

## RESEARCH ARTICLE

## Economic Development and Strategic Human Resource Development: The Case of Southeast Asia

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### Abstract

Today, both political leaders and organizational executives all over the world recognise the role human resource development plays in economic development. The progress of any nation cannot be swifter than the people progress in education. Sometimes it is not only the scarcity of money that makes a nation weak, but also the scarcity of men and talents. In the most recent *titah* His Majesty the Sultan of Brunei emphasises more investments in human resources, education and training, so that the people are ready to play a more effective role in the future [1]. In this period when all political leaders of the Southeast Asia are stepping up investments in human capital development, it has become imperative to analyse the benefits associated with such investments in human resource development. This paper will thus analyse the current socio-economic situations in ASEAN and attempt to advance arguments for investments in education and human resource development.

**Keyword:** *Human Resource Development, Human resource Management, Economic Development, Strategic Planning, Human capital development.*

### Introduction

Learning has arrived at a center stage in both public and private organisations. The spotlight has turned to the development of the workforce through strategies such as training, retraining, continuing professional education, career performance, mentoring and coaching to help organisations accomplish their missions. Employees' success depends on their knowledge of business and mission of their organisations and their ability to achieve results quickly and cost effectively. Their need for workplace training and education is profound, urgent, and unrelenting. This statement has led to predictions that continuing professional education and training should be the largest growth area for ASEAN organisations during the coming decade. The crucial issue here, therefore, is that, for HRD to support management in achieving work performance gains it must focus on the goals of the organisation. HRD is best seen as the strategic management of training, development and education interventions so as to achieve the objectives of the organisation while ensuring the full utilisation of knowledge and skills of individual employees. When HRD is positioned strategically, it is systematically integrated with the genuine needs of the organisation and is viewed as a vital contributor to productivity.

In the abstract of this paper, it has been said that the progress of any nation depends very much on its education. As Mohamed and Ismail [2] has stated, 'our progress as nation can be no swifter than our progress in education. The human mind is our fundamental resource'. It is not the scarcity of money, but the scarcity of men and talents which makes a state weak.

Similarly, His Majesty the Sultan of Brunei in his *titah* (royal speech) on the occasion of the National Day stressed on the need for education and training as a necessary prerequisite for future development of Brunei. According to him:

*We should focus on investment in our human resources. We should continue to step up efforts in education and training, so that the people are ready to play a more effective role in the future [1].*

Malaysia and Singapore are some of the Southeast Asian countries that have stepped up education and training of their employees over the years. Investments in education and training have become so important in the region that the need to analyse the benefits associated with it in terms of human resource development is necessary.

Against this background, this paper analyses the current socio-economic situations in the SEA countries and attempts to advance reasons for strong emphasis on the development of human resources. The contribution of both the private and public sectors in the area of human development will be discussed.

### **The Meaning of Strategic Human Resource Development**

Human resources are divided into three broad categories using a holistic human resource concept [3]. They are human resource utilisation (promotion, appraisals, transfers, compensation), human resource planning and forecasting (recruitment, selection, training, career advancement), and human resource development (training, education and development). The desired outcome of each area is the advancement of knowledge, competencies, skills and attitude acquisition, utilisation, improvement and increased productivity. Mc Lagan [4] conducted a two-year study of human resources and presented a human resource wheel.

All aspects of human resources can be organised into two broad categories: Human Resource Development (HRD) and Human Resource Management (HRM). HRD consists of training and development, career development and organisation development. HRM consists of several other areas: human resource planning, selection and staffing, organisation/job design, human resource information system, compensation/benefits, employee assistance and union/labour relations. Again, in many areas both functions overlap at various levels in different organisational settings. Some of the HRM functional areas are closely related to the three HRD areas where development is important but not primary orientation or process, such as organisation/job design, performance management system, planning, selection and training.

The field of Strategic Human Resource Development (SHRD) has moved far beyond isolated attempts to teach specific skills to workers to include complex strategic systems for solving critical organisational problems and meeting competitive challenges in the global workplace. The visibility of SHRD and the very real need for its success will grow in the next several years. Organisation will have to rely on SHRD to provide the competence and productivity they desperately need. Corporations will actually use HRD services as enticements to attract workers [5].

