



# Compressed Development: Global value chains, multinational enterprises and human resource development in 21st century Asia

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## ABSTRACT

The classical Late Development model at the heart of the “new competitive order” in Asia since the 1960s has been challenged by a new Compressed Development approach, which, developing on the global value chain framework, proposes a new interpretation of international production, trade and competition in goods and services. This paper provides a first analysis of the human resource development dimensions of this new analysis using an APEC case-study. The analysis has significant implications, for states and MNEs as they consider appropriate reconfigurations of HRD in the Asian region, and for our understanding of global production in the 21st century.

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## 1. Introduction

The Late Development model has dominated our contemporary understanding of Asian economic development (World Bank, 1993). As the economic policy framework for Asia's burgeoning domination of the 21st century, its model of export-led growth has been widely imitated, in Asia and beyond. Recent rethinking of the Asian development process, particularly in terms of global value chains (GVCs), argues for a new Compressed Development model in which states, MNEs and domestic firms operate in the context of geographically dispersed, fragmented and specialized GVCs (D'Costa, 2011; Shin, 2011; Whittaker, 2011; Whittaker, Zhu, Sturgeon, Tsai, & Okita 2010; Zhu, 2011). Simultaneously changing institutional and socio-political contexts have presented MNEs, domestic firms and governments with new challenges, amongst which is the impact of regionalization (Aggarwal & Morrison, 1998; Dutta, 1999).

This paper addresses a lacuna in the “Compressed Development” model, first, by extrapolating from the model for the first time a sub-model of human resource development (HRD), and, second, by assessing that sub-model against a case-study of changing HRD priorities in the Asia Pacific Economic Co-operation (APEC). It contributes to an understanding of the usefulness of the Compressed Development model, casts light on the impact of APEC on HRD thinking in its region and, in particular, suggests a new, challenging and potentially advantageous environment in which MNEs will operate in Asia. Its emergence as an alternative analysis

of economic development also reignites anew the debate about the existence (and modalities) of convergence (Adler, Doktor, & Redding, 1986; Gereffi, 1989; Krugman, 1994).

The paper is structured in five parts. The first part provides an overview of the Compressed Development analysis, its challenge to the Late Development model and, in particular, its HRD dimensions. The second part looks in detail at three phases of Asian HRD development as manifest the APEC HRD process in the light of that model's expectations of HRD. This section of the paper draws heavily on ethnographical material gathered within the APEC process. The fourth part offers a discussion of Compressed Development and its implications for analysis and actors. The fifth section includes a reflection on the notion of Compressed Development and convergence, and some implications of the Compressed Development approach for MNEs.

## 2. Compressed Development, HRD and regionalization: theoretical considerations

### 2.1. Late and Compressed Development

Late Development has been the dominant approach in our understanding of the Asian economies' modern success. It is the dominant policy framework for understanding Asia's emergence as the dominant economic region in the 21st Century (Rodan, Hewison, & Robison, 2006; World Bank, 1993). It addresses the interplay of, inter alia, the developmental state, domestic financial institutions, high domestic savings, well-educated and abundant labor supplies, and strong and managed government–business relationships. There is an emphasis on export performance, strategic engagement with Foreign Direct

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Investment (FDI), and key cultural and social qualities. Late Developers emphasize the importance of knowledge accrual and application, education and training in the creation of highly-productive workforces and workplaces. This argument was made forcibly in the World Bank's defining analysis of the East Asian Miracle (World Bank, 1993). The integration of HRD into production systems, is with few exceptions, seen to be a key factor in Asian economic success (Krugman, 1994; Morris & Sweeting, 1995; Yusuf, 2003). Late Development might be understood to be the policy driver of the contemporary Asian-dominated competitive order. Moreover, the role of FDI and, therefore of MNEs locating activities in the Asian region, is an important component of the Late Development thesis.

The Compressed Development approach questions the Late Development model by considering two particular features of contemporary Asian economies. The first is the level or extent of "compression" of the development process. Compression involves, first, "a blurring of stages" that in previous development experience might have been expected to follow sequentially, and, second, both industrialization and deindustrialization (Whittaker et al., 2010, p. 446). For example, we find Asian economies engaged in high-tech Internet-based development whilst, at the same time, still strongly engaged in resource-driven activities. Moreover, economies that began to industrialize as late as the 1960s are now engaged actively in deindustrialization. There is an unprecedented level of compression of experience in comparison with older developed economies. From a workforce perspective, it is possible as a consequence of this level of compression to pass through the transition from agriculture into mass production in manufacturing and on into the service sector in under a decade.

