

Application Guideline for
Contract Research on Management Practice Survey in Vietnam for
Research Project “Economic Globalization, Firms' Employment
Policy and Human Capital Formation in East Asian Economies”
Commissioned by IDE-JETRO

November 11, 2015

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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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Submission DEADLINE: 18:00, December 2, 2015 (JST=GMT+9)

2. Evaluation Schedule

Accepting Proposal: November 11, 2015~ December 2, 2015

Evaluation Process: December 3, 2015~December 4, 2015

Notification: by December 15, 2015

Contract: by December 15, 2015

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 the related research/survey projects

2. Title of the Research

Management Practice Survey in Vietnam for Research Project “Economic Globalization, Firms' Employment Policy and Human Capital Formation in East Asian Economies”

3. Background and Objectives of the Research

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 (typically export) 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).

Firm productivity is an important determinant of internationalization, and “good” management practices are likely to enhance firm productivity (e.g., Bloom and Van Reenen, 2007). Thus, we expect that local firms with “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 at least three 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 an original 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 regression 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. This study also examines the relationship between CEOs' and managers' characteristics and their firms' productivity and GVC participation.

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 Research

The survey of this study collects firm (or plant) data through interviews for examining what changes in employment 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?” However, to address this question, we will first ask “Do firms change management practices (including employment practices) when they observe (or expect) improved opportunities for GVC participation?”

To empirically investigate such questions, we need firm (or plant) level data for (1) changes in employment practices, (2) changes in other management practices, (3) firms’ (or plants’) performance and characteristics, (4) the characteristics of the CEOs, managers, and workers, and (5) the status of GVC participation.

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 tariff reductions through a FTA and new flows of inward FDI.

Inquiries in the survey should cover the following fields: (i) Human resource management; (ii) Firm organization; (iii) Operation and its implementation; (iv) Workforce characteristics; and (v) Other firm information.

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. Two to three hundred firms from the sector of electrical machinery (30-33 in ISIC Rev. 3), garment (17 and 18 in ISIC Rev. 3), and transport equipment (34-35 in ISIC Rev.3) should be surveyed.
3. Surveyed firms should include both locally owned and internationally owned firms.

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. Surveyed firms should be restricted to those with a small number of plants to easily identify the correlation between changes in management practices and GVC participation.

5. Expected Outcome

This study aims to clarify whether firms' employment policy is 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 employment 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' employment policy. 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 policy directly affect employees' welfare. Finally, this study attempts to clarify how CEOs and managers' characteristics affect their firms' GVC participation.

6. Research Schedule

Term of Research work:

The survey shall be conducted from the mid December of 2015 to early February of 2016.

7. Reports

(1) Submission of a detail survey plan including a questionnaire, the list of firms that will be surveyed, and the data format for the final report by December 17, 2015 (via email).

(2) Final Report

A final report should be that contains the following items shall be submitted by February 12, 2016;

- Description of the survey method and survey data, including appropriate tables and figures.
- All Collected Questionnaire Sheet (PDF format)
- Survey Raw Data (Excel format)
- Statement of Account and Receipts and Vouchers on Expenditure (as specified in clause 9)

Aforementioned Items that contain the data shall be submitted to IDE-JETRO by both email and courier

service.

8. Budget Estimation Guideline

- (1) Total Budget: Maximum total amount of (2) and (3) in below is USD35,400.
- (2) Direct Expenses: See clause 9 for details.
- (3) Administrative Overhead: Administrative overhead 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 Research

(1) Expenditure Items

Expenditure items on the Research 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.

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-JETRO. In case that receipts and vouchers are written in language other than English or Japanese, it shall be translated into English or Japanese.

Enclosed: PROPOSAL FORM