Because of the differences in backgrounds of scholars, HRD was defined from different perspectives. Strategic human resource development is a set of systematic and planned activities designed by organisations to provide its members with the necessary skills to meet current and future job demands [6]. To Armstrong [7], strategic human resource development is about enhancing and widening these skills (of employees recruited in an organisation) by training, by helping people to grow within the organisation, and by enabling them to make better use of their skills and abilities. In this context, therefore, human resource development refers to the process of inculcating in individuals the required skills, knowledge and attitude necessary for them to effectively and efficiently undertake their jobs on hand as well as in the future.

At this juncture, it is necessary to distinguish between formal education development and human resource development. Formal education refers to primary and secondary education, while human resource development refers to the whole specter of education, whether in primary, secondary, or tertiary and will also include training provided by the public sector to its employees. Training is a systematic preparation of individuals to improve their capacity to perform market and socially valued functions, that is, it comprises the full continuum of education, skill formation processes and training activities.

The above definitions from various authors seem to tell us that training improves human talents in terms of skill development and can therefore help to increase productivity and reduce fatigue and costs in the long run. However, training takes time to yield its intended objectives and it is within this perspective that training of any kind be conducted after a careful and constructive training needs analysis. Training needs analysis will help organisations to determine whether or not resources should be committed and for what purpose.

Since the subject of the article is SHRD, it is crucial at this stage to tersely explain the term 'development'. Development can be thought of as bringing about capacities that go beyond those required by the current job; it represents efforts to improve an employee's ability to handle a variety of assignments. As such, it can benefit both the organisation and the individual's career. Employees and managers with appropriate experiences and abilities enhance the ability of the organisation to compete and adapt to a changing

competitive business environment. In the development process, the individual's career also gains focus and evolves. Strategic human resource development, therefore, is an approach to making decisions on the intentions of the organisation concerning people as the essential components of the organisation's corporate strategy. It is about the relationship between HRM and strategic management in the organisation. Hence the strategic capability of a corporation – the achievement of sustained competitive advantage - is dependent on its resource capability, and people clearly constitute a major resource.

South East Asia is a rapidly growing economy and also a region in motion searching for development of its resources and current trends indicate that technical and professional people are hired according to the level of skill development they have already achieved rather than their ability to learn or behavioural traits. There is an apparent preference to recruit rather than train existing employees in today's labour market. However, recruiting rather than developing human resource capacities does not contribute to the requirements for sustained competitive advantage through human resources. For employees to compete successfully in a globalised world, continuous skill development is of paramount importance.

Development should begin with the HR plans of the firm. Such plans should deal with analysing, forecasting and identifying the organisational HR needs as mentioned earlier. Development allows anticipation of movement of people through the organisation due to retirement, promotion and transfers. It helps identify the kinds of abilities that will be needed and the development necessary to have people with those abilities on hand when needed.

### **The Importance of Formal Education and SHRD in Southeast Asia**

The World is witnessing rapid changes than ever before. Nations and organisations are constantly changing in terms of politics, technology and economy. A good number of countries have now liberalised their markets. Competition is on the increase due to globalisation and openness of some countries like China to international markets. Today one can stay in Brunei and even purchase goods from the United States of America through the internet and all of these changes have severe repercussions on countries' labour force. As a result, there is an urgent need to train and retrain the labour force to meet the

demands of the changing environment. The preceding discussions will, therefore, focus on some of the arguments for investments in human resource development.

### **Rapid Rate of Technological Change**

This technological revolution, which is still unfolding is likely to change human societies in ways that are beyond anyone's imagination and comprehension now. To benefit from this global technological advancement, much of which is taking place in the industrial economies will require significant investments in human resource development in developing Asia. It is a matter of fact that all the technological innovations accrue to the developed countries of the West and Japan and Korea in Asia. However, the South East Asian nations as well as the developing economies elsewhere, rely on these technological developments for their economic development since they themselves do not develop any new technologies.

Therefore, with the rapid developments in technology as, for example, the advent of the internet and new manufacturing machines, the labour force of the South East Asian nations have to constantly be trained and retrained to be able to make effective and efficient use of these new technologies. Within these overriding perspectives, there will always be a need for training and formal education in SEA. The labour force will have to be trained so that they can be flexible and may eventually adapt easily to changes in technology.

