

Strategic HR Practices in Some Organizations in the Philippines

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This study describes strategic human resource (HR) practices in a convenience sample of organizations in the Philippines, and compares results of Cranet surveys conducted in 2003 and 2008. Characteristics of sample organization as well as their strategic HR practices have generally remained the same since 2003. A formalized strategic planning process generally obtains, but involvement of HR from the outset of business strategy formulation does not yet characterize the majority of these organizations.

HR practices that have basically remained the same include, among others, the following: the most common source of HR head is HR specialists from outside the organization, and responsibility of HR policy decisions is shared between HR and line managers.

On the other hand, a few practices have changed in the following manner: increase in the application of HRIS (human resource information system) in payroll, time and attendance, but decrease in application in recruitment and selection. In addition, performance appraisal is practiced across all staff categories in 2008; in 2003 only the managerial and professional/technical workers are generally appraised through a formal system.

Keywords: Cranet, Philippines, HR practices, staffing, compensation, training and development, employee relations and communication

1 Introduction

As organizations enter international markets, the environment in which they compete becomes global. Competition for markets for products and services as well as for resources becomes more complex. Likewise, managing resources, especially human resources, becomes a challenge because operational contexts such as culture, human capital, economic and the lego-political systems are different (Noe et al., 2000). Indeed, what is critical in a global economy is the development of competencies and capabilities in employees to develop new products and provide services more than innovation, speed, and low cost per se (Becker et al., 1997). This is because these employees are better able to accurately assess the rent earning potential of their organization's resources (Alchian & Demsetz, 1972), and more flexible to adapt to changing environmental conditions (Wright & Snell, 1998).

It has been argued that a key element of successful global human resource management is the ability to formulate policies and practices that integrate employees located globally while recognizing elements in the local environments that affect utilization of human resources (Sparrow et al., 1994). An important component of this is the knowledge on prevailing HR practices in a country.

While it has been suggested that strategy influences individual human resource practices (Shih & Chiang, 2003; Keefe & Katz, 1990; Kerr, 1985; Huselid, 1995) in any country, HR practices that emerge in organizations are also a reflection of the environments of the organization (Galang, 2004). Organizations operate in a social network and strive to gain legitimacy to be accepted by this network. Such tendency increases isomorphism or the semblance of one organization with others in its environment (Di Maggio & Powell 1983; Deephouse, 1996). Empirical evidence of mimetic dynamics operating in the environment was observed in the semblance of substantive nature of management development of multinational corporations in the Philippines with those of local corporations (Supangco, 2003).

One objective of this study is to describe current strategic HR practices in selected Philippine organizations that participated in the 2008 Cranet survey. Another objective of this study is to compare results of the 2003 and 2008 Cranet surveys.

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2 Strategic Human Resource Management: Some Theoretical Considerations

Strategic management is an important factor in gaining competitive advantage not only in a domestic market, but also especially in a market that is global (Pearce et al., 1987). Much rethinking has been done on the role of HR in strategy formulation as its role in strategy implementation gained prominence (Tichy et al., 1982; Schuler, 1990).

The complexity of the environments in which businesses operate demand that HR takes a strategic approach. Strategic human resource management has been defined in many ways. These conceptions and characterization of strategic HR start with the fundamental regard of human resources as a strategic resource (Hendry & Pettigrew, 1986), based on the premise that human resources and human resource management practices impact on the bottom line. Strategic human resource management involves planned human resource policies and practices that enable the organization to achieve its goals (Wright & McMahan, 1992). Strategic human resource management practices are linked to strategy, characterized by a long-term focus, and are internally consistent (Martell & Carroll 1995; Baker, 1999). Strategic human resource management as a process involves the line managers in the development of HR policies and programs even as HR is involved in strategy formulation (Martell & Carroll 1995). However, for HR to create value, it must position itself as a business partner, an active participant in the strategic processes, and as member of the strategic management team (Golden & Ramanujam, 1985; Schuler & Jackson, 1987; Ulrich, 1997). Such involvement in the strategic processes positions HR to impact on corporate decision making.

