

## **People Management Practices Trends in Micro, Small and Medium Enterprises in the Philippines**

Virgel C. Bingham<sup>\*</sup>

### Abstract

Micro, small and medium enterprises (MSMEs) have contributed to the economic and social advancement of many countries all over the world. This is especially true for developing nations like the Philippines, where MSMEs not only comprise almost all business establishments but also a bulk of its workforce. While institutional support has been set in place by government, challenges still remain for many MSMEs, particularly with regard to human resource management (HRM) in these establishments. Related literature reveal that HRM practices in these enterprises are often overlooked. This study primarily focuses on the poor people-management practices and policies, or the lack thereof, among MSMEs in the country. Stakeholders, particularly managers and workers, should pay heed to the poor HRM in these establishments, and improve on them in order to fully harness the potential that MSMEs offer.

**Keywords:** MSMEs, human resource management, HR practices, Philippines

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<sup>\*</sup> Dr. Virgel C. Bingham is associate professor and coordinator of the Graduate Studies Program of the School of Labor and Industrial Relations, University of the Philippines. E-mail: phdbingham@yahoo.com.

## **Introduction**

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. For developing countries especially, the expansion of MSMEs is vital to overcoming poverty and inequality by integrating these nations to the global economy.

A few years into the new millennium, the United Nations Industrial Development Organization (Raynard & Forstarter, 2002) estimated that over 90 percent of businesses worldwide are MSMEs, which 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, even among some of the most impoverished and vulnerable sectors of society (i.e., women), encourages innovation and serves as a foundation for long-term dynamic growth.

Thus, the need to develop MSMEs cannot be emphasized enough. The Philippines, as a rapidly developing country, has much to gain from cultivating a healthy climate for MSMEs, one that would be beneficial to both entrepreneurs and workers. In this regard, this paper looks into the present state of Filipino MSMEs, paying particular attention to how these businesses manage their human resources—the people who serve as the backbone of these enterprises.

## **The MSME in the Philippine Context**

In simplest terms, MSMEs can be described either by the size of the business, as indicated by its total number of employees, by its total assets, regardless of it being a single proprietorship, a partnership, a corporation or a cooperative.

In the Philippines, Republic Act 6977 or the Magna Carta for Small Enterprises, which was first enacted in 1991, defines medium enterprises as those that have no more than P20 million in assets, and loosely used the term “small enterprises” to refer to those that cost P5 million or less. This has since been amended twice, taking into account inflation and other economic indicators: in 1997, when the total assets ceiling was raised to P60 million, and in 2008 to its

present definition, with the ceiling raised further to P100 million. The law was also renamed the Magna Carta for Micro, Small and Medium Enterprises, reflecting more recent trends.

Another way to describe MSMEs is through the number of personnel these businesses employ. Micro enterprises need only less than 10 employees to function; small enterprises less than a hundred; and medium enterprises less than 200.

Thus, MSMEs in the Philippines can be identified as any business activity or enterprise with assets of no more than P100 million and with less than 200 employees.

Yet, these relatively lean MSMEs play a large role in boosting the economic growth of the country. Data from the Department of Trade and Industry (DTI) shows that as of 2011, 99.6 percent of the 820,255 registered business enterprises operating in the Philippines were MSMEs. Of these, an overwhelming majority, or nine out of ten (91%), were micro enterprises.

Table 1. Registered Business Enterprises in the Philippines

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

Source: Department of Trade and Industry (DTI). Micro, small and medium enterprises (MSMES) statistics (n.d.). Retrieved July 25, 2013 from <http://www.dti.gov.ph/dti/index.php?p=321>

Findings by the DTI also reveal a wide distribution of the 816,759 MSMEs in the country. Whereas most are found in the wholesale and retail trade and the repair of motor vehicles and motorcycles, small-scale entrepreneurs have also wagered on an extensive range of industries, from manufacturing to an array of services, including health, food, information, and communication, among others.

Table 2. 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 (DTI). Micro, small and medium enterprises (MSMES) statistics (N.D.). <http://www.dti.gov.ph/dti/index.php?p=321> (Date Accessed: July 25, 2013).

In addition, MSMEs provide the bulk of our country's labor force: six out of ten (61%) jobs in 2011 were generated by MSMEs. Of these, 28 percent were provided by micro enterprises, 25.9 percent by small enterprises, and 7.1 percent by medium enterprises. That year, a total of 3,872,406 Filipinos found work in MSMEs, compared to the 2,473,336 in large enterprises, with a majority found, again, in wholesale and retail trade and motor vehicle repair.

Table 3. Employment Generated by Business Enterprises in the Philippines

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

Source: Department of Trade and Industry (DTI). Micro, small and medium enterprises (MSMES) statistics (N.D.). <http://www.dti.gov.ph/dti/index.php?p=321> (Date Accessed: July 25, 2013).

Table 4. Top Five Employment-Generating Sectors among MSMEs

Sector	No. of establishments
Wholesale and retail trade, repair of motor vehicles and motorcycle industries	1,313,051
Manufacturing	648,592
Financial and insurance services	193,081
Accommodation and food services	539,319
Education	234,394

Source: Department of Trade and Industry (DTI). Micro, small and medium enterprises (MSMES) statistics (N.D.). Retrieved July 25, 2013 from <http://www.dti.gov.ph/dti/index.php?p=321>

Recognizing the role these micro, small and medium enterprises play as the backbone of the economy and the seedbed of entrepreneurial spirit led to the enactment of the Magna Carta for MSMEs. This law not only defined what these enterprises are but also created a MSME Development Council and stipulated mandatory lending to these businesses. In addition, it also set up four guiding principles in developing these enterprises: a minimum set of rules and the simplification of procedures to be followed by these establishments; encouragement of private sector participation; coordination of government efforts; and decentralization. Other laws created have also benefited the development of MSMEs (Salazar & Tan, 2009).

At the helm of MSME development in the country is a Council composed of five Cabinet-level departments, the Small Business Corporation, and representatives from the private, labor and banking sectors. The Department of Trade and Industry (DTI) is the lead agency in promoting policies responsive to the needs of MSMEs.

In addition to trainings and technical assistance, MSMEs in the Philippines can also avail of financial assistance and incentives from government. Another law, Republic Act 9178 or the Barangay Micro Business Enterprises Act, guarantees tax exemption, relaxing of the minimum wage law, and priority to special credit windows in designated funding agencies, provided that such businesses are duly registered with the DTI. Institutional support down to the grassroots through the local government units is also mandated, along with the necessary legal protection guaranteed by other relevant laws. An

MSME Development Plan is currently in place to address the medium and long-term goals for improving the sector.

