

Employee Value Proposition as a Human Resource Management Strategy among Philippine SMEs in Preparation for ASEAN Integration

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Abstract

Abstract. The planned ASEAN integration becomes more and more inevitable. The full implementation of the ASEAN Economic Community, in particular, will bring about the free flow of skilled labor, among others, to its member countries. The entire Philippines, as part of the ASEAN, should gear up for this transition. This includes the country's small and medium enterprises (SMEs), an important driver of economic growth and source of employment. However, challenges still remain in developing Philippine SMEs. Specifically, human resource management in this sector remains poor and lacking. With the influx of labor from neighboring countries, diversity in the workforce is to be expected. Thus, good people management becomes even more crucial in ensuring the competitive advantage of our SMEs. Employee value proposition is viewed as an important strategy to improve the quality of human resource management in the country and provide an edge for our SMEs in the face of the changes ahead.

Keywords: SMEs, human resource management, Philippines, ASEAN integration, employee value proposition, diversity

Introduction: The ASEAN Backdrop

Prior to the establishment of the Association of Southeast Asian Nations (ASEAN), a predecessor organization—the Association of Southeast Asia (ASA)—was formed by the Philippines, Malaysia and Thailand. The ASA paved the way for the creation of the ASEAN on August 8, 1967, this time with the addition of Singapore and Indonesia. As set out in the 1967 ASEAN Declaration, the aims and purposes of ASEAN are to:

- accelerate economic growth, social progress, and cultural development in the region;
- promote regional peace and stability;
- promote collaboration and mutual assistance on matters of common interest;
- provide assistance to each other in the form of training and research facilities;
- collaborate for the better utilization of agriculture and industry to raise the living standards of the people;
- promote Southeast Asian studies; and
- maintain close, beneficial cooperation with existing international organizations with similar aims and purposes (ASEAN, 2011).

Since then, ASEAN member-states have been exerting efforts towards becoming one integrated regional bloc. In 1976, an agreement was made on several industrial projects, and a Treaty of Amity and Cooperation and Declaration of Concord were signed. In 1984, Brunei Darussalam became the sixth member. In 1990, Malaysia proposed the East Asia Economic Caucus composed of ASEAN as well as the People's Republic of China, Japan, and South Korea. In 1992, the Common Effective Preferential Tariff (CEPT) was adopted as a schedule for phasing out tariffs and to increase the region's competitive advantage as a production base. The CEPT led to the ASEAN Free Trade Area (AFTA), an agreement by member nations concerning local manufacturing in ASEAN countries (ASEAN, 2011).

Then in 1995, Vietnam became ASEAN's seventh member. An ASEAN Framework Agreement on Trade in Services (AFAS) was adopted in December 1995. Under the AFAS, ASEAN member-states enter into successive rounds of negotiations to liberalize trade in services with

the aim of submitting increasingly higher levels of commitment. At present, ASEAN has concluded seven packages of commitments under the AFAS (ASEAN, 2011).

In 1997, the Chiang Mai Initiative was launched, which called for better integration of the economies of ASEAN, including those of ASEAN Plus Three (APT) countries—China, Japan, and South Korea. In the same year, the Southeast Asian Nuclear-Weapons-Free Zone Treaty took effect, becoming fully effective on June 21, 2001, after the ratification of the Philippines banning all nuclear weapons in the region. It was also in 1997 that Laos and Myanmar joined ASEAN. Cambodia became the latest and tenth member of ASEAN (ASEAN, 2011).

At the dawn of the new millennium, the ten member states of ASEAN affirmed their commitment to their goal of strengthening the region as a “concert of nations” by establishing the ASEAN Community. In 2000, the Initiative for ASEAN Integration (IAI) began with the goal of narrowing the development divide and enhancing the region’s global competitiveness (ASEAN, n.d.). In 2007, ASEAN leaders set their goal of full ASEAN integration by 2015, the highlight of which would be the full implementation of its three pillars: ASEAN Political-Security Community, ASEAN Economic Community, and ASEAN Socio-Cultural Community (ASEAN, 2011).

ASEAN also adopted the ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014. Between 2007 and 2008, ASEAN drew up and approved the Charter with the aim of moving closer to a community like that of the European Union (EU), creating a single free-trade area for the region and transforming ASEAN into a legal entity. In February 2009, ASEAN adopted the ASEAN Political-Security Community (APSC) Blueprint, the ASEAN Socio-Cultural Community (ASCC) Blueprint, and the ASEAN Economic Community (AEC) Blueprint. The last outlines the areas of cooperation and integration meant to establish a single market and production base, where there is a free flow of goods, services and investment, freer movement of capital and skilled labor, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy.

It is envisioned that by 2015, Southeast Asian nations will part with their traditional to-each-his-own ways or *kanya-kanya* habits, to put it

in Filipino parlance. Indonesia's President Susilo Bambang Yudhoyono observed precisely this in 2008, on the occasion of the launching of the Charter, that "Southeast Asia is no longer the bitterly divided, war-torn region it was in the 1960s and 1970s." The ASEAN Community, which draws inspiration from similar groupings such as the European Union, is seen as a potential power player in global politics and trade by advancing a common agenda among its member nations. In particular, the planned ASEAN Economic Community would transform the region into a single market and production base with free flow of goods, services, investments, capital and skilled labor, and equitable economic development among its member nations.