The implication of the above characterization of strategic human resource management is that there are different ways of approaching it. These different approaches find their way in different studies on strategic human resource management. Several authors have anchored their studies on the roles of HR in strategic management (Golden & Ramanujam, 1985; Martell & Carroll, 1995; Conner & Ulrich, 1996; Koch & McGrath, 1996; Bennett et al., 1998; Wright et al., 1998; Lawler & Mohrman, 2000). Others have looked into the management of the function itself (Lawler & Mohrman, 2000). Still, others have approached strategic human resource management by examining the strategic value of the activities engaged in by HR (Wright et al., 1998b in Noe et al., 2000; Lawler & Mohrman, 2000).

This study takes the first approach, that is, to examine the role of HR in strategic management and the means through which HR enables itself to devote to activities that add strategic value. Thus, data is analyzed within the following conception of strategic HR. On one hand, strategic HR as a process takes a long-term approach, is involved the activities of the board and in strategic formulation at the outset, and involves line managers in defining policies. On the other hand, strategic HR as a set of activities focus on those that add value, utilizes computerized information system, and engages the services of external providers for activities that have low strategic value.

3 Methodology

This paper describes HR practices in a convenience sample of companies in Metro Manila. The 2008 Cranet survey results provide the data used in this paper. Results of the 2003 Cranet survey round also provided data for comparison. This section discusses the background of Cranet and describes data collection in 2008. Refer to Appendix for a background of Cranet.

3.1 CRANET survey of 2008

Copies of the 2008 questionnaire developed by the Cranfield Network on Comparative Human Resource Management (Cranet) were sent through e-mail to members of the People Management Association of the Philippines (PMAP). A total of 765 questionnaires were distributed. Only 33 were accomplished (a response rate of 4.3 %).

3.2 Data analysis

To summarize categorical data, modal categories and corresponding percentages are presented. The mode is another measure of central tendency that gives the highest frequency. For other types of

data, the means or average and the standard deviations are presented. To compare results of the two surveys, test of means and test of proportions were performed.

Given the non-probabilistic nature of the sampling approach used in this study, generalization of results is limited to the organizations that participated in the survey.

4 Contexts of the Survey Periods

This section provides general context of the two survey years. For better appreciation of the selected indicators, the years 1997 and 1998 were also included, when the Asian financial crisis started. In 1997, the Philippine economy grew by 5.2 % but contracted in 1998. During the first survey year in 2003, GDP growth rate stood at 4.9 %, which was a slight improvement over the previous year. GDP growth rate figure has shown that the Philippines had been recovering from the Asian financial crisis in 1997. The second survey was conducted during the global crisis, which started in 2007. GDP growth rate in 2008 of 3.7 was less than the rate in 2003.

While GDP growth showed improvement from 1998, unemployment rate has worsened, implying increases in employment are not enough to accommodate increases in labor force. However, because of changes in the definition of employment in 2005, employment statistics before and after 2005 are not comparable. The impact of the new definition was lower unemployment rate.

Table 1. Selected Economic Indicators

Indicator	1997	1998	2002	2003	2007	2008
GDP Growth rate	5.2	-6	4.4	4.9	7.1	3.7
Total employed (000)	26,533	26,968	30,104	30,451	35,490	36,156
Unemployment rate	7.9	9.6	11.4	11.4	6.3	6.8

Source: National Statistical Coordination Board

Note: Employment figures are based on the October rounds of the Labor Force Survey

5 Characteristics of Sample Organizations

This section describes the sample organizations in terms of their business activity-related characteristics and employment characteristics.