The institutional and legal framework in place for MSMEs not only forms a necessary safety net for enterprising citizens but is also a recognition of their importance in nation-building. MSMEs not only create employment, boost the personal wealth and talent of entrepreneurs, and become sources of investment and revenue; they also promote stability in communities by allowing more people to participate in the economy, and pose relatively less environmental harm than big companies. At the macro level, these establishments are vital engines of the economy that stimulate growth in rural areas, and are able to penetrate non-traditional markets. Some of these enterprises that deal with clients abroad can also earn foreign exchange (Sabularse, 2006).

While the government can be lauded for putting up a support system to help the country's MSMEs, there appears to be a lack of a thorough, coordinated effort in implementing the established structural safeguards. Thus, local small-scale entrepreneurs still face a variety of challenges, despite the vibrant business climate and the assistance provided by the public sector.

### **Challenges and Outlook of the Pinoy MSME**

MSMEs allow for ordinary people, with little formal background in business, to actually start an enterprise with minimal capital. As such, many families and individuals have benefitted from putting up their own enterprises in their own respective communities. The 2011 data from the DTI show that MSMEs already exist in each of the country's 17 regions.

However, a closer look at the numbers reveals that 63.1 percent of MSME establishments are concentrated in the National Capital Region (also known as Metro Manila), the CALABARZON Region, Central Luzon, Central Visayas, and Western Visayas. More than a quarter (25.8%) alone are located in Metro Manila. These same regions also account for 71.4 percent of jobs generated by MSMEs in the same period, with Metro Manila, again, on top with more than a third (37.2%) of all employment. Interestingly, these same regions have been characterized by relative wealth and a large urban population. They also lead the rest of the country with the highest employment

rates and some of the lowest poverty incidence rates among the regions. They are also home to almost all of the highly urbanized cities in the Philippines with superior infrastructure and easier access to government services.

While MSMEs have proven to be vital economic boosters for individuals and communities alike, 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. Both the Magna Carta for MSMEs and the Barangay Micro Enterprise Law intend for local government units to support enterprising individuals in their own respective communities. Sadly, the poorest regions in the country also have the least number of operating MSMEs.

The figures above support Habito's (n.d.) assertion that the weak support at the local level constrains growth for SMEs. He also adds that cumbersome government procedures and requirements from the bureaucracy make starting a business difficult. Habito also warns, however, that other overarching issues need to be addressed, such as lack of organization among SMEs, weak entrepreneurial and management skills, and low labor productivity stemming from poor education, among others.

Salazar and Tan (2009) purport that Filipino SMEs are "ripe to do business" globally, albeit with some improvements needed. They suggest that in order to continue conducting globalized business, SMEs must adapt by applying the following: an "environmental mindset" through the adoption of cleaner technologies to comply with global prescriptions; the alignment of products and processes with international standard nomenclature and tools of the trade (e.g., implementing ISO 9000 standards, continuous benchmarking, etc.); the constant improvement of quality, building up on technology, productivity, innovation and partnerships; the full utilization of e-commerce; and the imperative of dealing with recurring human resources issues, such as family-related difficulties (especially with family-run businesses) and high labor turn-over among these establishments.

The above-mentioned studies, backed by government statistics, provide an overview of how Philippines SMEs fare and what challenges lie ahead. However, it is interesting to note that both seemed to have overlooked micro enterprises by separating them from small and medium enterprises.

While Habito (n.d.) and Salazar and Tan (2009) presented the institutional and structural problems faced by SMEs, there was a tendency to become too prescriptive in defining such difficulties, and thereby underestimating the personal dimension in operating these establishments. Both did raise various human resource issues, such as lack of education and training and low level of productivity, but only mentioned these in passing. From a human resource management perspective, however, these challenges should be the priority issues to be addressed, since taking care of people encourages them to take care of the business.

This provides a research gap which this study intends to fill, with the intention of further understanding the state of human resources management among MSMEs (including micro enterprise) in the country. In order to address the weak management skills among entrepreneurs and the lack of education that hampers productivity, as Habito (n.d.) pointed out, and the recurring HR issues observed by Salazar and Tan (2009), the following questions are hereby raised:

1. What are the typical structures of HR in the MSME setting?
2. What are the not-so-good people-management practices among MSMEs?
3. What are the outcomes of such people-management practices?

In answering these questions, the author hopes that both entrepreneurs and workers alike will truly benefit from the potential that MSMEs can bring to Filipinos.

### **Taking Care of People: Human Resource Management in MSMEs**

While there are many facets to successful business management proper accounting, marketing, finance, etc.—this paper argues that the particular field of human resource management (HRM) might be undervalued as a tool for building a better organization. Several studies (McElwee & Warren, 2000; Collins, et al., 2004) found that many managers of small and medium enterprises have little to no human resource management policies, which prove detrimental to the conduct of their businesses. It is therefore of significance to examine how HRM contributes to business development.

As defined by Armstrong (2006), HRM is a strategic and coherent approach to the management of workers in an organization, which is essential to strengthening the human capital of any business. Having in place a system of human resource policies and practices can enable an organization to effectively capitalize on its people.

**HRM goals.** The overarching objective of HRM is to improve the performance of a business through the collaborative effort of its workers. This requires the proper management of the socialization processes within a workplace (Binghay, 2005). Caldwell (in Armstrong, 2006, pp. 10-11) identified several policy goals with regard to the effective management of human capital:

1. Managing people as assets that are fundamental to the competitive advantage of the organization;
2. Aligning HRM policies with business policies and corporate strategy;
3. Developing a close fit of HR policies, procedures and systems with one another;
4. Creating a flatter and more flexible organization capable of responding more quickly to change;
5. Encouraging team-working and cooperation across internal organizational boundaries;
6. Creating a strong customer-first philosophy throughout the organization;
7. Empowering employees to manage their own self-development and learning;
8. Developing reward strategies designed to support a performance-driven culture;
9. Improving employee involvement through better internal communication;
10. Building greater employee commitment to the organization;
11. Increasing the management responsibility for HR policies; and
12. Developing the facilitating role of managers as enablers.

Broadly, these goals are concerned with employees as both resources and people—their skills and on-the-job development, as well as their behaviour and adherence to the organization's business philosophies. The interrelationships among co-workers, as well as

with their superiors and employers, are also an integral part of human resource management. Proper HRM is supposed to improve teamwork, cooperation and internal communication, which in turn would lead to greater employee commitment to the organization.