Table 1. Member Countries of the ASEAN

Nation	Population Estimate	2013 Global Competitiveness Index (Out Of 148 Countries)	Gross Domestic Product (in US \$, 2012)
ASEAN	597,900,000		\$2.305 trillion
Singapore	5,200,000	2	\$276.5 billion
Malaysia	28,900,000	24	\$303.5 billion
Brunei	400,000	26	\$16.6 billion
Thailand	69,500,000	37	\$365.6 billion
Indonesia	242,300,000	38	\$878.2 billion
Philippines	94,900,000	59	\$250.4 billion
Vietnam	87,800,000	70	\$138.1 billion
Laos	6,300,000	81	\$9.2 billion
Cambodia	14,300,000	88	\$14.2 billion
Myanmar	48,300,000	139	\$53.1 billion

(Source: 2013-2014 Global Competitiveness Report, World Economic Forum)

The importance of maximizing the ASEAN's potential as a regional bloc cannot be ignored. Today, Southeast Asia is home to almost 598 million people or roughly eight percent of the world's population. The combined gross domestic product of ASEAN member countries amount to \$2.305 trillion, making it the seventh largest economy if the entire ASEAN were one entity. The ASEAN is considered an important trading partner in the Asia-Pacific region. China, Japan, South Korea,

India, Australia and New Zealand currently have their respective free trade agreements with the ASEAN.

The Global Competitiveness Report (Schwab, 2013) paints an optimistic outlook for the region: ASEAN countries have either improved or maintained their stature over the past eight years, and future trends remain positive. The report notes that ASEAN countries “fare much better than most developing Asian nations,” surpassing members of the South Asian Association for Regional Cooperation, which includes India and the rest of the subcontinent. Looking forward, regional integration is expected to boost the competitiveness of ASEAN countries through initiatives that would reinforce and complement programs developed by the individual member nations.

Challenges

However, the sheer disparity among ASEAN members is still viewed as an obvious roadblock in this “ambitious journey toward regional integration.” Whereas Singapore, the richest ASEAN country, is the second most competitive economy of the world, Myanmar, the poorest, lies at the bottom ten among the nations of the world (Schwab, 2013, p. 32).

Locally, ASEAN integration is viewed as an inevitable transition (Magkilat, 2014), albeit with mixed reactions from different sectors. The business process outsourcing (BPO) industry, for example, is set to gain the most from the full assimilation to the global economy. The construction industry, meat processors, and the beverage sector are optimistic that they will experience a boom through the planned integration.

There is hesitation, however, from certain sectors such as the banking industry. BDO Unibank Inc., the largest commercial bank in the Philippines, has expressed their concern that they cannot compete with the banking giants in Southeast Asia like the Bangkok Bank. The Philippine agriculture industry is also expected to be on the losing end of the integration save for businesses involving livestock and meat processing (Magkilat, 2014).

Furthermore, there is also concern for the general welfare of members of the labor force (both employed and unemployed) once the ASEAN Economic Community is fully implemented. Apprehensions include the anticipated stiff competition. While the plan could provide Filipinos more opportunities to work in other ASEAN countries, it is important to note that this also means the Philippines will be opening its doors to jobseekers from its neighbors. Latest figures from the Bureau of Labor and Employment Statistics (2014) show that unemployment still affects 7.1 percent of the labor force, translating to almost three million jobless people. In addition, underemployment rate is still at 19.3 percent or amounting to 7.32 million Filipinos whose jobs are inadequate to support their needs and aspirations.

There is also concern for the quality of work in the ASEAN Economic Community. Amante (2014) notes that “workers can lose their jobs either to imports or because factories move to cheap-labor countries.” He further asserts the need to seek the side of workers and their unions. Without their input on standards for decent work, “regional economic integration risks worsening social inequalities and tensions.”

Whatever the opinion, one thing is certain: The 2015 ASEAN integration is happening. Thus, the entire nation must gear up for the inevitable. This author in particular believes that the ASEAN Economic Community will bring good to the Philippines. However, there is still a lot to be done to better prepare for this transition. Specifically, the country’s micro, small and medium enterprises (MSMEs)—an important driving force of the economy—continue to face many challenges at present, but should also be primed to be able to fully grab the opportunities come 2015.

ASEAN Economic Development and SMEs

The development of micro, small and medium enterprises (MSMEs) has been viewed as a crucial force in advancing the economies of countries throughout the world. The expansion of MSMEs and their integration to the global economy are considered vital in overcoming poverty and inequality among developing nations. The United Nations Industrial Development Organization (Raynard & Forstarter, 2002) estimates that over 90 percent of businesses worldwide are MSMEs, and these

provide around 50 to 60 percent of employment. The opportunities, both for work and for income generation, are seen as a way to reduce poverty and ensure equitable income distribution. The rise of the entrepreneurial spirit among some of the most impoverished and vulnerable sectors of society encourages innovation and serves as a foundation for long-term dynamic growth.

