Talent Management for the Forthcoming ASEAN Economic Community
The Case of Industrial Companies in Thailand

Pornrat Sadangharn, Ph.D.

Abstract—The free flow of labor which will result from the creation of ASEAN Economic Community (AEC) has led to the consideration of how to manage people in the ASEAN countries. This paper focuses on talent management in the industrial companies in the Eastern Seaboard Industrial Estate, Rayong Province, Thailand. It is aimed at investigating talent management and preparations for the forthcoming AEC. It also examines whether this talent management and these preparations differ in accordance with the company’s characteristics. Quantitative research methodology was employed in this study. One hundred and twenty questionnaires were distributed and 98 were returned. The findings revealed that the companies in the Eastern Seaboard Industrial Estate in Rayong Province utilized talent management at a moderate level. Industrial type and company size did not show statistical significance regarding talent management. It was also found that there was no significant effect of company size on the talent management. Only one statistical implication was found—that company size was significant in terms of preparations for the AEC. Respondents from companies of different sizes exhibited different preparations for the AEC regarding their understanding the impact of the AEC and confidence in their talent management.

Index Terms—AEC, HRM, Talent Management, Retention

I. INTRODUCTION

In 2015, the ASEAN Economic Community (AEC) will establish ASEAN as a single market and production base, comprised of five core elements: the free flow of goods, the free flow of service, the free flow of investment, the free flow of capital, and the free flow of skilled labor. When taking into consideration the context of the free flow of skilled labor, it will directly affect the way in which people are managed since mutual recognition agreements (MRAs) have already been concluded for seven occupations: medical practitioners, dental practitioners, nursing services, engineering services, architectural services, surveyors, and accountancy services. These professionals will be recognized in all member countries, enabling them to work more easily in any member country [1].

The mobilization of these workforces can be seen as both opportunities and treats to the industrial sector of Thailand. In the field of Human Resource Management (HRM), the AEC will facilitate the recruitment and selection process. Companies will gain more chance to select the most qualified candidates from various countries to fill their vacancies. On the other hand, companies will also have a chance to lose their qualified employees to other ASEAN companies because of this free flow policy.

Losing employees contains a number of drawbacks. First, departing employees take a great deal of knowledge with them. This makes it difficult to meet an organization’s goals and to serve customers well. Second, replacing employees costs money. The cost of replacing an employee is estimated to be twice the individual’s annual salary. Third, recruiting new employees consumes a great deal of time and effort. Lastly, bringing new employees up to speed takes even more time [2].

Therefore, in the forthcoming AEC, there seems to be a need for a strategy for managing people, especially the most talented people within the organization.

Talented people are viewed as the source of competitive advantage [3]. It is increasingly recognized that human capital is a source of value for firms and shareholders as talented people are rare, valuable, and difficult to substitute. Organizations that better attract, select, and retain these talented workers perform better than those that do not [4]. These talented people are certainly critical to innovation, change, and high performance [5]. It is also claimed that “talent equals profit”[6]. Moreover, it has been stated that “competition and the lack of availability of highly talented and skilled employees make finding and retaining talented employees a major priority to organizations [7]”. As a result,
the talent issue is fast gaining top priority for organizations across countries [8].

There are many factors affecting the turnover. Five core factors that influence the retention are: (1) culture and work environment, (2) compensation, (3) training and development, (4) the supervisory role, and (5) growth and earning potential [9].

II. TALENT MANAGEMENT

Basically, talent management was initially designed to improve the process for recruiting and developing people with the required skills and aptitude to meet organizational needs [10].

Managing talented people in an organization should focus on the following three outcomes: (1) the identification, selection, development, and retention of talented people; (2) the identification and development of high-quality replacements for a small number of positions designated as key to current and future organization success; and (3) the classification of and investment in each employee based on his/her actual and/or potential for adding value to the organization [11].

Building a talent community can be implemented through what has been termed the talent spin cycle—a continual process of collecting new talent prospects, forming relationships with them, and either qualifying them for delivery into the organization or maintaining the relationships over time so that organizations can consider them for future opportunities [12].

In general, the talent management framework consists of five key elements: attracting, selecting, engaging, developing, and retaining employees [13].

From the various views of talent management, the core process which represents the framework in this study can be summarized as follows: (1) talent recruitment, (2) talent selection, (3) talent development, and (4) talent retention.

III. RESEARCH OBJECTIVES

The three main objectives of this research were: (1) to investigate the level of talent management practices in the industrial companies in Thailand, (2) to investigate the preparations for the forthcoming AEC in the industrial companies in Thailand, and (3) to examine whether the talent management practices and the preparations for the AEC differ in accordance with the company’s characteristics.