Thus, the aims of HRM can be summarized as the strategic integration of workers into an organization, and the empowerment of employees through internal mechanisms that facilitate self-development and learning. Both objectives are ultimately beneficial to any company, as more harmonious relationships and a feeling of belonging, and the improvement of individual skills and character, encourage productivity in the workplace.

**HRM processes.** To achieve these goals, HRM involves several processes within an organization: manpower planning, recruitment and selection, training, career development, performance management, organizational development, development of a reward system composed of a combination of fair compensation and benefits, and the mediation of employee relations.

Thus, from the very establishment of a business, human resource management must already be in play. One of the first considerations is the hiring of workers. How many people do I need? What kind of people do I need? These are questions human resource managers must answer as part of manpower planning. Armstrong (2006, pp. 363-367) asserted that human resource planning is integral to effective business planning, based on the idea that “people are an organization’s most important strategic resource.” He categorized the process of manpower planning into three main steps: (1) demand forecasting, or the determination of future needs; (2) supply forecasting, or the determination of the future availability of workers; and (3) planning, so that the demand for people will match the supply. Thus, this process encompasses such tasks as internal resourcing (looking within the organization for suitable workers), drafting of a recruitment plan specifying where and how workers will be sourced, as well as setting the incentives for employment, such as remuneration and working conditions, among other benefits and opportunities.

Once a detailed plan has been composed, human resource management then shifts its focus to the actual process of recruitment or staffing. This involves attracting, selecting and obtaining at minimum cost the number and quality of employees needed to satisfy the needs of the company. Through invitation, posting of job

vacancies and headhunting, recruiters and hiring managers seek out potential workers who possess skills and potentials that would benefit the business. Eventually, all applicants are subjected to a battery of interviews and other forms of assessments to determine who would be the best fit. Lastly, hiring managers must negotiate and prepare contracts to ensure that both employer and newly hired employee agree on the terms of employment (Armstrong, 2006, pp. 409-411).

Recruitment is only the beginning, however. Good workers are hired, but an organization must mould them into better ones through behavioural and technical training and career development. Armstrong (2006, pp. 533-537) defined human resource development (HRD) as a "business-led approach to developing people within a strategic framework." Simply put, HRD entails providing people opportunities that would cultivate not only individual skills and competencies, but also performance within a team and the company. Personal growth thus equals personnel improvement, where a person's career and the training necessary for continuous development are planned in accordance with business strategies and objectives. Opportunities for learning also serve to motivate workers to join and stay in an organization. By investing in training employees, a company ensures that there will always be a line of succession for vital positions. Workers, meanwhile, are assured of a secure career path.

Another facet of human resource management that is tightly connected to resource development is performance management. Providing opportunities for growth comes with the expectation of improvements in job performance. Thus, HRM also involves monitoring employee outputs vis-à-vis company objectives and standards expressed through key performance areas likewise key performance indicators. This process of performance management, according to Armstrong (2006, pp. 495-502), is a means of getting desired results by monitoring, measuring, correcting and evaluating job performance of the worker within a framework of requirements. Effective performance management is a joint responsibility between HR and line managers that ensures the maximum utilization of human resources and consequently, a greater probability of meeting set goals.

Performance management, however, is only one of several tools used to change processes, culture and behaviour in an organization. Another approach is organizational development (OD), which is the planning and implementation of interventions or programs necessary

for an organization to operate effectively and responsively to its environment both external and internal. “Organizational development is more concerned with process, with the way things are done rather than what is done” (Armstrong, 2006, p. 338). Essentially, OD is meant to effect total systems change through the introduction of new structures, technologies, and strategies, with the intent of increasing competence and effectiveness in the organization to adapt to its environmental context.

Another process in HRM—arguably of most immediate importance to employees—is to manage the system of compensation and benefits to shape the desired behaviour of the organizational members. For workers, a reward system provides a sense of fairness, equity, competitiveness, consistency and transparency, and provides assurance that people are being paid what they deserve. For organizations, on the other hand, effective reward management results in a more positive employment relationship, develops a performance culture, and reinforces the values it wants to pay for (Armstrong, 2006, pp. 323-324).

HRM serves to moderate employee relations. Armstrong (2006, pp. 751-761), however, stressed that human resource managers do not directly regulate employee relations—this is a job for line managers and supervisors, and are conducted on an informal, day-to-day basis. From an HR perspective, employee relations is limited to maintaining participation and involvement in internal communications, including the resolution of grave conflicts and issues that may ensue in the workplace. HR managers develop an atmosphere that will help achieve workplace harmony and peace conducive to promoting productivity, quality and sustainability. They are concerned with designing and implementing programs that will result in a healthy working climate, one that motivates and engages people to remain committed to both their work and their workplace.

Overall, the management as well as the proper utilization of talents within the organization (Binghay, 2009) is the primary concern of any HR practitioner. Such are prerequisites to promoting organizational excellence, characterized by a robust, agile and innovative corporate culture.

**The role of HRM in MSMEs.** Many scholars have already emphasized the need to study HRM in general, citing the changing economy and increasing shortage of qualified labor as additional

arguments. Meanwhile, the growing popularity of SMEs gives greater imperative to the call for extensive research into concepts and practices specific to the nature of these firms (de Kok & Uhlaner, 2001). Aside from their growing number, the risks that confront SMEs are also reason to study them separately from larger enterprises (Banham, 2010). Cardon & Stevens (2004) went further, positing that human resource management concerns, such as staffing, compensation, training and development, performance management and labor relations, have a “profound effect” on the ability of an SME to cope with environmental challenges.

Despite these arguments, there is a noticeable shortage in literature on HRM in SMEs. Harney and Dundon (2006) argued that prescriptive practices are based almost exclusively on information from large corporations. The authors disagreed with the assumption that HR practices in major enterprises have “universal relevance,” suggesting instead that small and medium enterprises should not be measured against the yardstick of bigger companies. Rather, they proposed an open systems approach to studying HR in SMEs, explaining that, because of the very character of these businesses, they are more exposed to social and economic networks that could possibly affect their operations.

Still, there is a growing body of work describing the state of business development, particularly human resources management, in SMEs. In the process, these scholars discovered or developed concepts that may help SME managers in the conduct of their business.

