

**Application Guideline for
Contract Research on “Management Practice Survey in Vietnam for
Research Project “Labor in Global Value Chains””
Commissioned by IDE-JETRO**

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President, Japan External Trade Organization

APPLICATION GUIDELINE

All of applicants should apply in accordance with this guideline, with recognition about contents of this specification.

1. Proposal Form Submission

Submit the Proposal Form in which all necessary items are filled, following the instruction stipulated above clauses by the deadline shown below by e-mail and mail/courier service.

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Application DEADLINE: 18:00, June 23, 2017 (JST=GMT+9)

2. Evaluation Schedule

Accepting Proposal:	June 2, 2017 - June 23, 2017
Evaluation Process:	June 24, 2017 - June 29, 2017
Notification:	by June 30, 2017
Contract:	August 1, 2017

SPECIFICATION

Enclosed Proposal Form shall be submitted following all requirements and conditions specified in the clauses below.

1. Evaluation Criteria

- 1) Qualifications and competence including local language ability of the principal researcher/analyst
- 2) Adequacy of work plan to complete the survey in the required timeframe
- 3) Experience with firm surveys on the related subjects
- 4) Academic and technical background and qualifications of the principal researcher/analyst
- 5) Credibility on institutional management experience on similar survey projects

2. Title of the Survey

Management Practice Survey in Vietnam for Research Project “Labor in Global Value Chains”

3. Background and Objectives of the Survey

It is now well-known that only a portion of firms supplies their products to foreign markets and such firms tend to be more productive than those that serve only domestic markets. While intrinsically productive firms may readily enter foreign markets, even less productive firms may find investing in productivity and entering foreign markets profitable when they observe improved foreign market access. Recent studies empirically investigated this dynamic aspect of firm internationalization and found complementarities between firms’ internationalization and their productivity-enhancing and/or product quality-enhancing activities (e.g, Aw et al., 2007 for R&D and worker training, Bustos, 2011, 2007 for technology adoption, Verhoogen, 2008 for quality upgrading, and Lileeva and Trefler, 2010 for product innovation and technology adoption).

Technology and market information are an important source of firm productivity. However, a good understanding of the implementation of them is also crucial. Indeed, recent studies on firms’ management practices reveal that “good” management practices are likely to enhance firm productivity (e.g., Bloom and Van Reenen, 2007). Naturally, we expect that local firms applying “good” management practices tend to have successfully participated in global value chains (GVCs) by exporting their products or starting business with foreign multi national enterprises (MNEs).

However, this conjecture poses the following fundamental questions. First, among various management practices, what are the most relevant to GVC participation? Is firms’ employment policy substantial? Second, do appropriate management practices vary depending on how firms are engaged in GVCs? In other words, do differences in final markets, product quality, and types of provided services matter for firms’ choice of management practices? Third, if improved access to foreign markets is a business chance and

“good” management practices are in public domain, why some firms apply such management practices and participate in GVCs, while others not?

Among productivity-enhancing and/or product-quality upgrading activities, the existing trade literature mainly focuses on a complementarity between R&D investments (product innovation and technology adoption) and export. However, in a more broad sense, it is inferred that firms change managerial practices to exploit improved access to foreign market. Whereas product innovation and technology adoption are a part of such managerial responses, relatively little is known how other managerial practices, such as firms’ employment policy, would be relevant to firms’ participation in GVCs.

This study explores how local firms change their employment practices when they face opportunities to start export or business transactions with foreign firms. Among many management practices, particular emphasis is placed on employment-related those for the following reasons. First, firms’ human resource management directly affects employees’ motivation. Thus, it appears to play an important role in the implementation of other management practices such as the introduction of modern manufacturing systems. Studying firm (or plant) level variation in human resource management helps us to understand why some firms better perform than others and succeed in participating in GVCs. Second, it is expected to clarify the microeconomic structure as to how economic globalization would affect labor market performances, such as wages, skill demand, job quality, job stability, and labor productivity. Hence, this study will shed light on distributional consequences of economic globalization.