IV. RESEARCH METHODOLOGY

A. Population and Sample

HR managers or managers that were assigned to be responsible for HRM in companies in the Eastern Seaboard Industrial Estate, Rayong Province, Thailand, were the population in this study. One hundred twenty samples from the total population were chosen by stratified random sampling according to the type of industry.

B. Instrument Development

The questionnaire was designed based on the data from the literature review and included 4 parts: (1) demographic data of the respondents including company characteristics, (2) talent management practices, (3) preparations for the AEC, and 4) an open-end question.

A 5-point Likert scale was employed. In part 2 of the questionnaire, questions were asked concerning the implementation of talent management practices, and in part 3 opinions were probed on the preparations for the AEC, with 5=the highest, 4= high, 3=moderate, 2= low, and 1=very low. The interpretations of the mean scores are shown as follows:

- 4.51 – 5.00    very high
- 3.51 – 4.50  high
- 2.51 – 3.50  moderate
- 1.51 – 2.50  low
- 1.00 – 1.50   very low

Regarding the validity and reliability of the questionnaire, the Index of Item Objective Congruence (IOC) was used for the validity test. Only questions where the IOC $\geq 0.50$ were employed. Thirty pilot tests were carried out for the reliability of the questionnaire. The Cronbach alpha was 0.95.

C. Conceptual Framework

Fig. 1 presents the conceptual framework of this study by showing the dependent and independent variables, which are described as follows:

![Conceptual Framework](image)

Fig.1: Conceptual Framework

1) Dependent Variable

Talent management was comprised of 4 core processes: talent recruitment, talent selection, talent development, and talent retention.

Preparations for the AEC comprised 3 aspects: understanding of the AEC, readiness for the AEC, and confidence in their talent management.

2) Independent variables

Company characteristics comprised 2 aspects: the industrial type and company size.

V. RESEARCH FINDINGS

The response rate of this study was 80.83%. It was revealed that 78.57 % of the respondents were male, aged between 30-40 years (62.24%), and held a bachelor degree (64.29%).
According to the company characteristics, 48.98% of the respondents worked in large-size companies, while 43.88% and 7.14% were from medium and small company sizes, respectively. Thirty-five point seven two percent of them worked in the automobile industry, whereas 32.62% worked in the plastics, rubber, and chemical industry, and 31.63% worked in the iron and metal industry.

A. Talent management practices

Overall, the respondents reported that talent management practices were used at a moderate level (M=3.30, SD=0.42). The highest mean score was found in talent selection (M=3.55, SD=0.43), followed by talent development and talent recruitment (M=3.45, SD=0.62 and M=3.14, SD=0.53), respectively. However, talent retention, which was considered a crucial process in talent management, had the lowest mean score (M=2.98, SD=0.52). Details are illustrated in Table I.

When considering the details of each process, it was revealed that companies for which the respondents worked employed external rather than internal recruitment. Interestingly, the respondents reported that companies selected the talented people from the positive attitude toward the organization. Regarding talent development, it was shown that internal training programs that were designed in accordance with the company’s competency was most employed. Further, regarding talent retention, the respondents revealed that they used performance-based pay to retain their talented people.

<table>
<thead>
<tr>
<th>Process</th>
<th>Practices</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent Recruitment</td>
<td>3.14</td>
<td>0.53</td>
<td></td>
</tr>
<tr>
<td>Talent Selection</td>
<td>3.55</td>
<td>0.43</td>
<td></td>
</tr>
<tr>
<td>Talent Development</td>
<td>3.45</td>
<td>0.62</td>
<td></td>
</tr>
<tr>
<td>Talent Retention</td>
<td>2.98</td>
<td>0.52</td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>3.30</td>
<td>0.42</td>
<td></td>
</tr>
</tbody>
</table>

B. Preparations for the AEC

Overall, the respondents reported that the preparations for the AEC were at a moderate level (M=3.11, SD=0.60). The highest mean score was found in their confidence in their talent management (M=3.21, SD=0.72), followed by readiness for the AEC (M=3.12, SD=0.68). It is interesting to note that the lowest mean score was found in the understanding of the AEC (M=3.02, SD=0.72). Details are illustrated in Table II.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding</td>
<td>3.02</td>
<td>0.72</td>
</tr>
<tr>
<td>Readiness</td>
<td>3.12</td>
<td>0.68</td>
</tr>
<tr>
<td>Confident</td>
<td>3.21</td>
<td>0.72</td>
</tr>
<tr>
<td>Overall</td>
<td>3.11</td>
<td>0.60</td>
</tr>
</tbody>
</table>