In the Cranet 2008 survey round, the sample organizations come from the private sector serving mainly the Philippine market. They perceive their market as growing, with equal number of respondents claiming their revenues are just sufficient to make small profit and well in excess of cost. However, these organizations place themselves as better than average in terms of service quality performance as well as level of productivity, but only average or equal to competition in terms of innovation, profitability, and stock market performance (Table 2). There has not been any statistically significant difference between the status of respondent companies in 2008 and that in 2003.

Table 3 presents the average age of respondent organizations and their employment-related characteristics. The organizations in the sample have been in existence for 35.4 years. They employ an average of 827.7 workers, of which 45.8 percent are women. About a third (32%) of employees are between ages 25 and 45.

While there are changes in the mean company age, total employment and employment characteristics, from 2003 levels, these changes are not statistically significant.

Data on respondents show that close to three-fourths are the most senior Human Resource Managers, of which 72.7% are female (Table 4). All of the respondents have college degrees; about half (51.5%) are in the behavioral sciences area. The proportion of respondents who are in the senior management positions has significantly increased from 50% in 2003 to 72.7% in 2008. Senior HR directors are generally sourced from outside the organization and such practice has remained the same since 2003.

Table 2. Business-Activity-Related Characteristics

Business-Activity-Related Characteristics	2003			2008			T Value
	Modal Category	Valid Percent	N	Modal Category	Valid Percent	N	
Type of Organization	Private sector	96.2	52	Private sector	93.9	33	- 0.49
Main Market	National (Philippines)	47.1	51	National (Philippines)	36.4	33	- 0.97
Market Served	Growing	64.0	50	Growing	81.3	32	1.68
Gross Revenue	Sufficient to make small profit	43.8	48	Sufficient to make small profit	42.9	28	- 0.08

*p<.05

Table 3. Company Age and Employment Characteristics of Sample Organizations

Attributes	2003			2008			T Value
	Mean	Standard Deviation	N	Mean	Standard Deviation	N	
Company Age	32.6	30.4	49	35.4	26.6	33	0.43
Total Employees	1,931.8	3,282.6	41	827.7	1,551.4	32	-1.90
Proportion of Women Employees	44.4	23.4	34	45.8	18.31	30	0.28
Percentage of Employees below 25 Years	24.0	25.8	43	17.68	16.09	29	-1.28
Percentage of Employees over 45 Years	24.2	23.5	40	17.29	15.89	31	-1.48

*p<.05

Table 4. Profile of Respondents

Characteristics of Respondents	2003			2008			T Value
	Modal Category	Valid Percent	N	Modal Category	Valid Percent	N	
Position	Most Senior Personnel Manager	50.0	50	Most Senior Personnel Manager	71.9	32	1.96*
Gender	Female	72.0	50	Female	72.7	33	0.07
Education	University Degree	100.0	48	University Degree	100.0	33	
Academic Field	Social or Behavioral Sciences	52.0	50	Social or Behavioral Sciences	51.5	33	- 0.04
Source of Senior HR Director	HR specialist outside of organization	48.0	50	HR specialist outside of organization	39.4	33	- 0.77

*p<.05

6 Strategic HR Practices

The following sections describe the different HR practices in the basic HR functions, namely: staffing, training and development, and compensation. As a description of the state of the HRM practice in the Philippines, this part of the study provides answers to some questions HR executives in the Philippines or those wanting to do business in the Philippines, might ask:

- What are the prevailing strategic HR practices in organizations in the Philippines?
- What practices have changed from 2003 to 2008?

6.1 HR and strategic formulation activities

Strategy formulation activities in the sample organizations are formalized. Some 97.0% of the organizations have written mission statement, and 90.9% have corporate value statement. While 87.5% have written business strategy, only 69.7% have written HR strategy (Table 5). Moreover, only less than half (48.3%) of the organizations involve HR from the outset in the development of business strategy. Thus, while strategy formulation is fairly formalized, HR is still far removed from this process.

In filling in the position of the HR head, the most common source is HR specialists from outside the organization (39.4%). Only about a quarter of the organizations (24.0%) fill the said position from within the HR department. Again, these set of practices have remained fairly the same since 2003.