Table 2. ASEAN SME Policy Index, 2014, Towards Competitive and Innovative ASEAN SMEs

Country	Share of Total Establishments		Share of Total Employment		Share of GDP		Share of Total Exports	
	Share	Year	Share	Year	Share	Year	Share	Year
Brunei	98.2	2010	58.0	2008	23.0	2008	-	-
Cambodia	99.8	2011	72.9	2011	-	-	-	-
Indonesia	99.9	2011	97.2	2011	58.0	2011	16.4	2011
Lao PDR	99.9	2006	81.4	2006	-	-	-	-
Malaysia	97.3	2011	57.4	2012	32.7	2012	19.0	2010
Myanmar	88.8	-	-	-	-	-	-	-
Philippines	99.6	2011	61.0	2011	36.0	2006	10.0	2010
Singapore	99.4	2012	68.0	2012	45.0	2012	-	-
Thailand	99.8	2012	76.7	2011	37.0	2011	29.9	2011
Vietnam	97.5	2011	51.7	2011	-	-	-	-

Source: Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta, June (2014)

In Southeast Asia, the MSME sector is a vigorous force for and a factor in ASEAN competitiveness. MSME development is embedded in the third pillar of the AEC Blueprint—equitable economic development. The development of MSMEs would directly contribute to achieving implementation of the third pillar. Table 2 illustrates the indicators of ASEAN SMEs in the ten ASEAN member-states.

From the above table, 89 to 99 percent of firms in ASEAN are SMEs; they create 52 to 97 percent of employment, and contribute 23 to 58 percent to the GDP.

Table 3. Registered Business Enterprises in the Philippines

Establishment	Number	Percentage
Large Enterprises	3,496	0.4%
MSMEs	816,759	99.6%
Micro Enterprises	743,250	90.6%
Small Enterprises	70,222	8.6%
Medium Enterprises	3,287	0.4%
Total Business Enterprises	820,255	100%

(Source: Department of Trade and Industry, 2011)

In the Philippines, MSMEs, defined as business enterprises with assets of no more than P100 million and with less than 200 employees, are an important driving force for the economy. Figures from the Department of Trade and Industry (DTI) show that as of 2011, 99.6 percent of the 820,255 registered business enterprises operating in the Philippines were MSMEs.

Table 4. Sectoral Distribution of MSMEs

Sector	No. of Establishments
Wholesale and retail trade, repair of motor vehicles and motorcycle industries	383,636
Manufacturing	111,765
Human health and social services, financial and insurance, and other service industries	109,440
Accommodation and food services	105,123
Information and communication, administrative and support services, scientific and technical, education, and arts and recreation industries	85,554
Others	21,241

(Source: Department of Trade and Industry, 2011)

This represents a wide range of industries, with wholesale and retail trade and the repair of motor vehicles and motorcycles leading the sectoral distribution of the country's 816,759 MSMEs.

Recent findings from the DTI also point out that MSMEs provide the most jobs to Filipinos. Six out of ten (61%) jobs in 2011 were generated by MSMEs. Around 33 percent of employment came from small and medium enterprises while 28 percent were derived from micro enterprises. These translate to roughly 3.8 million jobs created by MSMEs. In particular, about 2.1 million Filipinos are employed by SMEs.

Table 5. Employment Generated by Business Enterprises in the Philippines

Establishment	Number	Percentage
Large Enterprises	2,473,336	39.0%
MSMEs	3,872,406	61.0%
Micro Enterprises	1,778,353	28.0%
Small Enterprises	1,642,492	25.9%
Medium Enterprises	451,561	7.1%
Total Business Enterprises	820,255	100%

(Source: Department of Trade and Industry, 2011)

Despite the obvious contributions of MSMEs to Philippine economy, many challenges remain. For one, the fruits of these MSMEs are concentrated in the more advanced regions in the country. Records from the DTI (2011) reveal, that 71.4 percent of jobs generated by MSMEs were located in the National Capital Region (also known as Metro Manila), the CALABARZON Region, Central Luzon, Central Visayas, and Western Visayas. Roughly 63.1 percent of MSME establishments are found in these same regions.

Metro Manila alone is home to more than a quarter (25.8 percent) of the country's MSMEs, providing employment to more than a third (37.2 percent) of all jobs in the same period. Thus, there is a clear implication that almost half of the country remains deprived of the bounty that MSMEs can offer, despite institutionalized efforts to boost these enterprises at the grassroots level. Sadly, the poorest regions in the country also have the least number of operating MSMEs.

Salazar and Tan (2009) noted that while Philippine SMEs can do business globally, they still need to improve the quality of their products and services through innovation and the use of technology. That MSMEs

account for 25 percent of the country's total export revenue and 60 percent of Filipino exporters come from these establishments are a testament to this sector's reach (DTI, 2011). Work culture should encourage productivity, and a competitive mindset among entrepreneurs should be developed for continuous improvement. Benchmarking and partnership should be taken advantage of in a world-class environment. It can be assumed that these prescriptions stem from the authors' observations of what is lacking among Pinoy SMEs. They also note that, for these establishments to achieve their goals, they should also address issues in human resource management.

Human Resource Management in ASEAN SMEs

According to Jianxin and Zhengping (2009), most Asian enterprises have the characteristic of an incomplete function of the HRM department. The HRM department is used only to provide a background supportive unit in charge of administrative and support services at the request of other departments. The authors recommend that, with increasing globalization, enterprises must use HRM strategically by focusing on how it can contribute to enhancing their competitiveness in the ASEAN and the world markets.

