements of an organization are identified and plans are made for satisfying those requirements". According to Fajana (2002), human resource planning deals with the systematic and continuing process of analyzing a firm's human resource needs under mutating conditions and developing workforce policies suitable to the longer term effectiveness of the organization. It is a vital part of corporate planning and budgeting procedures since, human resource costs and forecasts both affect and are affected by longer term corporate plans.

Human Resources planning is based on the concept that people are the important strategic resources of an organization. It is concerned with suitable resources to business needs in terms of both quantity and quality. Planning involves the forecasting of human resource needs in organizations and designing appropriate actions such as recruitment, training and career development based on identified needs. Planning is implemented in the goals and general policy framework of the firm or agency.

## Labor Market Conditions and Characteristics

Once ASEAN business strategies are determined, specific cost-effective (that is, highly effective at minimal expense) implementation or action plans must be considered. Global HR planning plays a central role in this implementation phase in determining both *what* kinds of human work and tasks need to be carried out and *who* will do this work. The *what* component in this HR involvement may be considered part of *work demand*; it leads directly to decisions regarding work organization and design, such as breaking down larger business performance plans and goals into specific coordinated and integrated tasks, responsibilities, and jobs for people to perform. The *who* component of global HR planning for strategy implementation comprises many different kinds of decisions related to the *supply* of appropriate human resources or labor with specific skills to address the identified work demand (Vence, 2006:108).

Global Strategies and Plans → Work Demand → Labor Supply → Succesfull Implemetation

Figure 1. Global HR Planning

Source: Vence, 2006:108

It is important to keep in mind, as suggested in Figure 1.1, that actual work demand identified in global HR planning should be driven by and based on the company's international business strategies and plans, and that considerations about labor supply should in turn be based on the nature of the immediately identified (short-term) and forecasted (long-term) work demand. In effective global HR planning there should be a logical flow from strategy to work demand to labor supply, with each step consistent with and responsive to the previous step. Nor should assignments be undertaken involving

multinational virtual teams unless there is a clear connection with company strategy as well as a solid indication that a team design is a viable way to address work demand.

One of the primary engines driving our increasing globalization is the opportunity presented by increased demand for manufactured goods to satisfy an ever-increasing world consumer appetite. The opportunity is especially attractive with the burgeoning growth in the sourcing of the manufacturing operations for these goods to countries such as China, Vietnam, and Thailand representing attractive labor markets where the labor supply is plentiful, of an adequate skill level, and relatively inexpensive compared with the labor supply in more developed countries. In fact, some countries with a relatively low-cost labor force also hold a comparative advantage in terms of technical skills, such as India and the countries of Central and Eastern Europe, which are attracting considerable high-tech work demand, in addition to back-office administrative services, to be filled by their low-cost but highly skilled computer programmers and engineers. Inevitably, market forces of supply and demand come into play in global HR planning. As more firms source their work to a foreign country with an attractive, heretofore low-cost labor force, there is increasing competition for a limited labor supply, which then eventually drives up the cost of labor for the MNC, as has recently been reported regarding labor characteristics in southern coastal regions of China.

Within the increasing globalization movement, human resource planning should include a careful and ongoing scanning of various national labor markets to identify particular opportunities or potential problems related to the supply of labor to support ongoing MNC strategic objectives. Scanning of global labor markets might consider current levels of adult literacy and technical skills among the present labor force.

### **Diversity of International Employees**

Even though the use of expatriates has seemed to be the logical choice for staffing international operations, at least for startups, technology transfer, and major managerial positions, such as director general and sales manager, several problems with the use of expatriates have led MNEs (Multinational Enterprise) to seek other options for achieving their objectives in their foreign operations. Some of these issues include making mistakes in the choice of employees for international assignments, the high cost of these assignments, difficulties in providing adequate training and support for employees and their families on international assignments and the resulting problems with their adjustment to the foreign situation, too frequent failures of international assignments, local countries' desire for hiring of local employees and managers, problems encountered in managing repatriates, and a growing suspicion that local hires may actually perform better (Lapid, 2006; Robinson, 2005; Robinson, 2006).

One result of this is that many MNEs are finding that it no longer makes sense to give all attention and priority to expatriates. "This arrangement was adequate in yesterday's international organization because leadership, decision-making authority, and organizational power flowed from the parent site to the foreign subsidiaries. Today, however, new technologies, new markets, innovation, and new talent no longer solely emanate from headquarters but are found cross-nationally, making the expatriate model obsolete." (Thomson, 1998) Indeed, international managers can and do come from just about everywhere, not just the headquarters of the traditional large MNE.