Table 5. HRM Activity in Strategy Formulation

Activity	2003			2008			T Value
	Modal Category	Valid Percent	N	Modal Category	Valid Percent	N	
Mission Statement	Written	88.2	51	Written	97.0	33	1.42
Corporate Value Statement	Written	92.2	51	Written	90.9	33	- 0.21
Business Strategy	Written	86.5	52	Written	87.5	32	0.13
HR Strategy	Written	79.2	48	Written	69.7	33	- 0.97
Involvement of HR in Development of Business Strategy	From outset	44.7	47	From outset	48.3	29	0.31

*p<.05

6.2 Responsibility of HR policy decisions

This section discusses the seat of responsibility of major policy decisions in five HR functions: pay and benefits, recruitment and selection, training and development, industrial relations, and workforce expansion and reduction (Table 6). The HR department takes the lead, in consultation with line management, in major policy decisions such as pay and benefits, recruitment and selection, and training and development. On the other hand, line managers take the lead in policy decisions regarding workforce expansion or reduction. Again, this set of practices has remained the same since 2003. Some changes in levels have occurred in the responsibility of decisions regarding pay and benefits. While HR with line managers takes the lead in decision-making in this area, the proportion has diminished significantly from 58.8% in 2003 to 33.33% in 2008. Although the proportion of HR with line manager has decreased, HR has emerged as another modal category in describing identifying who is responsible with decisions regarding pay and benefits. These results point to the growing importance of HR in this area of decision.

Table 61. Responsibility on Major Policy Decisions

HR Function	2003			2008			T Value
	Modal Category	Valid Percent	N	Modal Category	Valid Percent	N	
Pay and Benefits	HR with line	58.8	51	HR with line and HR alone	33.3; 33.3	33	- 2.28*
Recruitment and Selection	HR with line	47.1	51	HR with line	45.5	33	- 0.14
Training and Development	HR with line	52.9	51	HR with line	39.4	33	- 1.21
Industrial Relations	HR with line	53.1	49	HR with line	51.5	33	- 0.14
Workforce Expansion/Reduction	Line managers with HR department	55.1	49	Line managers with HR department	54.5	33	- 0.05

*p<.05

6.3 External providers and HRIS

The most part of HR functions are still undertaken by the HR department. Data gathered from sample organizations reveal that the general practice is that only training and development are partly provided by external providers (Table 7). Organizations in general do not outsource payroll, pensions, benefits, outplacement and workforce reduction, and HR information systems (HRIS).

Table 7. Use of External Providers

HR Function	2003			2008		
	Modal Category	Valid Percent	N	Modal Category	Valid Percent	N
Payroll	Not used	45.1	51	Not outsourced	60.6	33
Pensions	Same	44.9	49	Not outsourced	50.0	30
Benefits	Increased; Same	34.0; 34.0	50	Not outsourced	60.6	33
Training and Development	Increased	56.0	50	Partially outsourced	33.3	33
Outplacement/Reduction	Increased	40.4	47	Not outsourced	70.0	30
HR Information Systems	Not used	38.3	47	Not outsourced	54.8	31

Moreover, the common applications of HRIS are in payroll, time and attendance, individual personnel records, payroll, and benefits (Table 8). The least common applications are in recruitment, health and safety, and career and succession planning. Application of HRIS has significantly increased in payroll, time and attendance, and work scheduling, but application in recruitment and selection has significantly decreased.