Sanchez, et al. (2011), for example, enumerated a number of advantages specific to SMEs that, if targeted with HR practices equally specific to the size and characteristics of these businesses, would develop favourable outcomes with regard to individual and organizational performance.

Meanwhile, Collins, et al. (2004) established a positive correlation between employee management practices and company performance in SMEs. Through a series of interviews, they determined that almost all employers were aware of the relationship between employee and company performance, but were clueless as to how to change it.

Other scholars focused on approaches to HR practices in these enterprises. An older paper by de Kok and Uhlaner (2001) countered the notion that all SMEs are homogenous in structure and organization. Existing literature had established that HR practices

are generally informal in smaller enterprises because these firms are more susceptible to environmental uncertainties and must therefore be more flexible. The authors, however, proposed that HR practices in small and medium-sized firms may also hold a degree of formality, which could offer benefits not accessible using informal approaches.

McElwee and Warren (2000), meanwhile, focused on the difference between “hard,” or functional, and “soft,” or interpretative, HRM approaches and the advantages each could provide. Their study concluded that an interactive and less controlling method of HRM is more effective in improving the quality of a business.

Globally, many scholars have already cast an academic eye on HRM in smaller organizations. In Pakistan, for example, SMEs are said to be the biggest driving force of the country’s economy. Much like the Philippines, majority of registered businesses are SMEs that employ 80 percent of Pakistan’s non-agricultural workforce. Umer (2012) revealed that, parallel to trends in developed countries, SMEs in Pakistan have only recently gained attention from the academe. His study showed that few of these small businesses had formal HR policies, and that managers’ decisions on employment and training concerns were largely capricious. However, the paper also noted the inadequacy of evidence that personnel performance can be directly affected by HRM practices. However, a later study by Khan, Awang and Zulkifli (2013) found that Pakistani SMEs could not efficiently utilize their human resources, partly because of the incompetent implementation of human resource practices, and also because of the lack of HR practitioners.

Meanwhile, in Hong Kong, a staggering 98 percent of businesses are SMEs. Yuk Fun Young (2009) conducted a survey involving 1,300 Hong Kong-based entrepreneurs. After a quantitative analysis of the survey results, the author discovered that four facets of HRM, namely job analysis, human resource planning, training and performance appraisal, were directly correlated to business success.

**Evaluating HRM in MSMEs.** These processes form the cornerstone of a framework on human resource management, which is beneficial to both employer and employee (in contrast to more traditional models wherein HR is focused only on providing benefits for the employer). This framework emphasizes that human resource outcomes are directly affected by how human resource processes are executed.

Figure 1: Human Resource Management Framework

FOUNDATIONS	PROCESSES	OUTCOMES
	Human Resource Information System	
HR Structures	Manpower Planning Recruitment and Selection	Employee Engagement Customer Focus
HR Policies	Training Career Development	Competitiveness Agility
HR Practices	Succession Performance Management Organization Development Compensation and Benefits Employee/Labor Relations	Innovation

As illustrated in Figure 1, human resource outcomes occur within the sphere of the practices employed by organizations. These practices are in turn developed in line with the human resource policies that the company adheres to. Lastly, the model shows that the combination of policies, practices and outcomes unique to each and every business is bound by a general set of processes that occur within all organizations, specifically: human resource information system, manpower planning, recruitment and selection, training, career development and a system of succession, performance management, organizational development, compensation, benefits, and employee relations.

The framework places equal emphasis on collaboration and customization, a delicate balancing act that aims to give employees the compensation, benefits, continuous learning, sense of community and meaningfulness of work that would motivate them to perform better. In practical terms, the framework reflects the perspective that human resource profitability is intrinsically linked to how workers are valued and managed in an organization.

Thus, using this framework, which is applicable to all types of organizations, the author was able to study how the varied practice of these processes could affect workers in Filipino micro, small and medium enterprises.

### **Research Methodology and Data Sources on HRM in Filipino MSMEs**

Information for the research was taken from the participants of the “Managers Course,” specifically, the module on “Human Resource Management” facilitated by the author. The “Managers Course,” an in-depth 21-day course, is a regular and very popular training program offered for many years now by the University of the Philippines-Institute for Small-Scale Industries. The agenda of the latter is to promote and assist small-scale businesses in the whole Philippines through training, research, and extension.

The author is one of the affiliate faculty members or trainers handling the aforementioned three-day module on human resource management, intermittently from early 2000 up to the present year (2014). Thus, the research data were collected during this time frame.

The total number of respondents in this study is approximately 500, with most of the informants (roughly 70%) coming from the MSMEs. It is important to note, however, that not all participants represented MSMEs; some came from the ranks of government, while others came from large corporations.

Participants came from a wide array of industries, and many were managers from different functional areas of business management, including operations, sales and marketing, finance, information technology, support services, administration, logistics, corporate affairs, and human resources. Other participants were the owners or presidents themselves of their small companies.

In one of the methodologies utilized by the author in running the Human Resource Management module, the participants were divided into small groups to discuss the state of people management in Philippines’ MSMEs. Each small group discussion (SGD) had an assigned leader to facilitate and moderate the sharing of experiences and/or insights, as well as a secretary tasked to document and write the key points on the easel paper. A plenary discussion led by the author followed after each SGD leader had presented the outputs to the whole class.

The information, organized in themes and patterns, gleaned from these SGDs is explained in depth in the next section.

## Human Resource Management in Pinoy MSMEs

How human resource management is handled among MSMEs in the Philippines can be as varied as the different personalities of the Filipinos who run these businesses. The purpose of this study was focused on the human aspect of operating these enterprises, with specific interest in the not-so-good practices that hamper productivity in these establishments. The initial hypothesis was that, going down the line from medium to small to micro enterprises, the quality of human resource management would be sacrificed, and possibly even worsen, at the grassroots level. It was the intent of this study to raise these issues, with the goal of allowing the people behind MSMEs in the country to reflect on how they manage these establishments, and unleash fully the benefits that they provide. During the course of this study, informants openly shared their experiences in HR management and provided insight to the HR challenges that MSMEs in the Philippines face.

**On typical HR structures.** The various SGDs revealed that many businesses, especially micro and small enterprises, do not have a functioning HR department. Similar to those noted in previous studies, HR structures are largely informal among MSMEs (de Kok & Uhlaner, 2001). Oftentimes, the business owner serves as the one-man HR, whose functions are confined to the recruitment and selection of manpower. In some cases, the task is subsumed in the work of select staff, e.g. through a *katiwala* or a right-hand man. While there is no single, dedicated HR department, HR functions are farmed out to individuals in the organization.