Indeed, the study of Wan, Ong, and Kok (2002), using Singapore firms, found that the variables of training, selection, empowerment, performance appraisal, team-based work, and performance-based pay have a positive impact on HR performance.

ASEAN member-states have prepared themselves and their SME sectors for the eventual ASEAN Economic Community. Their respective governments have crafted SME development policies to support SMEs vis-à-vis ASEAN. SME policies are reflected in a wide range of areas such as an overall legislation, identification of the lead agency, policies in budget allotment, financing and credit, taxation, information service, human resource development, business environment, consultation, advisory services, support for obtaining management resources, business venture support, promotion of fair dealing and maintenance of markets, assistance for SME internationalization, SME organizations and networks, and safety nets (Organization for Small and Medium Enterprises and Regional Innovation, 2008).

However, even if ASEAN member-states have taken action towards the aims and purposes of ASEAN, many problems present challenges to SME growth and development as well as the importance of SMEs to ASEAN's aim to be one regional community. In Indonesia, for example, there is almost no system to protect SME workers; industry associations exist but these are not very active; most micro enterprises are stalls or traders which belong to the informal economic sector; and measures to protect SMEs against bankruptcy, corporate organization, and disaster have not been improved (Organization for Small and Medium Enterprises and Regional Innovation, 2008).

The crucial question to ask is whether or not SME managers and HRM departments are ready for ASEAN integration. For example, Thailand has readied itself for the challenge. Thailand has eight macro strategies to gear up towards ASEAN integration, one of which is to develop human resources. Among the activities lined up for the development of Thailand's human resources are: 1) the need for English proficiency among employees and workers; 2) development of professional skills; 3) labor-skill standards; 4) education; and 5) cooperation among ASEAN member-states (Teanravisitsagool, 2013).

The Philippines is likewise preparing itself for ASEAN integration. The country's HR association, the People Management Association of the Philippines (PMAP), has created a road map that pivots around four issues (Abadesco, 2014):

- Update of labor laws;
- Need for a well-educated labor force;
- Opening the social system to foreign culture; and
- Improving productivity and strengthening performance.

Human Resource Management among Pinoy SMEs

A recent study by Binghay (2012) sought to describe and understand how human resource management is practiced among MSMEs in the country. Overall, HR management among these establishments were found to be poor due largely to poor leadership, a lack of comprehensive HR strategy, and the absence of working HR structures, systems and

processes. The study also showed how people management differed among micro, small and medium enterprises.

For the purposes of discussion, this paper will focus on small and medium enterprises (SMEs) under the assumption that these organizations will be the ones most affected by the free flow of laborers resulting from the ASEAN integration, compared to micro enterprises, which already operate with less people to begin with. As former National Economic and Development Authority (NEDA) Executive Director Cielito Habito (2013) puts it: "It's not [the micro] enterprises that we want to depend on for long-term jobs for our workers." This also serves as the primary limitation to this study.

To begin with, Bingham (2012) found that many small enterprises do not have a working HR department. Human resource functions are often farmed out to other individuals within the organization, usually a *katiwala* whom the owner trusts. A number of medium enterprises, on the other hand, do have an HR department in place, but it is often relegated to dealing with transactional activities such as attendance-monitoring and payroll, records-keeping, and employee discipline. Given the situation, it was also revealed that companies do not have a systemic data-recording system; some still rely on old paper-filing systems with no electronic backup. Data useful for planning are lacking or cannot be efficiently utilized to plot the course of the company.

Generally, HR management is viewed as a luxury or a mere suggestion that SMEs can do without. As such, people management among SMEs lacks the proactivity that would protect the interests of both employers and employees in the long run.

For one, organizational plantilla were found to be either bloated or bulimic and unresponsive to the needs of the business, due largely to the dearth in manpower planning. Organizational structures among SMEs are un-rationalized, with no clear division of labor. Employees experience workload imbalance. Some are overworked while a number are doing far less, thus causing inequity and demoralization among the ranks.

Another aspect of poor people management can be observed at the recruitment and selection process. When done right, this particular

stage is when the company can showcase what it can offer to potential recruits in order to attract the best individuals for the job. It was noted, however, that in the Philippine setting, this crucial process is relegated to mere formality. Many enterprises do not establish job competencies prior to conducting people-sourcing and selection. The lack of thorough evaluation of a candidate leads to job mismatch among many employees in SMEs. Furthermore, new employees become overwhelmed by the new environment because of poor employment on-boarding and lack of orientation. Expectations such as work standards are not clearly stated.

In addition, the study revealed that some employees begin their duty without even signing a contract. Workers in medium-sized companies, especially, find themselves signing vague contract terms that do not define the period and type of employment, i.e., regular, probationary, casual, etc. In extreme cases, less schooled individuals sign contracts written in English without receiving clear explanation about the content. Contract-signing becomes another mere formality when it is supposedly the crucial, hard evidence of the expected relationship between employer and employee.