Table 8. Application of HRIS

Application of HRIS	2003		2008		T Value
	Number Mentioned	Percentage to Total Sample	Number Mentioned	Percentage to Total Sample	
Payroll	32	57.1	27	81.8	2.38*
Time and Attendance	22	39.3	25	75.8	3.33*
Individual Personnel Records	39	69.6	20	60.6	- 0.87
Benefits	25	44.6	16	48.5	0.36
Performance Management	18	32.1	14	42.4	0.98
Work Scheduling	9	16.1	12	36.4	2.18*
Training and Development	23	41.1	11	33.3	- 0.73
Career/Succession Planning	13	23.2	8	24.2	0.11
Health and Safety	9	16.1	8	24.2	0.94
Recruitment and Selection	18	32.1	4	12.1	- 2.11*

*p<.05

6.4 Staffing practices

This section discusses the staffing practices of sample organizations. It covers methods of recruitment and selection.

There does not appear to be a predominant method of staffing positions. Management employees are sourced from internal employees, professional and technical employees from advertising, clerical jobs from speculative applications, and manual employees from word of mouth (Table 9). This scenario is quite different from the ones obtaining in 2003, when the predominant source of management, professional/technical, and clerical employees comes from internal employees, while source of manual employees comes from word of mouth.

Table 9. How Positions Are Filled

Characteristics	2003			2008			T Value
	Modal Category	Valid Percent	N	Modal Category	Valid Percent	N	
Management	Internally	54.9	51	Internally	89.3	28	3.11*
Professional/ Technical	Internally	33.3	51	Advertising	93.3	30	
Clerical Jobs	Internally	30.0	50	Speculative applications	93.3	30	
Manual	Word of mouth	34.4	32	Word of mouth & Speculative applications	73.9	23	2.89*

*p<.05

The three more common methods of selecting management, professional/technical, clerical, and manual staff are one-on-one interview, application forms, and psychometric tests (Table 10). Of the three methods, psychometric tests are the least used in selecting the above-mentioned staff categories, and this is not a common method of selecting managerial staff. The use of application forms is the most common method of selecting clerical and manual staff, while one-on-one interview is used in selecting professional/technical and management staff. Panel interview is the second most common method of selecting managerial staff. This method, however, is not used in the selection of the other three staff categories. The use of one-on-one interview, panel interview, and application form in selecting managerial employees has significantly increased in 2008.

There is an increasing use of one-on-one interview, panel interview, and use of application forms in recruiting management employees indicating a more formal and intensive selection process. Recruitment methods used for technical employees have not changed much from those obtaining in 2003, except for a more extensive use of the one-on-one interviews. No significant changes also occurred in recruiting clerical employees. However, recruitment of manual workers has moved towards more formal methods of using application forms, one-on-one interviews, and the use of psychometric tests.

Table 10. Selection Method for Each Staff Category

Method	2003		2008		T Value
	Number Mentioned	Percentage to Total Sample	Number Mentioned	Percentage to Total Sample	
Management					
One-on-one Interview	37	66.1	29	87.9	2.27*
Panel Interview	32	57.1	28	84.8	2.69*
Application Forms	31	55.4	28	84.8	2.83*
Professional/Technical					
One-on-one Interview	43	76.8	31	93.9	2.08*
Application Forms	42	75.0	30	90.9	1.84
Psychometric Tests	39	69.6	25	75.8	0.63
Clerical					
Application Forms	45	80.3	30	90.9	1.33
One-on-one Interview	44	78.6	30	90.9	1.50
Psychometric Tests	38	67.5	23	69.7	0.22
Manual Jobs					
Application Forms	25	44.6	23	69.7	2.29*
One-on-one Interview	23	41.1	21	63.6	2.05*
Psychometric Tests	16	28.6	17	51.5	2.16*

* $p < .05$

6.5 Employee development

This section discusses employee development practices including coverage of performance appraisal and extent of training activities.

Performance appraisal is practiced across all staff categories in 2008. However, in 2003, only the managerial and professional/technical workers are generally appraised through a formal system. The increases in the proportion of clerical and manual employees assessed through a formal appraisal system are statistically significant (Table 11).