A number of small and medium enterprises, however, do have HR departments in place, but these are relegated to dealing with transactional activities, such as attendance monitoring and payroll, benefits administration, records keeping, and employee discipline. This downplays the role of HR into a merely reactive one, wherein “they spend much of their time doing what they are told or asked to do, responding to requests for services or advice” (Armstrong, 2010, p. 21) made by management and frontline managers when in fact, an organization’s HR can play a more proactive, strategic contributor in developing the business overall.

Moreover, in establishments that do have an HR department, as in the case of medium enterprises, the department head does not

report to the company president or general manager but to other functional bosses like Accounting/ Finance or Administration, and thus do not exert much influence to the organization. At worst, people at the top of the hierarchy may not even have any inkling of the worker situation or the state of employee morale.

**On not-so-good people-management practices.** Various studies have shown that good human resource management is a boon to making an enterprise more productive. After all, HR management is geared towards ensuring success of the organization through its people (Armstrong, 2010, pp. 35-36). Adopting good HR practice fosters better relationships, leading to better productivity, with the bottom line of ensuring better profitability. It is important to reiterate that being able to do so entails a dynamic process that begins from hiring to firing. In every aspect where business blends with human relationships, HR proves to be a valuable asset to an organization.

In the course of this research, however, it was found that this is not the case in many of the country's MSMEs. The undervaluation of human resource management is clearly evident in the not-so-good practices seemingly inherent in these enterprises. An added concern is the fact that it appears that these problems emerge in EVERY step where good HR should have been in place and running.

**On HR policies.** A company's HR policy "defines how the organization fulfils its social responsibilities for its employees" (Armstrong, 2010, pp. 57-58). It is this statement or set of statements that codifies the standards and values by which the enterprise treats its people. The HR policy, in essence, also serves as primary basis for what both employer and employees should expect from each other.

In the various SGDs conducted, however, many of the informants admitted that their companies had no formal HR policy set in place. Micro and small enterprises especially lack formal policies on recruitment, selection and placement. They also lack policies and systems for manpower training, compensation packages, and benefits. Medium enterprises, on the other hand, fare relatively better but have incomplete policies set in place with regard to recruitment, selection and hiring; sporadic and piece-meal guidelines for training; and an incoherent system for compensation and benefits.

Worse, a glaring omission among most MSMEs, regardless of size, are guidelines and arrangements pertaining to career

development and organizational development. Furthermore, there are no strategic HR management plans in the long run among these enterprises. Sadly, it appears that MSMEs overlook the importance of having a strategic management plan, which would have provided the foundation as to how the organization would achieve its goals, e.g. more profit, improved productivity, better customer service, by employing HR practices that would take care of its people.

This lack of a coherent HR policy among MSMEs, and the questionable norms that are bred due to the lack of the former, leads to a consistency of inconsistent people-management practices. These inconsistencies are evident in other not-so-good practices that will be discussed in the next sections, and can have destructive outcomes for the organization as a whole.

**On Human Resource Information Systems (HRIS).** Data and recordkeeping are vital in human resource management as a way to measure human capital in the organization. Human resource information systems allow for better monitoring of employee performance, especially with regard to attendance and absenteeism, thereby providing useful insight as to how management would arrive at decisions and in strategizing the direction of the company with regard to its people. The lack of data and statistics of human resource management in Pakistan, for example, made it difficult for HR analysts to properly draw their recommendations in improving MSMEs in their country (Umer, 2012).

Be that as it may, informants, especially among micro and small enterprises, reveal that employee data have not been properly gathered nor are they recorded in a systematic manner. Medium enterprises, on the other hand, still rely heavily on paper-based 201 files of its personnel. Dozens of MSMEs admit that they do not capitalize on information technology for data-recording purposes. This, despite the greater availability of computer technology and the efficiency they contribute especially for data-keeping.

Moreover, among small and medium businesses, no specialist is tasked to focus on HR information system. For several medium enterprises, this task is farmed out to administrative or accounting staff.

Poor employee data-recording is not sound HR practice. This deprives management of accurate information to base their people-management decisions, such as promotion or demotion, transfer,

level of performance, trainings, salary history, benefits utilization, grievances, assessment of potential and competencies, tenure, etc. In the long term, good employee data would be key for any strategic HR planning in the part of management and its HR department.

**On manpower planning.** In order to sustain an enterprise, it is important for an organization to identify the number and the kind of people to hire to meet present and future business requirements through manpower planning, also known as workforce planning or human resource planning (Armstrong, 2010, p. 189). This ensures that the organizational size and structure is responsive to the needs of the people and the business as a whole. It contributes to better forecasting while keeping expectations in check.

The organizational structures in most MSMEs, however, usually remain un-rationalized; hence, they are oftentimes irresponsive to the needs and context of the business overall. This means that in a competitive global environment as we have today, MSMEs lack the necessary “first element” (Popescu et al., 2011) that strategic planning provides. Lines of communication, departmentalization, and span of control are generally vague. Thus, many MSMEs do not have a clear division of labor. Jobs have not been analyzed, and clearly-defined job descriptions are absent, particularly among micro and small enterprises. In medium enterprises, since job descriptions are not updated, incumbent employees have more responsibilities or do different tasks altogether in contrast to those listed in documents. This has caused demoralization among the ranks.

Because many managers lack the knowledge and skills in manpower planning, their respective organizational plantilla are either bloated or anemic. The absence of manpower forecasting especially on peak production season makes many MSM enterprises reactive to manpower supply and demand fluctuations, resulting in a dearth of human resources or having excess workforce. As a result, employees' workloads become imbalanced. Some are overworked while a number are doing far less, thus creating a feeling of inequity and demoralization on the part of the former.

Since manpower planning is not often done in MSMEs, there is no forecasting as to the size and characteristic of the organization's workforce—how many slots would be for regularization, which positions would be filled on a contractual basis, would there be need for seasonal employees, and so on. This has led to many businesses to

default on hiring “permanent casual” workers or talents—a violation of the Labor Code.

**On recruitment and selection of people.** Recruitment and selection are important HR management processes that involve the finding, engaging and eventually deciding and appointing individuals to positions to fill the organization hierarchy. Modern methods have been developed for enterprises to attract a bigger pool of potential talent, and to be able to objectively and systemically select the best and brightest among the crop. It can be a costly process (Armstrong, 2010, pp. 192-195) but when done right provides the company its necessary manpower.