For this purpose, this study conducts a firm survey and attempts to collect the data to identify what sorts of employment arrangement are prevalent in firms participating in GVCs (GVC firms) and how they are compared to those in non-GVC firms. More concretely,

- i. How do GVC firms incentivize their managers and workers (wages, fringe benefits, bonus, promotion, dismissals, appraisal system, and employment duration)? How is their way correlated to firms’ characteristics, such as operation size, productivity, product quality, and targeted markets? Does their way differ from non-GVC firms’?
- ii. How do GVC firms recruit (or search) managers and workers? How does their way differ from non-GVC firms’?
- iii. How do GVC firms train their managers and workers? How does their way differ from non-GVC firms’?
- iv. What is the extent of employee participation in decision-making like in GVC firms (for both managerial class and worker class)? Are there differences between GVC and non-GVC firms?

To control other management practices in analysis, the survey also collects information about management operations, goal setting, and performance evaluation and its feedback. Also, information about firm characteristics and performance are necessary (they might be collected through other existing sources). Furthermore, some recent studies claim that productivity is not “the” determinant of exporting firms and CEOs’ characteristics such as risk preference directly affect the decision on export (e.g., Todo and Sato, 2014). CEO’s and managers’ characteristics appear to affect their determination of employment policy. Thus, this study also collects information about CEOs’ and managers’ business background.

References

- Aw, Bee Yan, Mark J. Roberts, and Tor Winston, "Export Market Participation, Investment in R&D and Worker Training, and the Evolution of Firm Productivity," *World Economy*, 14 (2007), 83—104.
- Bloom, N., and J. Van Reenen (2007): "Measuring and Explaining Management Practices Across Firms and Countries," *The Quarterly Journal of Economics*, 122(4), 1351–1408.
- Bustos, Paula, "The Impact of Trade on Technology and Skill Upgrading: Evidence from Argentina," CREI Working Paper, 2007.
- Bustos, Paula, "Trade Liberalization, Exports, and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinian Firms," *American Economic Review*, 101 (2011), 304—340.
- Lileeva, Alla and Daniel Trefler, "Improved Access to Foreign Markets Raises Plant-level Productivity...For Some Plants," *Quarterly Journal of Economics*, 125 (2010), 1051—1099.
- Todo, Y. and H. Sato, "Effects of Presidents' Characteristics on Internationalization of Small and Medium Enterprises in Japan," *Journal of Japanese and International Economies*, 34, 236–255, 2014.
- Verhoogen, Eric, "Trade Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector," *Quarterly Journal of Economics*, 123 (2008), 489—530.

4. Scope of Work on the Survey

The survey of this study collects firm (or plant) data through interviews for examining what changes in management practices could help firms to participate in GVCs (i.e., starting exports and/or business with foreign MNEs). A typical empirical question should be such that: "Whether/How does the probability of GVC participation increase when firms employ managers with work experience with MNEs?" To empirically investigate such questions, we need firm (or plant) level data of (1) the status of GVC participation, (2) management practices (3) firms' (or plants') performance and characteristics, and (4) the characteristics of the CEOs, managers, and workers..

Sample firms need to be carefully selected to include GVC firms and non-GVC firms within particular sectors. Ideally, firms with single or a small number of plants should be chosen for the ease of observing the effect of employment practices on GVC participation. To handle the "identification" issue in cross section analysis, it is necessary to find events that local firms regard as an opportunity to participate in GVCs. Examples of such events include the regional or sectoral variation in new flows of inward FDI.

Inquiries in the survey should cover the following fields: (i) Management practices; (ii) Firm organization; (iii) Operation and its implementation; (iv) Workforce characteristics; and (v) Other firm information including business transactions.