The second characteristic of Compressed Development addresses the rise and impact of global value chains (GVCs) (Gereffi, Humphrey, & Sturgeon, 2005). Late Developers promoted strategically-placed, large, vertically-integrated, diversified, networked and export-orientated firms. This corporate structure is challenged by the "mosaic of specialization and intermediate goods flows that comprise (GVCs) (which have) . . . fundamentally altered the competitive (environment) and landscape in which development takes place" (Whittaker et al., 2010, p. 447). In particular, GVCs make redundant the Late Development industry and firm-based model, whilst opening up new, less resource-intensive opportunities for integration into the global economy. This is "compression" in the sense that these opportunities are not predictable in terms of previous "stages" of development, nor in terms of promoting the adoption of a standard model, but rather require national policy makers and domestic company strategists to decide in contingent fashion where and how they are going to insert their specialist capacities into GVCs in real time. Importantly, the contingent nature of the engagement with GVCs implicit in Compressed Development also implies that states have a degree of choice about in which GVCs they will specialize, and the option of negotiating with dominant actors (MNEs) governing the GVC around the mode of engagement.

What makes the impact of GVCs so powerful for Compressed Developers is what they describe as the "three new dynamics: the fragmentation of value-added chains, the geographic dispersal of the fragments, and the functional integration of work, firms and of entire industries across borders" (Whittaker et al., 2010, p. 448). Adopting the notion of "modularity", Compressed Developers see GVCs providing different, often more specialized, real-time routes for the participation of developing countries in global production. Arrangements that dispense with the need for geographical proximity are salient. Moreover, following a GVC-driven model is likely to be a more attractive policy option than the Late Development firm-based approach.

## 2.2. Compressed Development, MNEs and convergence

Significantly, it follows from the Compressed Development analysis that the role of MNEs, insofar as they are engaged in GVCs, has developed considerably and that their relationship with Asia's developing economies, and with the traditional Late Development domestic firm, has changed. The Compressed Development thesis implies that the domestic power of the traditional Late Development firm, based on its integration and networks, political and industrial, may be weakened to the extent that such firms are not serious players in GVCs, whilst the power of MNEs, where they are integrated into GVCs, may grow. Whittaker et al. (2010), for example, offer an analysis of China. They suggest that the GVC model underpins China's export success whilst making China dependent on external capabilities. These capabilities extend beyond the provision of capital into fundamental design and brand capabilities, for which China is dependent on external commercial knowledge. In turn, this external dependency raises the long-established question of learning and its appropriation by the developing country. Can initial dependent participation in a GVC-based model give rise to learning opportunities that shift the balance of power in those GVCs?

Knowledge acquisition, education and training are therefore important in both Late and Compressed Development analyses (Okita, 2011). Late Development thinkers have generally subscribed to a view that technology transfer was a key to successful Late Development (Adams, 2002; Amsden, 1989; Chapman & Adams, 2002). In the Late Development model, knowledge had to be translated into action through a process of capacity building, from compulsory education upwards. This goes a long way to explain the immense efforts most Late Developers put, initially, into compulsory education, and then, into HRD capacity building (Chapman & Adams, 2002; World Bank, 1993).

However, the Compressed Development model has broader implications for the debate about convergence at economy and organizational levels. Convergence in both policy-setting and management practice as an effect of the Late Development model is a well-explored issue (Adler et al., 1986; Gereffi, 1989; Krugman, 1994). Compressed Development emphasizes that focus in relation to the governance of GVCs. The governance of GVCs, particularly by lead firms, lends itself to arguments for convergent trans-national governance behaviors. Production requirements across the GVCs are complemented by pressure for improved social and environmental upgrading (Gereffi, 1994; Gereffi et al., 2005). Such convergence at an organizational level does not, however, absolve Compressed Development and its institutional arrangements from the challenges of different cultural norms and expectations that emerge across the GVCs (Adler et al., 1986, p. 313).

## 2.3. Compressed Development and human resource development

For Compressed Development, the standard Late Development prescriptions for education and training, especially in terms of providing improvement in compulsory education and post-compulsory Vocational and Educational Training (VET), remain important (Okita, 2011). The foundations of HRD must remain alert to shifts in knowledge base and pedagogical technique. Equally, however, that provision must now extend further into the post-compulsory sector – into higher education and research-based learning, into improved postgraduate research provision, into improved and more sophisticated skill training, and so on. Moreover, if the compression argument is correct, then it must also display two important characteristics. First, for sufficiently large numbers of the educated and trained, it must provide a degree, and arguably a high degree, of flexibility, for, second, it will be targeted at GVCs requiring specialized knowledge and skills.

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