Beyond catering to the manpower needs of the business, it is important to note that these processes also involve clearly defining role profiles and specifications as well as the legal nitty-gritty of deciding terms and conditions of employment. It is in this process that employers also lay out what the company itself can offer to those who serve it.

In the Philippine setting, however, this entire process appears to be merely a formality. Similar to what Fashoyin, Sims and Tolentino (2006) observed, recruitment remains a generally informal process with no corresponding written policies. Especially among micro and small enterprises, kinship remains to be the primary criterion in entering a company. Potential employees are sourced mainly from family circles and close friends, with owners of businesses expected to help their relatives in need. While this propensity to support family members can be viewed as a positive aspect of Filipino culture, the lack of vetting and evaluation can prove to be a bane in disciplining the workforce in the long run. Selection methods among these establishments are also generally unscientific. Hiring and promotion are done mostly through crude interviews and the submission of requirements, such as barangay and police clearance. Assessment tools such as psychological tests and background checks are seldom used. Portfolio assessments are rarely part of the selection process.

Medium enterprises (MEs) on the other hand, generally fare better than their smaller counterparts. Some MEs use the Internet for sourcing people by advertising online and in social networks. Some have full-time personnel or an entire department dedicated to recruitment and selection.

However, it was also found that regardless of size, many enterprises do not establish job competencies prior to conducting people sourcing and selection. Many of those put in-charge of these tasks lack the necessary skills to do so effectively. In some instances, these are only done as mere formalities and not much evaluation. As a result, job mismatch is prevalent among MSMEs, with new employees occupying positions they may not have the academic preparation, relevant work experience, potential or passion to properly execute the tasks demanded of them.

To make matters worse, there is poor employment onboarding and a lack of orientation, which makes it difficult for people to acclimatize to workplace culture. New employees become overwhelmed with the new environment, and expectations such as work standards are not clearly stated.

In addition, many employees among MSMEs revealed problems related to their contract. Many, especially among the smaller businesses, engage in their new jobs even without signing one! Workers in medium-sized companies, on the other hand, find themselves signing vague contract terms that do not define the period and type of employment, i.e. regular, probationary, casual, project, seasonal, etc. In extreme cases, less schooled individuals sign contracts written in English without receiving clear explanation about the content. Again, contract-signing becomes merely another formality when it is supposedly the crucial, hard evidence of the expected relationship between employer and employee.

Sadly, the problems that arise from the recruitment and selection process carry over as unnecessary tension as people continue in their engagement in the company.

**On training.** Training offers a systemic way of ensuring learning in the workplace, especially for jobs that require skills that are best developed through formal instruction, or in instances when different skills have to be developed quickly or are crucial in a number of people in the organization, regardless of information (e.g., communication skills, IT skills). Through training, critical information can also be imparted so that employees execute their responsibilities properly (Armstrong, 2010, p. 230). Developing a company's human resources through training and education provides the organization a competitive advantage while satisfying its long term-needs by sustaining a competent workforce (Sanchez et al., 2011).

The SGDs revealed the low investment among MSMEs in developing and providing training for the workforce. Many traditional employers view this as too costly and as extra expense for the business. Moreover, because many of the workers they hire are temporary or casuals, owners rather forego investing in training for their employees since the latter would leave the firms anyway after their short stints. Thus, training plans and necessary courses are seldom mapped out and the learning needs of people are not thoroughly diagnosed.

Some medium enterprises, however, send select individuals in the firm—usually tenured workers—to undergo public-run programs, since these companies have not developed a cadre of trainers from within the organization. Unfortunately, the effectiveness of these trainings is not thoroughly measured. There is little follow-up about the lessons learned, little worksite application of new knowledge, and almost no analysis of its impact to the bottom line.

It was also noted that tacit knowledge or insights gained through experience such as expertise, operational knowhow, insider view of the industry, and business judgment (Armstrong, 2010, 95) are hardly captured in work policies and procedures. Thus, such knowledge is not passed on, especially to neophytes in the organization, and is, in effect, being wasted. Job rotation—an effective learning technique—is rarely practiced. Doubly troubling is the fact that supervisors and managers who run MSMEs do not possess the skills to properly coach, counsel and mentor their subordinates. Thus, weak middle management has been noted in organizations that do not see the abovementioned endeavors as part of their key result areas as leaders. Neither have these organizations had had any formal management development sessions.

Those who hold leadership roles in organizations are expected to clearly define the tasks the group is expected to do, to ensure that such objectives and purposes are met, and at the same time maintain effective relationships among the members of the organization (Armstrong, 2010, p. 331). While these responsibilities may appear overwhelming, Armstrong (p. 336) emphasizes that leadership can be honed and developed. Suffice to say, this is where proper training would come in.

Among family-run companies, leadership squabbles are not uncommon. Many do not have “family-business constitutions” which serve as the “rules of the road” (Stewart, 2013) for members of the family vis-à-vis the business they are supposedly running together.

The lack of such understanding is indicative of need for training even among top management.

Generally, firms do not have a focal person for training functions, and while some MEs do have trainers, they usually lack competencies.

**On career development, succession, and performance management.** Normally, managers and supervisors in MSMEs were found to have come from the ranks; however, it was noted that many were promoted without thorough assessment for fitness. This is unsurprising, given the fact that many companies lack people assessment for upward career movement. Thus, productive workers and key talents with high potentials do not have systemic career tracks and progression.

Hence, many long-time employees find themselves in a career plateau without the benefit of upward or lateral movement. This has become a source of frustration and demoralization among the ranks. Ironically, many organizations find themselves without manpower that can readily succeed and assume highly-critical positions in the business the moment such positions are vacated. In some family businesses, some children of owners are not interested in being part of the organization, nor are they willing to take over once their parents retire or become otherwise incapacitated.

Problems in succession would be avoided if work plans we thoroughly discussed. Sadly, there is an absence of superior-subordinate discussions of work plans especially among micro and small businesses. In addition, key result areas and key performance indicators per department and per worker are not established. Performance monitoring, documentation, feedback and correction are not properly done. (This also applies to some MEs.)

When it comes to performance evaluation, there are questions of validity and reliability. The subjectivity involved (e.g., based on impressions and *palakasan*) give way to complaints that some raters were too harsh while others were too lenient. Many were found not to know how to properly conduct performance discussion with subordinates.