The method of survey is as follows:

1. To maintain data quality, the survey should be conducted by face-to-face interviews with CEOs and/or managers.
2. To collect an appropriate amount of observations, at least three hundred firms from manufacturing sectors should be contacted and interviewed.
3. Surveyed firms should include both locally owned and internationally owned firms and its balance needs to be considered.
4. The survey targets firms located in Vietnam, taking account that sample firms located in a country

experiences rapid internationalization are appropriate to detect the hypothesis of this research.

5. Expected Outcome

This study aims to clarify whether firms' management practices are crucial for local firms in developing economies to participate in GVCs. Firm productivity is an important determinant of internationalization and "good" management practices are likely to enhance firm productivity. Thus, we expect that local firms with "good" employment policy tend to have successfully participated in GVCs.

However, it is rarely known what management practices are more relevant to GVC participation. Even, they might be different depending on firms' products and services, and targeted markets. This study is expected to provide answers to these questions and deepens our understanding about the relation between firms' internationalization and management practices.

This study also provides insights on labor market consequences of economic globalization through the lens of firms' human resource management. For example, to start export or business with MNEs, local firms may increase their demand for educated workers and managers with international work experiences. They also may increase investment training for employees and alter the employee evaluation system more merit based. These changes in firms' labor management directly affect employees' welfare.

6. Schedule

Term of Research work:

The survey shall be conducted from August of 2017 to December of 2017.

Survey Plan	Submit by August 4, 2017
Final Report	Submit by November 17, 2017
Administrative Documents	Submit by December 15, 2017

7. Reports

(1) A detail survey plan including a questionnaire, the list of firms that will be surveyed, and the data format for the final report need to be submitted by August 4, 2017 (via email).

(2) Final Report

A final report that contains the following items shall be submitted by November 17, 2017 (via email);

- Description of the implementation of the survey, including a list of firms contacted.
- All Collected Questionnaire Sheets (in PDF format)
- Survey Raw Data (Excel format)

(3) Administrative documents

Statement of account and receipts and vouchers on Expenditure (as specified in clause 9 shall be submitted by December 15, 2017 (via email). The original documents need to be submitted by courier

service immediately after the electrical submission.

8. Budget Estimation Guideline

- (1) Total Budget: 3 million JPY (Total amount of (2) and (3).)
- (2) Direct Expenses: 2.73 million JPY (See clause 9 for details.)
- (3) Administrative Overhead: 0.27 million JPY (Administrative expenses on the Research activities, in maximum 10 % of total direct expenses would be on budget proposing.)

9. General Condition of Expenditure and Account Management on the Survey

(1) Expenditure Items

Expenditure items on the survey should be confined to the following items.

1) Direct Expenses

a. Honoraria for researchers

Keep daily work logs on report sheet provided by IDE-JETRO in order to confirm the status of the Research work.

b. Wages and salaries for research assistants

Upon hiring research assistants, keep daily reports specifying the name of the employee and content of service, to confirm the status of work.

c. Expense for the field survey

Obtain receipts and vouchers for travel expenses for field surveys, such as car rental, fuel, air tickets, and train tickets. As for Per Diem, honoraria and accommodation fees, any receipts and vouchers shall not be obtained and kept as long as these are paid as daily subsistence allowance (DSA).

d. Miscellaneous Expenses

Obtain receipts and vouchers for miscellaneous expenses necessary for the research.

2) Administration Overhead

Expenditure such as telecommunication and translation on the Research shall be borne within the amount of Administration Overhead.

(2) Statement of Account, Receipts and Vouchers on Expenditure

Obtain official receipts or vouchers on each expenditure, keep the originals and submit them with Statement of Account. In case of needs to save the original documents in order to file tax returns or use them for another reasonable purpose, file a copy of them for the purpose of Account Audit by IDE. In case that receipts and vouchers are written in language other than English or Japanese, it shall be translated into English.

Enclosed: PROPOSAL FORM