The following is a summary of the many different types of international employees that MNEs draw on to staff their operations in the global marketplace. There are many different options available to MNEs and there are probably even more examples that the authors have yet to come across (Briscoe, 2009:167).

- a. *Local hires or nationals*: employees who are hired locally (an HCN-Host Country National-hired under a polycentric staffing approach).
- b. *Domestic internationalists*: employees who never leave home but conduct international business with customers, suppliers, and colleagues in other countries (via telephone, email, fax, or even snail mail).
- c. *International commuters*: employees who live in one country (home countries) but who work in another (host) country and regularly commute across borders to perform aspects of their work. They may live at home in one country yet commute on a daily or weekly basis to another country to work.
- d. *Frequent business trips*: employees who, on a frequent basis, take international trips that last a few days, weeks or months at a time. These international trips usually include travel to a variety of countries or continents to visit MNE sites or customers.
- e. *Short-term international assignees*: employees on assignments that last less than one year but more than a few weeks (increasingly being used to substitute for longer-term international assignments and typically do not include the relocation of the employee's family).
- f. *International assignees*: This is an international assignment that lasts more than one year and includes full relocation. This is the traditional expatriate and the focus of most research and surveys about international employees. These international assignments may be intermediate-term assignments (twelve to twentyfour months) or long-term assignments (twenty-four to thirty-six months).
- g. *Localized employees*: Often referred to as localization, this normally refers to the situation where an employee is sent to work in a foreign country but hired as a local employee (with some allowances to get over there). This may be because they really want to work in that country, often because they marry a local spouse or for some other reason want to spend the rest of their careers in that location. It may also involve an international assignee who is converted to permanent local status once the assignment period is over.
- h. *Permanent cadre or globalists*: These are employees who spend essentially their whole careers in international assignments, moving from one locale to another.
- i. *Stealth assignees*: This is the term used to describe international assignees who are relocated by their managers without ever informing HR (that is, they "fly under the radar"), so that they do not show up in the records, benefits, and support systems used to manage such employees. Many short-term assignees fall under this category.
- j. *Immigrants*: (a) traditional TCNs (Third Country National), employees who are hired to work in a foreign subsidiary but whose home of citizenship is another country, thus they become immigrants to the country of the subsidiary; (b) people hired by the parent firm (either in-country or as new immigrants and brought into the country) to work in the parent country.

- k. *Internships* (temporary immigrants): These are workers brought into a firm's home country to work for short (six months to two years) periods as interns or trainees, used especially to fill in for labor shortages.
- l. *Returnees*: These are emigrants who are hired (or selected, if already employed by the firm) to return to their home countries to work for the firm there.
- m. *Boomerangs*: These are individuals who have emigrated and are hired by firms in their original home country to return home or are foreigners with experience in the country, who have returned home and are now hired to come back to the foreign country.
- n. *Second-generation expatriates*: These are naturalized citizens (immigrants who have become citizens) and are sent on foreign assignments to countries other than their countries of birth. The assumption is that, since they have lived through the "expatriate" experience once, they should be better able (than those without this experience) to handle it the second time.
- o. *Just-in-time expatriates*: These are *ad hoc* or *contract* expatriates who are hired from outside the firm as they are needed and just for one assignment.
- p. *Reward or punishment assignees*: These are employees who are late in their careers and who are either given a desirable foreign assignment to enjoy and to pad their pensions for when they retire in a couple of years (pay is higher on foreign assignments) or are sent to a difficult locale or undesirable assignment as a way to sideline them to finish out their careers, rather than have to discipline or terminate them because of marginal performance.
- q. *Outsourced employees*: This is the situation that occurs when the MNE decides to pay someone else (in another country) for the services of an "employee" or group of employees. In recent years, global employment companies (GECs-Global Employment Company) have evolved, which provide a few employees or whole staffs for overseas locations. Some firms use their own GEC to house all of their globally mobile employees, simplifying pay and benefits, since everyone in the GEC gets the same pay and benefits, no matter where they work within the firm, possibly with cost-of-living adjustments.
- r. *Virtual Ies* (International Employee): This is the situation where all or most of the work is performed across borders via electronic media: teleconferences, email, telephone, videoconferences, fax, etc.
- s. *Self-initiated foreign workers*: This term refers to individuals who travel abroad (usually as tourists or students) but who seek work as they travel and are hired in the foreign location, often by firms from their home countries.
- t. *Retirees*: This refers to the hiring of a firm's retirees for short-term foreign assignments.