C. Comparing the Findings by Company Characteristics

1) Industrial Type

It was revealed that neither the talent management practices nor the preparations for the AEC differed according to the type of industry. Whether the respondents worked for the automobile industry or, the iron or metal industry, or the plastics, rubber, or chemical industry, the analysis of variance showed that there was no significant effect of industrial type on talent management practices, $F(2,97) = 0.199, p = 0.82$, or the preparations for the AEC, $F(2,97) = 2.753, p = 0.69$. Details are illustrated in Table III.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent Management</td>
<td>0.073</td>
<td>2</td>
<td>0.036</td>
<td>0.199</td>
<td>0.82</td>
</tr>
<tr>
<td>Between Groups</td>
<td>0.073</td>
<td>2</td>
<td>0.036</td>
<td>0.199</td>
<td>0.82</td>
</tr>
<tr>
<td>Within Groups</td>
<td>17.298</td>
<td>95</td>
<td>0.182</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.37</td>
<td>97</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2) Company Size

In this study, company sizes were categorized by the number of employees: fewer than 50 = small, 51-199 = medium and more than 200 = large. However, there were only 7 respondents from small-size companies; therefore, in the data analysis the number of respondents in the small- and medium-size companies was combined. The findings showed that there was no significant effect of company size on talent management practices, $F(1,97) = 0.84, p = 0.362$. Only one statistical implication was found—that company size was significant in relation to the preparations for the AEC, $F(1,97) = 4.315, p = 0.04$, at alpha = .05

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent Management</td>
<td>0.151</td>
<td>1</td>
<td>0.151</td>
<td>0.84</td>
<td>0.362</td>
</tr>
<tr>
<td>Between Groups</td>
<td>0.151</td>
<td>1</td>
<td>0.151</td>
<td>0.84</td>
<td>0.362</td>
</tr>
<tr>
<td>Within Groups</td>
<td>17.22</td>
<td>96</td>
<td>0.179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.37</td>
<td>97</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AEC Preparations</td>
<td>1.493</td>
<td>1</td>
<td>1.493</td>
<td>4.315</td>
<td>0.04*</td>
</tr>
<tr>
<td>Between Groups</td>
<td>1.493</td>
<td>1</td>
<td>1.493</td>
<td>4.315</td>
<td>0.04*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>33.229</td>
<td>96</td>
<td>0.346</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34.722</td>
<td>97</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Details from the tests of between-subject effects revealed that the respondents from companies of different sizes held the preparations for the AEC differently in terms of understanding the impact of the AEC, $F(1,97) = 8.51, p =0.004$, and from the point of view of their confidence in their talent management, $F(1,97) = 3.17, p = 0.078$ at alpha=.05 and .10, respectively.

VI. DISCUSSION AND SUGGESTIONS

It can be concluded that the companies in the Eastern Seaboard Industrial Estate, Rayong Province, utilized talent management practices at a moderate level. Industrial type and company size did not show a statistical significance regarding the talent management practices. Considering the preparations for the forthcoming AEC, the respondents reported their preparations at a moderate level and industrial type did not show a statistical significance in relation to the preparations. Only one statistical implication was found—that company size was significant in relation to the preparations for the AEC.

The moderate level of both talent management and preparations for the AEC supported each other. Companies utilized talent management at a moderate level, and therefore they understood, were ready for, and were confident in their talent management at a moderate level. However, this is not a good sign for the country since the mobilization of labor will tend to be high as a result of the AEC. Companies should have more attractive recruitment and selection practices that are better at attracting a talented workforce from the ASEAN countries. Simultaneously, the low level of talent retention indicates that the companies need to retain their current potential employees. Therefore it is suggested that companies in the Eastern Seaboard Industrial Estate should pay more attention to their talent management.

In addition, the findings show that large-size companies require more attention to their preparations for the AEC. An understanding of the AEC can be gained through training programs; however, confidence in their talent retention will come only after they improve their talent management practices.

In order to support the companies in this study, the government sector and academic institutes can also facilitate and provide basic assistance to them, particularly regarding matters that are important, e.g. the AEC and the impact of the AEC, and effective practices in talent management.

VII. LIMITATIONS AND FURTHER STUDY

This study was conducted in only one industrial estate and employed only quantitative research methodology, thus constraining the ability to make generalizations. It is therefore recommended that the study site be extended to other industrial estates, and that the qualitative approach using in-depth interviews or focus group discussion be addressed in the next study.

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REFERENCES


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