In this area, both the government and the private sectors have crucial roles to play. The SEA's governments will have to step up investments in formal education which will make an impact in knowledge and skill improvement. For instance, there is a need for increased computer literacy at the primary and secondary levels. The private sector will have to ensure that their labour force are given necessary and adequate training in order to make full use of the new technologies. The government may do this by providing grants to enterprises that are unable to afford training on their own. Singapore is one of the few SEA countries that has made the right move in this direction by setting up the Skills Development Fund (SDF). The objective of the SDF is to provide grants to employers for structured training programmes designed to upgrade the skills of their employees [8].

Education and training are not only important in terms of enabling employees to use the new

technologies, but they should also aim at enabling them to manage these technologies. Thus employees should be trained in ways that will enable them to creatively use the available technologies to develop a niche in software programming through its highly skilled labour force in Information Technology.

### **Effect of Globalisation**

Thompson [9] defined globalisation as the process by which markets and production in different countries are becoming increasingly interdependent due to the dynamics of trade in goods and services and flow of capital and technology. Many do not think globalisation is a new phenomenon, but rather see it as a continuation of developments that have been in existence for some considerable time. Globalisation in economic terms is essentially the process of integration of national and local markets into a single global market [10].

South East Asia has not been spared from the effects of globalisation as can be seen by the increasing number of multinational companies operating in the region. Globalisation increases the impact of new technologies on the developing economies as trade is facilitated between nations. Globalisation has changed the world to be based on knowledge and information.

For example, in the financial sector, money can be made or lost depending on intelligent decisions made from information. Globalisation also implies that countries which cannot produce best quality good with the least cost will not prosper. Therefore, the SEA nations of Malaysia, Brunei, Thailand, the Philippines, and Indonesia have to equip their labour force with the necessary skills (through training) to meet the challenges of globalisation in terms of quality and productivity increase. On average, countries that had both a more educated labour force and a more open economy had a rate of return on projects three percentage points higher than those that had only one or the other' [11]. As a matter of fact, most of the SEA countries are open to trade as witnessed by their participation in free trade agreements such as Association of Free Trade Area (AFTA), APEC and BIM-PEAGA, among others. As demonstrated from this academic article, ASEAN nations have to continue to boost investments in human development, if they are to benefit from globalisation.

### **Intensifying Competition**

The World today is characterised by intensifying competition. The South East Asian economic

miracle was based on the exportation of labour-intensive products in which countries, such as Thailand, Indonesia and the Philippines had a comparative advantage due to their low labour costs. However, today, countries such as China and India have better cost advantage in unskilled and semiskilled labour. Competition is intensifying and the SEA nations have to respond in order to keep the pace of growth stable.