**On organization development.** A recurring problem among MSMEs is the absence of organizational development strategies. They were found to have no systematic ways of monitoring the pulse of

employees, specifically on organizational issues and the overall workplace climate. There is no deliberate effort to monitor job satisfaction and to engage with the workers. Just as Fazzari and Mosca (2009) have previously said in their study, MSMEs have been “slow to include employees in any ongoing collaborative work environment initiatives.” In effect, management interventions become too reactive to the situation.

The dearth of proactive response is manifested in the lack of prior consultation with the employees. Workplace changes in structures, policies or procedures simply happen without warning, forcing many of the people to deal with unpleasant surprises. Unsurprisingly, leadership among MSMEs were sometimes autocratic, coercive and paternalistic. This creates a climate rife with mistrust, dissatisfaction, and even personal grudges.

**On compensation and benefits.** Armstrong (2010) describes the “total reward” approach to strategic reward management wherein employers should take into consideration all aspects of the work experience, not just pay and benefits (p. 273). Financial rewards serve as the core element of total rewards employees can expect.

Across organizations, however, pay and benefits are limited to the compliance of statutory requirements. Compliance to the standards set by law is bare and selective, similar to those found by other researchers (Fashoyin, Sims & Tolentino, 2006). Medium-sized businesses that could well-afford to give more to their employees were found to simply offer the barest minimum. This situation is worse among smaller businesses, which are rife with violations of minimum wage laws and the Labor Code. 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, service incentive leave, holiday pay and 13th month pay, etc. This could be directly correlated with the phenomenon of hiring “permanent casuals” mentioned earlier, which employers use as a loophole to skirt the law. In more extreme cases, some micro and small businesses hire minors, who are less likely to complain or to understand their rights as workers, thus giving leeway for employers to save on compensation expenses and leaving their employees at a disadvantage. (Republic Act 7658 allows the employment of minors who are at no less than 15 years of age.) Workers with less formal education are similarly

vulnerable, and are at times taken advantage of by unscrupulous employers.

Across the MSME landscape, many do not have scientifically-based pay structures. Ideally, Armstrong (2010) explains, grade structures or a hierarchy of levels that group jobs together have corresponding pay structures that define pay ranges, brackets or scales for each level (p. 282). The lack of a systematic pay structure leads to salary compression or distortion. Furthermore, progression and pay increases become discretionary on the part of the owners. Criteria and policies governing these increases are unclear or sometimes absent altogether. Some medium enterprises have variable pay schemes such as bonuses, but the formula for allocation is commonly vague and subjective especially for non-production personnel.

Benchmarking, or the method of comparing an organization to similar companies or to the “best practices” in the industry or community, is seldom done with regard to wages and benefits. Despite the chance to size one’s organization up against the rest of the industry, many employers do away with the process and do not see the need for such, even if the cream of the crop among their employees leave to work for other companies or elsewhere.

Pay and benefits delivery are generally slow among MSMEs since many companies have yet to avail of available technologies—ironic, especially among medium enterprises that could generally afford to do such and despite the wide array of options for e-commerce. Reward philosophy, which emphasizes equity and procedural justice in delivering payment among employees (Armstrong, 2010, p. 272), is not set in place among firms.

Ineffective communication of salary and benefit policies and practices to employees result in the lack of appreciation among workers, even if they receive wages and benefits over and above what the law prescribes. 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.

Across the board, the absence of proper reward strategies is related to rampant transactional nature among HR. The responsibilities connected with compensation and employee benefits are mostly handled by accounting clerks, and in case of some MEs, by untrained HR staff.

**On employee and labor relations.** “Organizations consist of employers and employees who work together” (Armstrong, 2010, p. 294); the relationships between them are formalized through the written contract. But even without a contract, both employers and employees still have implied mandated legal rights and obligations to each other and to the organization. Employers are expected to provide proper wages and benefits, and to treat their employees well. Subordinates are expected to fulfil tasks assigned to them (pp. 295-296). This mutual understanding between superiors and subordinates’ reasonable expectations of each other serve as the basis of employment relationships.

With this in mind, key shortcomings were identified among MSMEs. For one, leadership was generally perceived as coercive, autocratic or paternalistic. Workers are left to follow what the leader says or face possible dire consequences. This holds true especially among family-run corporations, where the eldest or most influential becomes the law. The absence of proactive organization development strategies, as mentioned in a previous section, means that many employees are left with no feedback mechanisms and consultation.

Internal communication is not well-managed. In lieu of formal communication among members of the organization, rumormongering thrives. Conflicts arise and many of these are left unresolved because there is no machinery for grievances available to address the issues. Worse, both management and workers are not trained in conflict management techniques. In some medium enterprises, HR staff assigned to employee relations lack proper training in the craft.

Oftentimes, there is no employee representation because of fear of reprisal, such losing their jobs. Many workers do not have time to unionize because of heavy workloads and the long distance between the job site and their place of residence, which would already take much of their time. Because most employees are hired on a contractual basis, they do not see the point in joining unions, since they would have to leave the company anyway upon “endo” or end-of-contract. On the part of employers, many deliberately do not regularize their workers (with regular workers being the ones more likely to unionize) for a variety of reasons, the most common being as a way to save costs. Business irregularity and seasonality are also deterrents for employers to regularize their plantilla.

Other unfair labor practices, aside from the creation of work conditions that would deter employees from organizing or joining

a union, are prevalent among employers. Workplace conditions, especially among smaller companies, are found to be unsafe and hazardous to the health of employees. Places of work are oftentimes not conducive to productivity. Complaints about employers who do not observe due process in matters pertaining to employee discipline and termination are rampant. Without a union, many workers do not have the support structure they need should their rights be violated.

Worse, majority of employees are found to be unaware of their rights as workers, or they lack the knowledge and appreciation of management prerogatives. Also, the lack of transparency on the part of management, especially in financial matters and the direction of the firm, inspires in workers a lack of trust and confidence in their employers. Many feel excluded and as a result, organizational relationships are oftentimes marked by animosity.

It is not surprising then that many informants report an alarmingly high employee turnover, especially among micro and small enterprises. In many cases across different organization, workers simply turn AWOL (absence without leave) and resign without giving due notice to the employer; responsibilities are not properly turned over. This, together with the lack of proper succession plans mentioned above, makes transitions extremely difficult in organizations.

### **Outcomes of Not-So-Good People-Management Practices**

The pervasiveness of not-so-good management practice among MSMEs leads to behaviors and outcomes that are less than desirable. Across the landscape, there is a general sense of dissatisfaction among employees and frustration among employers. Hostilities between them hamper the organization's growth when they could and should be working together to make their companies grow. Instead, informants reveal how poor people-management practices affect their respective firms.