Table 11. Proportion of Workforce Assessed via Regular Formal Appraisal System

Staff Category	2003			2008			T Value
	Mean	Standard Deviation	N	Mean	Standard Deviation	N	
Management	85.70	32.60	47	95.84	20.372	24	1.61
Professional/Technical	92.64	19.85	48	95.13	16.705	24	0.56
Clerical	24.85	24.82	46	92.27	19.984	22	12.00*
Manual	31.00	31.00	28	95.45	15.076	11	8.69*

* $p < .05$

Training is one means to narrow performance gap. On average, sample organizations spend 13.7% of payroll cost on training in 2008 (Table 12). The professional/technical employees enjoy the highest training days (11.54 days) while the manual employees enjoy the lowest training days (6.14 days). Average training days of each category of employees have increased except for the manual employees. Such changes, however, are not statistically significant.

Table 12. Extent of Training

Training Activities	2003			2008			T Value
	Mean	Standard Deviation	N	Mean	Standard Deviation	N	
Percentage of payroll cost spent on training	10.67	10.22	25	13.70	15.967	20	0.74
Average training days for management	8.16	7.46	32	11.39	13.667	23	1.03
Average training days for professional/ technical employee	8.97	9.31	31	11.54	13.188	24	.081
Average training days for clerical/administrative employee	4.86	5.45	28	11.10	13.692	20	1.93
Average training days for manual employee	7.33	9.78	18	6.14	8.217	14	-0.37

6.6 Compensation and benefits

This section looks at compensation issues such as the level at which pay is determined and the types of alternative pay schemes.

The most common method of determining compensation across all staff categories—management, professional/technical, clerical/administrative and manual—is at the company or division level (Table 13). The second most prevalent method of determining compensation is at the individual level where management, professional/technical, and clerical/administrative employees negotiate with company representatives for their compensation. No significant changes are recorded regarding this practice.

Table 2. Level Where Pay Is Determined

Level at Which Pay Is Set	Management	Professional/ Technical	Clerical/ Administrative	Manual	Total
2003					
Company/ Division	30	30	27	15	102
Individual	30	24	20	11	85
National/ Industry-wide	11	15	16	12	54
Establishment/site	11	9	9	6	35
Regional	0	1	4	7	12
2008					
Company/ Division	20	21	20	14	75
Individual	15	12	9	7	43
National/ Industry-wide	6	5	9	7	27
Establishment/site	9	11	11	9	40
Regional	3	4	6	5	18

7 Measuring HR Effectiveness

An important aspect of strategically managing the HR function is to assess its effectiveness. The Cranet data provides information on overall measures of HR effectiveness such as labor cost, turnover rate, and average days absent.

There is a significant increase in annual staff turnover rate from 8.3% in 2003 to 16.0% in 2008, and a decrease in average days absent from 9.9 days in 2003 to 6.1 days in 2008 (Table 14). Labor cost has increased from 32.0% in 2003 to 39.2% in 2008. However, such increase is not statistically significant.

Table 14. Measures of HR Effectiveness

Attributes	2003			2008			T Value
	Mean	Standard Deviation	N	Mean	Standard Deviation	N	
Annual Staff Turnover	8.3	6.78	44	16.0	19.95	30	2.04*
Average Days Absent	9.9	7.20	28	6.1	3.92	21	-2.37*
Labor Cost	32.0	22.50	22	39.2	17.11	18	1.14