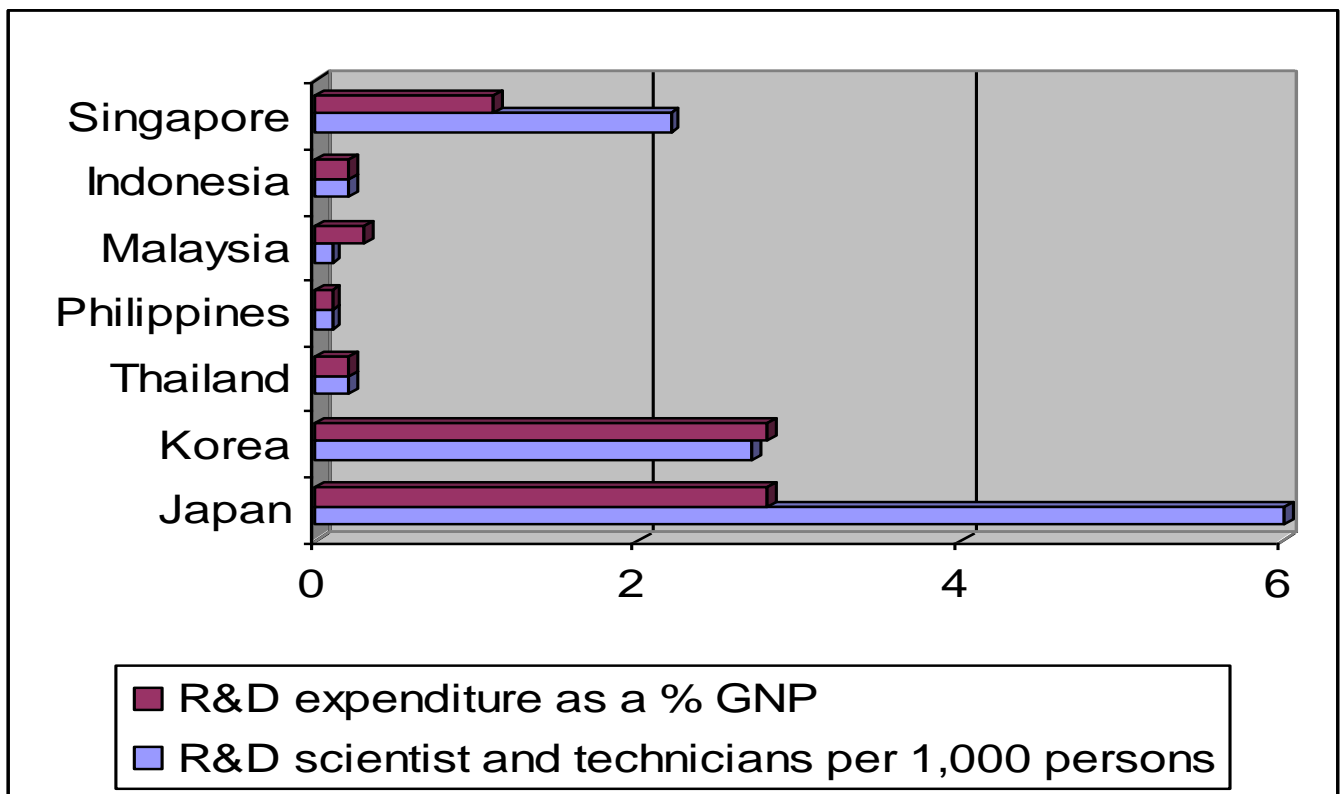
Firstly, there is a need to increase productivity. This can be achieved by equipping employees with more tools, investing in physical capital and improving efficiency of workers through investments in health, knowledge and skills [12]. If there is more investment in education and training, the outcome will be increase in output.

Secondly, the SEA nations will have to shift their orientation to produce more skill-intensive goods and services since this approach will enable them to avoid the intensifying competition. However, these countries are devoid of qualified labour force to enter this market. According to the Asian Development Outlook [12] 'the future of Indonesia, Malaysia, the Philippines and Thailand to move into higher skill exports, to a large extent, reflect a weak human resource base, in particular, a lack of well-qualified secondary and tertiary educated workers'. In this context, there is an urgent need for the government of these countries to strengthen investments in the development of human resources, especially at the tertiary level. Ideally there is equally a need for a more coordinated, integrated and systematic approach to human resource development planning [13].

Malaysia has understood this need and has effectively integrated its manpower planning as part of economic development planning. In this situation, the government in collaboration with manpower planning department determines the skills that will be needed in the future and effectively promote the learning of these skills through its economic development policies.

Thirdly, to improve its competitiveness, an economy must possess the capability to create and manage new technologies, that is, technological capability [12]. In other words, the country which will prosper is the one which is able to introduce innovative products in the markets. Therefore, there should be an increasing need for investments in Research and Development even though R & D requires highly skilled or professional employees. But investment in R & D among the SEA nations has been minimal as the following diagram shows.

## The status of Research and Development capabilities in Selected Asian Countries



Source: Asian Development Outlook (1998) Asian Development Bank (New York: Oxford University Press) [12]

The above illustration clearly shows that with the exception of Singapore, the other SEA nations are lagging behind as far as investment in R & D and the number of professionals available to do the R & D are concerned. Thus it follows that these nations have to boost investments in education and training, especially at the tertiary level so as to increase the number of professionals for R & D assignments. Such investments, it is hoped, will enable them to develop new technologies and create new products to increase competitiveness in the global economy. The private sector must also spend more on R & D if they are to remain competitive.