**Absenteeism** is alarmingly high among MSMEs. This is indicative of job satisfaction (or the lack thereof) among employees. Poor work situations and adverse environments drive many workers away, resulting in **high employee turnover**. After all, individuals are not always after salaries and benefits alone, and compensation does not solely determine the performance of these smaller enterprises (Omolo, Oginda & Otengah, 2013).

**Negative conflict** is prevalent among organizations. Whereas conflict can be a creative force that generates exchanges of ideas and melding of insights from differing viewpoints (p. 370), workers in MSMEs find themselves instead in situations of unresolved conflicts, where personalities clash, superiors refuse to compromise, and subordinates harbor grudges in a climate of general **distrust**. Many employees are found to have antagonistic views toward their employers, fuelled by the lack of transparency and communication by the latter and the former churning the rumor mills instead.

The lack of systematic planning and proactive policies leads to the **waste of time and company resources** and the prevalence of **redundancies in work**. To aggravate the situation, many employees simply **lack creativity and innovation** on the job, which leads further to **low productivity and poor quality outputs**. Instead, more scraps are produced and many outputs are rejected.

Overall, there is **low HR satisfaction**, and many workers display lack of commitment to the company. There are also **rampant violations** of company rules and regulations, which makes organizational discipline even more volatile an issue. People also become vulnerable and **unable to adapt to changes** in the work environment, both internal and external.

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.

### **Poor People Management among Pinoy MSMEs**

Overall, poor people management among MSMEs are due largely to poor leadership, lack of comprehensive HR strategy, and the absence of working HR structures, systems and processes. Human resource management is treated as a mere luxury or suggestion, as opposed to being an integral part of moving the company forward. This is manifested in how sound HR practices are either executed in a half-baked manner or are ignored altogether. The lack of skills and training among managers and HR staff alike aggravates the problem of poor HR management in MSMEs.

Expectations between both employers and employees are not met and become a source of constant hostility in these organizations.

On the part of the employers and management, legal obligations such as the minimum wage and mandatory benefits are viewed as deterrents to profit, as opposed to being ways of protecting their workers, and are usually fulfilled at the barest minimum or become watered down through loopholes in the law. Employees, on the other hand, view their superiors with antagonism and resentment, and have no sense of loyalty to their companies, as manifested in high absenteeism and the failure to follow rules and regulations in place. This goes against the basic assumption of human resource management, wherein every individual, regardless of position, is a partner in developing the firm.

In the end, the company suffers when people are not maximized to achieve organizational goals and objectives. Internal issues that remain unresolved become obstacles to productivity; less attention is given to clients and would-be customers; and the company's bottom line becomes less and less the focus.

Unfortunately, the situation in the Philippines is strikingly similar to the situation in other countries, where human resource management among MSMEs remain underdeveloped and largely underappreciated. A bigger irony is the fact that MSMEs in the very countries whose economies owe much to them are managed poorly, and their workers neglected.

### **Moving Forward**

The value of MSMEs to our country's economy cannot be denied. These establishments not only make up the majority of business enterprises in our country, but also provide the most jobs available to Filipinos. Thus, the role of MSMEs in providing a source of livelihood to its owners and income to its employees should not be overlooked. Previous research and literature reviewed have pointed out the institutional challenges that hinder the full development of MSMEs in the country. These problems continue to persist and require much needed intervention. This study picked up on those previous researches, and zeroed in on the not-so-good human resource practices prevalent among MSMEs in the Philippines, as revealed by the various informants in intermittent SGDs across more than a decade. It is the hope of this author that these companies would be able to apply, albeit within their own unique context, the methods, processes and

practices in human resources that have proven successful to their larger counterparts.

Among the proprietors and top management of these MSMEs, investment in sound human resource management should be prioritized as part of their functions. Managers should allow their workers to “create, take ownership of, and become part of functional teams” wherein centralized power and authority are to be relinquished (Fazzari & Mosca, 2009). Management should also imbibe an attitude of ensuring that their people are taken care of. They should realize that sound people management is actually good for business, and is not a hindrance to profit. They should take care of their people so that their people would take care of the business and its customers.

Employees also have a role in their respective companies. Workers should continue to foster camaraderie among their ranks and bond together to improve their lot. After all, they are the ones who can understand their own situation best. Trade unions should play a more active role in engaging workers in the MSME sector, as opposed to focusing only on large corporations and organizations. Through a collective voice that cuts across sectors and even across an entire economy, trade unions and workers’ organizations can provide creative solutions to problems, and lobby government and policymakers for their rights and welfare more effectively than the uncoordinated efforts of a few individuals (Fashoyin, Sims & Tolentino, 2006).

Government, through the Department of Labor and Employment, should seriously monitor management compliance to labor standards. The study revealed that management could not be relied upon to take care of their people without government intervention. Comprehensive study must also be undertaken on the part of policymakers with regard to updating the Labor Code, considering the prevalence of more atypical nature of work today. The advancement of technology and expansion of business to other parts of the world have created unprecedented situations that could possibly make certain provisions of current laws outdated. The Department of Trade and Industry, through the MSME Council, should allocate more funds to training entrepreneurs and managers of these enterprises. Local government units, especially in the less developed parts of the country, should take the initiative in educating their constituents in running their own businesses, as individuals, groups or even entire

communities. LGU officials should also ensure that their areas become conducive to the entrepreneurial spirit.

The academe should conduct even more courses on people management, both for management and workers of MSMEs. Managers' courses should also emphasize the importance of fostering harmony in the workplace. Trainings for workers could also be geared towards developing them as possible future leaders in the organization. Constant conduct of research on human resource management in MSMEs should be undertaken, especially in this period of rapidly evolving technology and doing business globally. Future studies could perhaps look into best practices, and comparative HR practices by micro, small, medium and large firms, with this study serving as jump-off point.

To fully harness the potential of MSMEs requires the contributions of various sectors, both within and outside these companies. It is essential to note, however, that at the heart of these discussions is the fundamental recognition that these establishments will not be successful without first taking care of the people—both on top and on the lowest rungs of the organizational hierarchy. Because they are relatively smaller and leaner, MSMEs may employ slightly different styles in HR management, yet properly managing the workforce is a fundamental aspect of any enterprise, regardless of size (de Kok, 2003). Thus, due recognition should be given to human resource management among MSMEs as a field of research and as a major point of discussions among entrepreneurs and policymakers alike.

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