*p<.05

Two of the overall measures of HR effectiveness do not augur well for the companies under study. The doubling of turnover rate can be a cause for concern from an HR effectiveness perspective, especially when turnover is of the voluntary type, that is, one that is initiated by the employee (Noe, 2010). However, such increase could be an effect of the crisis in 2008; hence, turnover is involuntary on the part of the employees. However, Cranet data does not distinguish from the voluntary and involuntary turnover. Clues as to the nature of turnover come from both external factors and internal changes in practices and characteristics of the employees. Knowing that the survey took place in 2008, when the country is still managing the impact of the global crisis, could lead to the conclusion that the turnover is of an involuntary nature. The decline in average employment size (Table 3) also implies that attrition is greater than accession and points to a conscious effort to decruit. Further result of such effort is seen in the decrease in the proportion of employees below 25 years old (implying less accession). Decruitment could be of the early retirement type that encourages employees to retire early. In such a scheme, the long tenured and older employees would be attracted to leave the organization. The decrease in the number of employees above 45 years is an implication of such a scheme. Another implication is an increase in labor cost because the organization needs to provide for early retirement packages that are usually greater than the package one gets during normal retirement. Another telling sign that turnover is of an involuntary nature is the increase in the use of performance appraisal especially of the more vulnerable groups like the clerical and manual workers. When it is management who decides on who leaves the organization, it must have legally acceptable bases of doing such. The increase in the use of performance appraisal especially among vulnerable groups is another clue that, indeed, turnover is involuntary, because management needs to differentiate the productive from the unproductive employees.

When there is still work to be done, increase in labor cost could come from labor expense associated with decruitment while a decrease in average days absent is a logical response to a decrease in employee number.

8 Summary and Conclusion

Characteristics of sample organization as well as their strategic HR practices have generally remained the same since 2003. There are no statistically significant differences from 2003 levels in terms of average age of organizations, employment size, proportion of women employed, and proportion of employees in the 25 to 45 age group. In filling in the position of the HR head, the most

common source is HR specialists from outside the organization, which has remained the same since 2003.

One objective of the study is to describe the strategic human resource management activities of a convenience sample of organizations in the Philippines. Strategic HR is described in terms of a process and as a set of activities. On one hand, strategic HR as a process takes a long-term approach, is involved the activities of the board and in strategic formulation at the outset, and involves line managers in defining policies. On the other hand, strategic HR as a set of activities focus on those that add value, utilizes computerized information system, and engages the services of external providers for activities that have low strategic value.

Based on the above conception of strategic HR, there is indication that HR practices in the Philippines tend toward a strategic HR approach and such approach has been observed unchanged in the two survey years. Data shows that a formalized strategic planning process generally obtains, but involvement of HR from the outset of business strategy formulation does not characterize the majority of these organizations yet. Again, responsibility of HR policy decisions has also remained the same. HR and line managers collaborate in policy decisions. HR still provides the lead in major policy decisions in the traditional HR functions such as pay and benefits, recruitment and selection, and training and development, while line managers take the lead in policy decisions regarding workforce expansion or reduction—decisions that directly affect the bottom line of the units involved.

HR to be strategic needs to focus on activities that add value by utilizing computerized information system, and engaging the services of external providers for activities that have low strategic value. It appears that in general, companies in the sample have not yet taken advantage of the benefits of outsourcing of non-value adding HR activities. Data along these lines show that organizations in general do not outsource payroll, pensions, benefits, outplacement and workforce reduction, and HRIS, but training and development are partly provided by external providers. There is evidence of the widespread use of HRIS, and its common applications are in individual personnel records, payroll, benefits, and time and attendance. The least common applications are in recruitment, health and safety, and work and succession planning.

Another objective of this study is to compare results of the two survey years pertaining not only to strategic HR practices, but also to the basic HR functions namely: staffing, training and development, and compensation.

While some HR practices have changed during the two survey periods, some have remained the same. Training activities have remained the same since 2003. Indicators such as percentage of payroll cost spent on training, and average training days for management, professional/technical employees, and manual employees have generally increased. However, these are not statistically significant. In addition, compensation is still generally determined at the company and individual levels across the different staff categories.

Some practices have changed. Application of HRIS has significantly increased in payroll, time and attendance, and work scheduling while application in recruitment and selection has significantly decreased. Increased application of HRIS is a positive indication of computerizing personnel databases. However, the decrease in the use of HRIS in recruitment may be attributed to a decrease in hiring activities per se as indicated in the higher turnover or employees and lower average employment size of companies in the sample.