### Booming Service Sector

The World is witnessing the increasing importance in the service industries. As standards of living in South East Asian nations rise, there will be an increasing demand for services. In order to meet these demands effectively, these nations will have to inculcate the right skills and knowledge required in the service industries. For example, Brunei has recently decided to launch an offshore financial centre and it is anticipated that more demands will be made of lawyers, accountants, actuaries, economists, management consultants, systems analysts and computer programmers. Therefore, the country should ensure that the educational

system also caters for this need. Similarly, in Singapore there is an increasing demand for this profession as it attempts to compete against Hong Kong and China as an international financial centre.

### Lessons from the Recent Economic Turmoil

The recent economic crisis was mainly due to the frailties of the financial sectors of the South East Asian nations. But according to the Asian Development Outlook [12], a lack of high quality secondary and tertiary educated workers seem to have undermined the economies dynamism by constraining their ability to shift their exports to higher value added goods and services in the face of fierce competition from countries such as PRC, and India. Therefore, the recent economic crisis has unfolded the need for ASEAN to increase enrolment and investment in secondary and tertiary educational institutions so as to create a flexible labour force with the ability to switch to new economic activities in the light of the global economic changes. Another lesson from the crisis is that the decisions made in the financial sectors were poor. Hence, there is a need to restrain the policy makers from and inculcate in them the appropriate knowledge and skills to enable better decisions in the future to be made.

## Conclusion

This paper has clearly shown that there is an increasing need for the ASEAN to increase investments in their human resource development activities which require a concerted effort of both public and private sectors of the economy. As a matter of fact, the private sector is more attuned to the changes occurring in the market place and as such they should provide guidelines for the educational policies of the government. Many countries including Malaysia and Singapore have realised this key aspect of human development and have effectively changed their old practices of paying lip service to the importance of human development by taking HRD seriously. In Singapore, for example, Skills Development Fund has been created to provide incentive grants for training those in the workforce, those preparing to join the workforce and those reentering the workforce. The grants are financed by collections from the Skills Development levy imposed on employers with workers earning \$1,000 or less a month. The current levy rate is 1% and grants are awarded on the basis of a cost-sharing principle and the training must be relevant to the economic development of Singapore. However, much need to be done in other countries like Brunei, Indonesia, Myanmar and Thailand. One key issue is that the quality of education in these countries is more important than quantity. However, given that most of these countries lack the financial wherewithal, at least for now, they may have to contend with quantity rather than quality. The private sector, although not all are financially well off, should assist the government by increasing their involvement in providing inputs into the process of planning of HRD as well as providing training for their employees. In this constantly changing and global world, the prosperity of any country will largely depend upon the availability of educated and skilled labour force that can quickly and smoothly adapt to the changes that are likely to take place in the future. ASEAN has achieved huge growth rates in the past and recent economic crisis has proved

that economic development alone cannot sustain such high growth rates. It all lies in the people. It is on the minds and skills of the people that sustainable competitive advantage can be built. Japan is one of the most successful countries in the world and their success came true as a result of high investments in human development and R & D, and this is the lesson to be learnt from the economic crisis.

The economic well being of any nation depends very much on its human resource development. HRD and training must be given better priority in total government spending to ensure better prospects on the part of the current work force in ASEAN. The courses offered in both academic and vocational institutions should be reviewed and incorporated with the current demand for a particular type of workforce. There should be a close contract/collaboration between academic, vocational institutions and the working environment in order to obtain feedback and agreements in terms of skills required for performing specific jobs in both public and private sectors of the economy. A sound strategic human resource development is a precondition for sustainable economic growth and any economic development that is not underpinned with a clear vision for SHRD will always fail [14].

To compete in a rapidly growing highly competitive environment in which comparative advantage can be created rather than being dependent upon natural endowments, ASEAN, particularly those depending very much on the natural endowments, must push forward towards sound SHRD.

Above all, the importance of human resource development can best be described by the statement from the Minister of Education of Brunei when he emphasised that, 'in the regional economic crisis, the crucial role of higher education in human resource development is its essentiality for social stability, sustainable growth and national development' [15-21].

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