The study also showed the low investment in training and career development. Many traditional employers view this as too costly and as an extra expense for the business. Also, because many of the workers hired are temporary or casuals, owners would rather forego investing in learning and training for their employees, since the latter would leave the firms anyway after their short stints. For the lucky few whom companies do send to trainings outside, there is little follow-up about the lessons learned, little worksite application of new knowledge, and almost no analysis of its impact. Sadly, supervisors and managers who run SMEs do not possess the skills to properly coach, counsel and mentor their subordinates. Weak middle management has been noted in organizations whose leaders do not see such endeavors as part of their key result areas or have even had any formal management development sessions.

Many long-time employees often find themselves in a career plateau. Career “growth” becomes a matter of who stays the longest. Performance evaluation is mostly subjective (e.g., based on impressions and *palakasan*). Managers and supervisors in SMEs were found to have come from the

ranks, although many were promoted without a thorough assessment for fitness. Productive workers and key talents with high potential, meanwhile, do not have systemic career tracks and progression.

But problems lurk even in the most basic aspect of human resource management. Across organizations, pay and benefits are limited to the compliance of statutory requirements. Compliance to the standards set by law is bare and selective. Medium-sized business, which could well afford to give more to their employees, were found to simply offer the barest minimum. Many workers are deprived of basic benefits such as rest days, overtime pay, mandatory enrolment with the Social Security System (SSS), PhilHealth and PAG-IBIG housing loan, paid sick leaves, holiday pay, and 13th month pay. The phenomenon of hiring “permanent casuals” is often used by employers as a loophole to go around labor laws. Workers with less formal education are often taken advantage of by unscrupulous employers.

Furthermore, progression and pay increases become discretionary on the part of the owners. Some medium enterprises have variable pay schemes such as bonuses or incentives, but the formula for allocation is usually vague and subjective, especially for non-production personnel. And because firms do not practice benchmarking, salary and benefit packages are not competitive. The bare minimum becomes the standard for Philippine SMEs. Thus, it becomes inevitable for employees to constantly seek more ways to earn more or find *raket* to increase their income. This leads to people experiencing work-life imbalance, since they are required to work longer hours.

Even worse, unfair labor practices are prevalent among employers. Workplace conditions, especially in the smaller companies, are found to be unsafe and hazardous to the health of employees. Places of work are oftentimes not conducive to productivity. It is not surprising then that many employees hold negative impressions of their bosses. Leadership is generally perceived as coercive, autocratic or paternalistic. Workers are left to follow what the leader says or else suffer the consequence.

Complaints about employers who do not observe due process in matters pertaining to employee discipline and termination are rampant. Because employers deliberately do not regularize their workers—regular workers being the ones more likely to unionize—employees are deprived of

their right to organize and to collectively air their grievances. There is no employee representation because of fear of reprisal such losing their jobs. Many workers also do not have time to unionize because of heavy workloads and the long distances between the job site and their place of residence, which already take much of their time.

There is a general dissatisfaction among employees and frustration among employers in SMEs. Pervasive, not-so-good management practices cause hostilities, which hamper the organization's growth. Time and company resources are wasted, and redundancies in work become prevalent due to the lack of systematic planning and proactive policies. The lack of creativity and innovation among employees on the job lead further to low productivity and poor quality outputs. Instead, more scraps are produced and many outputs rejected.

In the end, the business suffers due to lack of customer orientation. The collective bottom-line is neglected when the very people running and operating the business—employers and employees alike— have unresolved issues and professional baggage to sort out.

This rather dismal state of human resource management in Philippine SMEs cannot continue if they are to compete in the ASEAN regional market. If this is the case among Filipinos, how do we expect to fare once workplace diversity—of backgrounds, cultures, religions, and language—becomes the norm in the ASEAN Economic Community? Given the inhibitions of many in the local business community, should it not be best to begin the preparations by improving how we take care and develop the human assets of a company? This goes back to the basic tenet of human resource management: Take care of the people so that the people will take care of the business.

Competing in the ASEAN

As pointed out in a previous study (Binghay, 2012), company owners and managers play a crucial role in ensuring the welfare of their employees through sound human resource management. The success (or failure) of a company lies in how its people are taken care of. As Armstrong (2010) puts it: "HRM aims to increase organizational effectiveness and capability—the capacity of an organization to achieve its goals

by making the best use of the resources available to it.” In the age of regional integration, companies will have to inevitably keep up not only with enterprises here at home but across the emerging “global network economy” (Leong & Jarmoszko, 2010).

The single ASEAN market means that Filipino entrepreneurs and managers will have to compete with their Singaporean, Malaysian, Bruneian, Thai, Indonesian, Vietnamese, Lao, Cambodian, and Burmese counterparts. Those on top of the management chain now face this question: What will make their company the choice among the vast market of Southeast Asia? More importantly, how will their company thrive, even survive, given this new reality?

In this highly globalized environment and with the recent spates of economic recessions in various parts of the globe, companies and employees alike have begun to rethink their status and strategies to endure the situation. Increased globalization in the new millennium has also increased multiculturalism in the workplace. Advancement in technology has broken the “brick and mortar walls,” making it possible to have office colleagues from halfway across the globe. Companies are challenged to question or change their assumptions and views on diversity within the organization (Easley, 2001).