## Discussion

ASEAN economies are growing rapidly with many industries experiencing growing demand and increasing export opportunities. At the same time, global supply chains are providing more opportunities for companies to engage with partners across the region. Much of this growth relies on an increasing availability of human capital and skilled workers, and many industries across the region are recognising the benefits of providing training options to staff and potential employees.

The ASEAN leaders adopted the ASEAN Economic Blueprint at the 13th ASEAN Summit on 20 November 2007 in Singapore to serve as a coherent master plan guiding the establishment of the ASEAN Economic Community 2015. Each ASEAN member country shall attend and implement the AEC in 2015. The Declaration on the ASEAN Economic Blueprint was signed by the heads of the ASEAN member countries. The ten (10) ASEAN member countries are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

The industry sectors selected for the research project were those identified by Austrade as being critical to the development of the economies in each market as revealed by an assessment of industry demand, future growth scenarios and expected skills shortages. That is, the ones growing most rapidly in terms of employment and contribution to the growth of the economy. In most cases this aligned with key sectors Austrade is working across in relation to trade, investment and education (TAFE, 2012) The industries covered in the survey across the six markets are outlined below (Table 1):

Table 1. The Six Markets as Industry Demand (2012)

Industry	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Agri-food	*				*	*
Agriculture		*				
Advanced Manufacturing		*	*			*
Automotive		*				
Allied Healthcare		*			*	
Aged Care		*				
Aerospace				*		
Banking and Finance	*					
Building and Construction			*	*		
Business Process Outsourcing (BPO)			*			
Food Processing					*	*
Healthcare				*		
Hospitality	*		*			*
Industrial and Manufacturing	*					
Mining	*					*
Oil and Gas				*		*
Telecommunications	*					
Tourism	*	*	*		*	*

Source: (TAFE, 2012)

Individual country reports provide detailed findings of the interviews with employers, available through the Market Information Package (MIP) ([www.austrade.gov.au/mip](http://www.austrade.gov.au/mip)).

A summary of some of the top level findings are outlined below (TAFE, 2012):

- 1) Across all markets and all levels of the organisations surveyed, in addition to specific technical skills required in the various industries, one of the recurring common themes expressed by employers was the need to address key soft skills gaps of their staff. Areas of priority included: project management; leadership; Occupational Health and Safety; basic workplace and administrative skills.
- 2) There is a strong need for staff to improve proficiency in English required for their work at all levels of the organisations (even basic proficiency for low skilled staff) across all industries and markets.

Respondents in Vietnam and Thailand indicated the strongest requirement for English language training across all industries.

- 3) Companies in industries with highest rates of growth in terms of employment across each economy appear to have the largest training budgets available. Examples include:
  - a. The Business Process Outsourcing sector in the Philippines. By 2017 the information technology and business process management and global in-house centre sector in the Philippines are expected to reach US\$25 billion in revenue and provide 1.3 million jobs and support 3.2 million indirect jobs.
  - b. In the mining sector in Vietnam, recent legislative changes prohibit the export of raw unprocessed materials. This has exposed a need for greater expertise in the area of minerals processing. Mining companies and large state owned enterprises have an urgent need to address this and available funds to find training solutions.
  - c. Opportunities in Singapore are expected in the allied healthcare industry as government subsidies for training in the industry are highest with a relatively limited number of local providers. Growth of Singapore as a regional medical 'hub' is exposing a lack of qualified staff in a variety of areas.
  - d. The hospitality industry in Thailand is growing rapidly. In 2012 tourist arrivals were in excess of 22 million (with over 900 000 from Australia) and are projected to be in excess of 24 million in 2013. Many of the large hotel chains have significant training budgets and are open to potential collaboration with Australian providers in partnership with local providers.
- 4) Most organisations would only consider sending small groups of senior management for training overseas. Most require in-house, on-the-job, tailored training solutions delivered on-site during office hours.
- 5) English is the preferred mode of instruction in most markets for senior staff with the exception of Thailand and Vietnam where provision of training in local language may require partnership with local providers for delivery.
- 6) A large number of respondents in several markets indicated a low awareness of Australian capability in providing training to their industry. However, there was a strong awareness among many respondents of competitor countries' expertise in vocational education. Some examples included:
  - a. Engagement with the automotive and advanced manufacturing industries in Malaysia from providers in Germany, Switzerland and the United Kingdom.
  - b. Strong competition from the United States providers in the allied healthcare sector in Thailand and from Switzerland in the tourism sector.
- 7) Most industries indicated a requirement for staff to have formal qualifications relating to industry regulatory requirements necessitating a degree of customisation of content or partnership with a local provider for delivery.
- 8) A high percentage of respondent companies across most markets did not indicate a high level of awareness of the approaching ASEAN Economic Community (AEC) and its impact on their business.