There is evidence of utilization of broader sources of employees, which could lead to better quality applicants for jobs. Significant changes have occurred in sourcing the different categories of employees. In 2008, organizations source management employees from internal employees, professional and technical employees from advertising, clerical jobs from speculative applications, and manual employees from word of mouth. In 2003, the predominant source of management, professional/technical, and clerical employees comes from internal employees, while source of manual employees comes from word of mouth. Meanwhile, two selection methods stand out as the common method used across employee categories: application forms and one-on-one interview. The panel interview is distinctly used in selecting managerial staff, while the psychometric test is a method common only in selecting the other three staff categories. The significant increase in the use of formal selection methods especially in the managerial and manual worker categories mean employing workers better fit for the job and the organization.

Performance appraisal is practiced across all staff categories in 2008, which is quite different from the general practice in 2003, when only the managerial and professional/technical workers are generally appraised through a formal system.

At first glance, measures of HR effectiveness paint a negative scenario: higher turnover and higher labor cost. However, closer analysis points to the impact of global crisis on HR effectiveness, practices, and employee characteristics. This is not meant to excuse HR from being effective, it points to the need for HR to be prepared for such influences.

9 Managerial Implications and Directions for Future Research

There is indication that HR practices in the Philippines tend toward a strategic HR approach, in terms of formalized strategy formulation process and involvement of line managers in the development of policies affecting HR. However, HR is still far removed from being involved in strategy formulation at the outset. While involving HR in the process may be the CEO's call, HR can get itself invited by being proactive and showing that activities impact on the bottom line. This calls for more conscious measuring and monitoring of results of HR activities, and a better understanding of the role of the HRIS enables this. Monitoring of costs and benefits of each program will be facilitated with an HRIS. Currently, HRIS seems to be used in attendance, payroll, and work scheduling. Monitoring of costs and benefits of programs that are costly, but adds value to the organization such as training, benefits, performance management, and career and succession planning, still needs to be tapped. In addition, most HR staff may be trained in technical areas, their backgrounds being in the social sciences, training in strategic management and other business essentials may legitimize their being involved in strategic formulation stage at the outset.

One limitation of this study is the use of convenience sampling, which limits generalization to organizations that participated in the study. For future research, a database of HR executives may be built to draw the sample from in a random manner.

Future studies may involve analyses of the factors that account for the changes in practices, and identifying characteristics of organizations that have made changes in their practices. As organizations enter international markets, the environment in which they compete becomes global. Thus, a comparison of HR practices across different Cranet member countries may also be looked into.

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APPENDIX

Background of Cranet

The Cranfield Network on International Human Resource Management (Cranet) is a research consortium of 40 countries. Its Human Resource Research Center is based in Cranfield School of Management, Cranfield University, United Kingdom (Cranet.org). The consortium conducts an international research survey every three years. The Cranet has the following objectives (Cranet.org):

- “Carries out a regular international comparative survey of organisational policies and practices in comparative Human Resource Management across the world.
- Provides benchmarks for comparing Europe with developments elsewhere in the world. This allows a systematic comparative analysis of HRM trends within employing organisations.
- Disseminates research findings through newspapers, practitioner press, academic journals and books, through conferences and seminars and in teaching.”

The Cranet was launched in 1989, when Gavin Adam, a partner in the then Price Waterhouse approached Cranfield School of Management in U.K. to conduct a survey on comparative human resource management. Initially, Universities and Business Schools in France, Germany, Spain, and Sweden joined Cranfield University in its initial survey. More members were invited to join the Network across Europe and the network has since expanded to countries outside Europe (Cranet, 2011). In 2003, Cranet invited the Philippines to join the network; only one university represents each country. In 2003, membership was composed of 24 European countries and 10 countries outside Europe.

Although ideally the Network conducts the survey every three years, the survey in the Philippines, which was first conducted in 2003, was followed only in 2008.