Almost three out of four employers (72%) had difficulty attracting critical-skill employees; nearly three out of five (56%) find difficulty retaining them (Towers Watson, 2012). This 2012-2013 Global Talent Management and Rewards Study found out that 72 percent had problems in attracting critical-skill employees, while more than half (56%) had problems in retaining them. A “theme of renewal” (Sejen & Yates, 2011) among employers persist whereby companies innovate their talent and rewards programs given that circumstances force them to freeze hiring and salaries, reduce bonuses, and continue layoffs. Concurrently, employees seek security, stability, and opportunities to earn more, though not necessarily in their current organization. This creates a situation wherein companies seek to preserve their best employees while employees look out for what is in it for them, and thus the need for companies to create an employee value proposition to attract, reward and retain talent.

Employee Value Proposition and the Employment Brand: Being the Best to Attract and Retain the Best

Simply put, a company's employee value proposition (EVP) refers to "the experience offered by an employer in exchange for the productivity and performance of an employee" (Sejen & Yates, 2011). The EVP also refers to the "employment deal" between the employer and employee, "the give and the get" that will define their relationship (Towers Watson, 2012).

It is a human resource strategy that has undergone much evolution throughout the centuries. Frauenheim (2012) traces the roots of these "agreed-upon rules for the bargain struck between workers and organizations" from the employment deals of the Industrial Revolution, which was marked by hazardous working conditions and often violent clashes between workers and capitalists. Later on throughout the 20th century, after periods of unrest and wars, a more paternalistic approach emerged wherein employee satisfaction became the primary emphasis among companies, but to the detriment of quality and productivity. In the late 1970s and through the 1980s, a more profit-oriented mindset emerged. Layoffs became common as a management strategy and business performance became the key determinant of employee performance.

Today, a middle ground between employee satisfaction and earning profit is being sought. Whereas the corporate bottom line remains the end goal of a business organization, the EVP strategy forces firms to focus on the needs of the people as well, including how they structure jobs, pay their people, advance them, and measure performance (Ruebusch, 2002). In addition to projecting a position of power in the marketplace, Ruebusch (2002) believes that companies should also answer the following questions:

1. Is attracting and retaining talent one of your top initiatives?
2. Are you actively recruiting top talent even if you do not have a current opening in your department?
3. Does your firm have a winning recruitment strategy?
4. Do you spend time and money in developing your talent pool?

5. Does your company have a living, breathing and well-defined corporate culture?
6. Do you appropriately deal with exiting under performers?
7. Does your company use feedback with employees, hold people accountable and provide coaching and support to optimize performance?

Lowe and Schellenberg (2002) puts the situation even more simply: The ultimate goal of companies is to be the employer of choice. Citing previous studies, they showed that employees seek intangible rewards from their work more than economic compensation. It turns out that respect, interesting work, a sense of accomplishment, good communication with co-workers, and work-family balance were deemed more important than pay, benefits and security. They further stipulate that employers who can deliver on these values and expectations in their companies find it much easier to recruit and retain staff than those who do not.

Effective EVP can increase a company's pool of workers up to 20 percent (Kourdi, 2009). Under the modern market setup, EVP is an effective strategy in attracting younger, more technologically-skilled workers. It helps instill the value of the work the company does, as well as the rewards and opportunities that working for the organization provides. Employees' skills are advanced through formal and informal trainings provided for by their employer. A company can also position itself not only through its products and services but also through word-of-mouth testimonials by former and current employees alike.

EVP as a human resource tool also draws on concepts and framework from marketing, essentially "selling" the company's reputation to a specific market: employees and potential recruits. Closely related to the EVP is the concept of **employer brand**—"the package of functional, economic and psychological benefits provided by employment and identified with the employing company" (Amber & Barrow, 1996, as cited in Barrow & Mosley, 2005). Sometimes, a good employer brand is all it takes to attract the best. A company may not necessarily be the best place to work for per se, but it can build a reputation that brings in potential employees. By showing that working for the firm can be a source of personal pride and social status, companies can actually take advantage of their brand's **attractiveness** as the place to be (Bell, 2005).

Mangold and Miles (2005) demonstrated that successful employee branding reduces employee turnover, enhances employee satisfaction, produces higher levels of customer satisfaction, and creates a favorable reputation among stakeholders. They add that communicating this brand to employees is important. The organization's mission, values, and desired image must be clearly conveyed to the employees. Companies should also state what they expect from their employees in terms of behavior and value system. To effectively communicate such brand, message transmission should be proactively designed, frequently delivered, and consistent.

Essentially, it is through this brand that companies can build up their reputation, their core values, their competencies, etc., and offer a unique selling point both within and beyond the borders of the organization. The employer brand is synonymous to talent management; hence, Jain (2013) purports that once employees understand the company's goals and are clear about what is expected of them, they would be in a better position to become good brand ambassadors for the organization.

The Relevance of EVP and the Employment Branding Today: How to be the Best

Value propositions provide more opportunities for the alignment of an organization's values and in stabilizing the relationships within an organization's network (Frow & Payne, 2011). In order to do so, it is important to engage all stakeholders, from the top managers to staff of different departments, and even other external groups such as government and regulatory institutions. Five key steps are suggested:

1. **The various stakeholders should be identified.** These include those within the organization (managers, supervisors, staff), the customer markets (buyers, intermediaries, consumers), suppliers and allied service providers, potential employees and recruits, and influential external groups (media, government, regulatory institutions). Classifying the various stakeholders involved helps in developing strategies to build relationships

with them. It is also important to note that an individual may be part of more than one stakeholder group.