## GLOBAL COMPETITION

Companies compete both at home and abroad to attract and retain customers by attempting to consistently deliver high-quality products and services at lower costs. Organizations also compete for the human talent itself that drives competitive advantage. Essential to an organization's ability to succeed in the increasingly competitive global arena—whether or not an organization even ventures abroad—is its ability to attract and deploy a motivated, innovative, team-oriented, cooperative, responsive, flexible, and competent workforce at all levels. This ability has been central to Toyota's growth and success in building a reputation for high quality and reliability, and for Southwest Airline's ongoing profitability (despite pre- and post-9/11 industry distress) and leading performance in important customer service measures. Therefore, a critical function of HR planning is to continuously watch the competition and scan the environment for best practices in employee recruitment, selection, placement, work design, training and development, compensation, change and performance management, and other HR management practices that contribute to a world-class, high-performing workforce (P. Shrivastava, 1987).

## CROSS-NATIONAL COOPERATION AND CONFLICT

Several different regional and multinational trade treaties and agreements among various countries have important HR planning implications related to business conducted with and within participating countries. Such treaties and agreements include the Organization for Economic Cooperation and Development most of the countries of Western Europe plus North America, South Korea, Japan, and Australia), the North American Free Trade Agreement (Canada, the United States, and Mexico), and the Association of South East Asian Nations (Indonesia, the Philippines, Thailand, Singapore, Malaysia, Vietnam, Laos, Cambodia, Brunei, and Burma or Myanmar). The most formalized and integrated of these treaties is the European Union (with twenty-five members as of March 21, 2006, and four candidate members), which has adopted a common constitution and, at least for most of its members, a common currency (the euro). (Monks et al., 2001)

Important HR planning implications of these agreements include joint venture formation and appropriate staffing to promote treaty country partnerships, standardization and harmonization of acceptable HR practices, formation and staffing of regional headquarters and HR functions corresponding to treaty member geographic arrangements, movement of workforce operations across participating national borders to take advantage of operational efficiencies, and appropriate cross-cultural awareness skill development for those involved with treaty country interactions (W.V. Poe, 2001). In addition, managers and decision makers must be aware of important current and changing guidelines and even detailed requirements that these multiple-country agreements can have related to professional licensing, union representation, benefits, training, work standards, and worker rights (Vance, 2006:112).

Economic studies on new market development as a result of the formation of the regional trade blocs of the European Union and NAFTA have demonstrated impressive increases in work demand and associated labor supply utilization for participating countries. In fact, some U.S. manufacturing companies have been able to survive and become even more competitive because of NAFTA, which provided a cheaper supply of labor for lower-end manufacturing requirements, while they retained and even expanded their higher-end manufacturing and design operations in the United States. However, at times treaty arrangements may also provide a threat and lead to particular cost advantages favoring companies

headquartered in treaty member countries, where the overall cost of business can become increasingly expensive so as to outweigh the low cost of labor. Such has been the case for several Japanese and Korean MNCs along the U.S. border in Mexico that have pulled out and relocated their increasingly expensive Mexican maquiladora operations due to their new less-favorable status and now costly tariffs and other requirements as companies representing non-member countries of NAFTA.

## GLOBAL SUCCESSION PLANNING

Global succession planning concerns the selection of talented employees to replace senior managers who leave the MNC because of retirement, reassignment, or for other reasons. Effective succession planning emphasizes minimizing disruption and confusion arising from such leadership changes, with a view to implementing company strategy and achieving organizational goals in a smooth and continuous manner. There is strong evidence that companies with a predetermined, formal succession plan for their senior managerial assignments, including two levels below the top, enjoy a higher return on investment than those without such a plan.<sup>103</sup>

Building on their long-range HR planning for developing desired capability and global leadership talent throughout the organization, MNCs should engage in careful global succession planning to reduce chance and uncertainty and ensure the availability of senior executive leadership talent for future company guidance. In some companies, succession planning is integrated into a twice-yearly people-review process. Global succession planning first involves making a projection of future needs for senior managers within the firm. Then there is a careful selection from pools of promising manager candidates throughout the MNC to find those best suited to fill higher-level management positions. Finally, a flexible plan is formulated to ensure that these potential successors develop the core competencies needed to advance the strategic interests of the organization. To further develop this plan, management and human resources should work collaboratively with the identified, interested high-potential individuals to design six-month, one-year, and three-year development activities—with regular opportunities for feedback and reassessment—involving such activities as formal training, international virtual teams, short-term foreign assignments, and extended foreign assignments.<sup>104</sup>

Conclusion

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