2. **Companies should determine their core values.** Organizations should distinguish between profit maximization and increasing company value. Profit maximization may be in tension with other company values. On the other hand, a norm to increase company value is less likely to produce tensions within the firm because value does not only include profits but also the intangible value of brand equity.
3. **Enterprises should facilitate dialogue and knowledge-sharing among all relevant stakeholders.** Extensive communication and dialogue are critical in the co-creation of value. Collaborative capacity or the ability to work openly with other groups, as well as absorptive capacity or the ability to take in new information, are two crucial “mega-competences” that facilitate this process (Lusch, 2006, as cited in Frow & Payne, 2011).
4. While collaborating, it is also important to **identify value co-creation opportunities**, actively engaging customers as well as non-customer stakeholders, including regulatory bodies.
5. Finally, within a network of stakeholders exist conflicting interests; it is a key role of the enterprise to recognize and manage these differences. **Co-creating stakeholder value propositions** enhances relationship and secures benefits for the firm and key constituents.

The example above provides a comprehensive approach in relation to various stakeholders. **Communicating** core values was emphasized as key in establishing such relationships. This paper, however, is more concerned with the internal human resource management within firms. As such, it is also suggested that companies pay attention to basic categories (Anonymous, 2007) that “seal the deal,” so to speak. **Leadership** is “the single most powerful feature” that draws and keeps employees. The company’s **reputation and corporate values** can also boost one’s willingness to go the extra mile in their work. The fulfilment from the daily grind of **the job itself** is another deal breaker. Needless to say, the **rewards and benefits** (both tangible

and intangible) can entice people to stay or drive them to leave the company. These categories provide a measurable benchmark in giving companies insight into how productivity and working conditions affect the bottom line.

One important approach that could improve an organization's value proposition, and conversely, its overall human resource management, is the so-called **total rewards strategy**. Consulting firm World at Work (2011) elaborates on leveraging the firm's compensation, benefits, work-life balance, performance and recognition, and providing opportunities for career development. This serves as the backbone in answering the question potential recruits want to know about but are too afraid to ask: "What can I get from you?" The EVP framework maximizes on what a firm can "give" so it can also maximize what it can "get," and at the same time, take care of the very people who are supposed to take care of the company as well.

These best practices can, and should, be incorporated in the overall employee branding. At the heart of this process is **reputation management**. In this interconnected world we live in, anyone can talk about anyone at any time convenient. From informal conversations in the workplace to discussions among potential stakeholders outside the organization to the general public with access to the business press (Graeme et. al., 2005), a company's reputation can be under scrutiny in more places than one can imagine. A good company must be able to maintain its reputation from within the halls of its office to the outside world in general. Sound human resource management, as communicated by the EVP, not only projects a positive image externally but also creates a strong positive psychological identity internally for organizations.

Crucial to communicating one's EVP and branding is the **message audit process**. Any strategies, plans or messages—both formal and informal—that are to be executed or released must be thoroughly reviewed. Corrective measures must be immediately undertaken should any inconsistencies come up. Advertisements and public relations tactics must be aligned with the overall brand. Likewise, management's decisions and actions must also be reviewed so that messages, expectations and actual practice are consistent and coherent to the overall brand and value proposition (Mangold & Miles, 2007). This latter point is vital; leaders are expected to lead by example. It cannot be overemphasized

that leadership is a make-or-break in delivering the effectiveness of an EVP. Tough decisions have to be made when necessary. Promises have to be fulfilled. Expectations have to be managed. A leader is expected to deliver; he/she walks the walk and talks the talk.

The rise of small and medium enterprises (SMEs) has ushered in a more democratized form of doing business. Entrepreneurship is no longer just relegated to conglomerates or to a select few. It is in these SMEs that we see a more personalized version of businesses. This is where we see innovation, hard work, vision and determination at its prime, more down-to-earth. Here, we see the more human aspect of enterprise. More than meeting the bottom line, sustaining an SME entails building and maintaining an organization of individuals who will share the same vision for, and mission and values of one's company. This is where the EVP and good human resource management comes in.

As stated earlier, human resource management is premised upon taking care of the individuals who will be taking care of the company. It is a paradigm that allows for corporate growth while addressing human needs. The EVP communicates just that. It states what the company is built on, what it stands for, and what it dreams of becoming. It is the deal entrepreneurs make with potential recruits, with their employees, and with the world at large. It is a promise to give the best for those who are willing to do the same for the company. Towers Watson (2013) reported that successful EVPs were still business-oriented (i.e., financially successful) but employee-focused, able to provide a comprehensive and balanced work environment with good benefits, thereby making them stand apart from their competitors, outshining them even.

Philippine SMEs can also stand apart from the rest. Many still do not have working HR systems and process in place, let alone an EVP, but they are not alone; they are in the same state of affairs as companies across the globe. Less than half (43%) of companies consulting firm Towers Watson (2013) surveyed all over the world do not have long-term EVPs in place, and thereby miss out on a "golden opportunity." Incorporating such will not necessarily be easy but it is very much doable, and doing so will reap benefits in terms of quality hiring, employee retention, healthy work environment and good customer relations. Recent developments all over the world, particularly in the

ASEAN, have provided an opportune time for SMEs to rethink their strategies as they move forward.

Moving Forward to ASEAN 2015

The single market economy the ASEAN Economic Community envisions will set the stage for the future of Philippine SMEs. A single market economy will open the country, as an active member of the ASEAN, to more and more global markets, starting with our neighbors in the region. It will also usher in new responsibilities for Filipinos, who will be welcoming other peoples of different backgrounds and nationalities to their workplace. Indeed, 2015 will be exciting for Philippine SMEs. Diversity is expected to grow more. In an already diverse nation like the Philippines, enterprises should also consider the impact of cultural differences on the perception of job and work characteristics, rewards and benefits, and the corporate image they wish to project (Gowan, 2004).

Standards, however, have been set in preparation for growing integration. Freedom of association and the right to collective bargaining are fundamental rights recognized by the ASEAN. Mutual trust and respect among employers and employees, as well as bipartite cooperation and collaboration, are guiding principles for industrial relations in the region. "Labour is not a commodity. Workers and employers have the right to pursue both their material well-being and spiritual development in conditions of freedom and dignity, of economic security and equal opportunity," the ASEAN declared in its *Guidelines on Good Industrial Relations* (2012). This serves as the promise governments of the ASEAN make to ordinary workers and employers alike, in light of the upcoming integration.

There is still the need to up our game, so to speak. Sound human resource management practices and systems must be set in place among Philippine SMEs as the market continues to expand and competition invariably rises. The employee value proposition and employer branding, among other strategies would provide not just increased marketability and reliability for companies, they would also institutionalize mechanisms that will look after the wellbeing of people within the organization, lessen conflict and catalyze growth.

Philippines SMEs, especially those that are set to benefit much from the integration (e.g. BPOs), will have to stand out from the competition. A well-communicated brand and a handsome EVP can help make such businesses become the choice among our neighbors. It will help draw in potential recruits not just here in the Philippines but also from abroad. It will also help retain critical and skilled employees as a healthy competition for talent will surely rise, with competitors coming from beyond our shores.

There will also be the need to look after individuals of different backgrounds and value systems. The Philippines is Christian; Malaysia, Indonesia, and Brunei are Muslim; and Thailand, Laos, and Cambodia are Buddhists, while Vietnam is supposed to be communist and worship no God at all. Increasing globalization means adapting to different cultures. A strategic HRM system has to introduce managers and employees to different cultures and customs in the Southeast Asian region (Jianxin & Zhengping, 2009).

There will be a need to manage expectations and to realign similar goals. A good EVP can help facilitate the process of managing expectations and a harmonious relationship among a diverse workforce. After all, “managing diversity means managing people’s differences and recognizing these differences as valuable; it enhances good management practices by preventing discrimination and promoting inclusiveness” (Ayub et al., 2013). Laying out “the give and the get” for both employer and employee will harmonize the relationship at the onset. It will also concretize the guidelines that will serve as basis for a harmonious relationship.

The free flow of skilled labor is a strategy of ASEAN to hasten the AEC’s aim of a single ASEAN market. On the other hand, most intra-ASEAN migrants are unskilled workers. The development of free skills mobility is slow and uneven because of the difficulty to adapt domestic policies and regulations to the challenge. Still, the growing interdependence of ASEAN member-states encourages the need to facilitate skill mobility, a more open ASEAN-wide skilled labor regime (Sugiyarto & Agunias, 2014).

According to Darilay (2014), with increasing mobility, workforce diversity also increases. HR managers must apply workforce/talent

segmentation to take differing cultural attributes into account. A one-size-fits-all strategy cannot apply in a widely varied market. Such requires new employee skill sets, a global mindset, and strong interpersonal skills to deal with diversity (Darilay, 2014). He added that rewards and benefits competitiveness will emerge to be important among organizations.

The ASEAN integration will no doubt bring about change. The first steps will be difficult but will pay off in the long run. As such, there is a need for companies not only to raise their standards but to also ensure that such standards will be pliant, as much as they are reliant. Thus, management should also be ready to bend with the winds of change. It is important to note that the EVP strategy, just like human resource management, is a continuous, dynamic process. It does not begin and end upon hiring. It continues well into employment and up to the end of terms. It also provides companies the leeway to regroup and re-strategize every now and then, but at the same time hold on to their core values.

Darilay (2014), citing a recent Towers Watson study of HR trends, said that less than half of the companies surveyed had long-term plans on how to get the most from their EVPs. But in the midst of a changing workforce in ASEAN, employers have to force themselves to review their EVPs and match their messages to stir up attraction and commitment among the key talent segments. Organizations need to have a compelling rewards program aligned with the different key talent segments and overall business objectives. In this case, a compelling One Southeast Asia EVP will grow in importance.

Under such circumstances, leadership becomes all the more important. Philippine SMEs will need owners and managers who have a clear vision, who are willing to make difficult decisions and, at the same time, who will actually lead their organization through a crucial transition in this period. They will have to look after their businesses, but they will also have to look after the very people who will contribute to the success (or failure) of the enterprise.

Indeed, how interesting it is to see that, as the world gets bigger, borders become blurred, and systems become more and more complex, the best business strategy to welcome the changes ahead boils down

to the basics: Have a clear head, honor your word, and hold on to the values you hold dear.

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