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FOREWORD

The bottom line of management is performance measured by outputs, results and achieved objectives.

The bottom line of leadership is also performance that is seen in the transformation of organizations and the growth of his people.

As both leaders and managers in the business industry, this research journal is designed to aid us in both managing and leading. I understand that you are facing continuously the many facets of characters and situations in the corporate world. And so the core values which the Graduate School of Business had espoused will once again be put to use and put to test.

This new issue of the Journal of Business Research and Development reflects strengthened research capacity and increased research productivity of San Beda College Graduate School of Business. These works of excellence compiled under one journal had required the best performance level from faculty members and students who had toiled the task to accomplish and produce it. The authors' values of excellence, dedication, hard work and commitment were all rolled into one with an imposing goal of uplifting the standards of management and leadership in the business industry.

Undeniably, the greatest need of our society today are leaders and managers who can bear the responsibility of producing results and at the same time, shape the future leaders of our country. In the San Beda College Graduate School of Business, we aim to be at the forefront of business researches to address industry needs in the future. This research journal is our positive response to the continuing call for responsible leadership in the industry, to our nation and as members of the global community.



Dr. RAMON RICARDO A. ROQUE, CESO I, Diplomate
Dean, Graduate School of Business
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*Notes on
Management*

Taking the Lead towards a Better Future

Ramon Ricardo A. Roque

Each year, we draw nearer to our mission of building an institution that is truly world class imbued with strong Benedictine values. With our growing community of alumni and expanding roster of affiliates, the San Beda College Graduate School of Business is indeed proving itself to be an institution with global outreach and universal perspective.

After years of developing the curriculum and advancing the post graduate education for our beloved institution, I believe it is now high time in moving forward our country towards a better future. Managing innovations, technology and entrepreneurship education precisely answers the needs of our country and its people as we enter an era where entrepreneurship is a must in order to achieve economic freedom and true development.

Our role in developing the new breed of entrepreneurs

During my time, students took post-graduate studies in the hopes of entering big business or government. Sharing the same mindset as that of the Americans of the early 1900's, students received instruction to become trained professionals: Engineers, Physicians, Accountants, Teachers, Lawyers, Clerks, and so on.

However, those were the days of unlimited prosperity - when business and government hired as many people as those that came in to apply for jobs. Today, in an era of belt-tightening, increasing productivity, and computerization, less people are needed by employers.

The usual fallback of foreign employment is no longer reliable as many First World nations have fallen into recession and continue to do so, resulting to a reduction of corporate

personnel left and right. The Economist cited that the downfall of many multinational giants in various fields such as banking, investments, the auto industry, and the like, are still being felt up to the present time (The Economist, 2013). Although some foreign companies have managed to stay afloat, their growth has slowed to a snail's pace, or even worst, have stopped growing entirely. In a British Broadcasting Corporation (BBC) news report, roughly half-a-million Filipino nursing graduates remain unemployed and unable to practice their profession, thereby disabling them from applying for jobs abroad that require at least two years practical work experience in tertiary hospitals (McGeown, 2012).

No longer is big business or government ready to absorb the hundreds of thousands of fresh graduates every year. And although the Business Process Outsourcing industry may have grown more than 20% annually based from the market research by Kleibert, most BPO companies are open to only the most qualified applicants (Kleibert, 2014).

It could not be further stressed that government does not owe any graduate a job. In order to survive during this day and age, people must create their own source of income. They have to become the employer rather than the employee.

Today, as proven by the research study of Evangelista, entrepreneurship education is gaining an upward trend in enrollment, which should come as no surprise (Evangelista, 2013). The phenomenon has been so prevalent that schools augment classroom lectures by inviting guest speakers on the topic of Entrepreneurship. These are all moves in the right direction to stem the tide of unemployment in our country.

As parents, teachers, mentors, godparents, uncles and aunties, to countless teenagers, we have been tasked with the responsibility of steering countless teenagers and college-students to a brighter economic and financial path. Of course, we should strongly recommend that our youth first earn their college degrees as a necessary step towards self-fulfillment. However, let us never allow education to hamper growth.

The path towards economic development does not only depend on us, I believe we have done our part. Although I am sure most of us are already trailblazers in business, I implore everyone to share their knowledge and open the eyes and horizons of our youth to the possibilities of Entrepreneurship.

Let us encourage the youth to take extra courses in Business. Let us empower our *inaanaks* to start a small business now. Although we cherish the thought of being emulated as successful business people, the youth need a push, and we should be more than happy to give them one. Working for one's self, becoming an employer instead of being an employee, has to become the standard for students today and the near future.

This is the best time to start a small business

Teenagers and young professionals can be very stubborn, and they will make excuses whenever they are taken out of their comfort zones. As in the popular movie INCEPTION starring Leo Di Caprio, it is up to us to plant in their consciousness the idea that now is the best time to start a business, no matter how small.

May I mention the number of successful entrepreneurs who started their business in their early 20's starting with the Philippine Daily Inquirer article authored by Tayao-Juego. The story was about the case of two Harvard Business School graduates who gave up their jobs in the corporate world to bring their passion in cooking *Adobo* for a sustainable and expandable Filipino market. They opened their first two branches of Adobo Connection in Dela Rosa carpark building and a spot in SM Sta. Mesa where they became an instant hit, thereby expanding their store count to 55 branches across Metro Manila (Tayao-Juego, 2014).

Even their college thesis can become a great entrepreneurial idea for their business. A case in point: five students from the Ateneo de Manila University came up with a T-Shirt business thesis that lampooned famous brand logos like Magnolia (Magnobia), Watchmacallit (Wag kaMakulit) and Polo (Bolo). After college, they established their mall-based business called Spoofs T-shirts.

If we were to advance mankind's pool of knowledge, we have to learn to inspire our young students and allow them to learn through experience.

Why is now the best time?

The economy is in a much better shape today than it was 10 years ago

Despite the 2008 global slump, as reported by Fajardo in the Philippine Daily Inquirer, the Philippines today has not been part of the recession and was called a miracle economy (Fajardo, 2013). Our recent growth rate has been unprecedented in the last 30 years or so. Plus, we have the added benefit of a renewed consumer confidence and positive economic outlook among Filipinos.

There is less government interference today

The government interferes less with small business today than it did 20 years ago. Now, a small exporter can keep the proceeds of his exports in US Dollars for himself. This was unlike past practice when one had to surrender all his foreign currency revenue to the Central Bank, and they would give the Peso equivalent in return.

Further, the 2002 law entitled the Barangay Micro Business Enterprise Act exempts their small registered business with less than P3 Million in starting capital from paying

Income taxes. This exemption amounts to 30% savings, or a considerable P300,000, on a Net Income of P1 Million for the first year of business as additional growth capital.

It is cheaper to start a business today

In 1985, cell phones cost USD 2,500 each. Today, many units are virtually free under certain subscription programs. Communication, as a vital aspect of every business, has now been made easier with the proliferation of the smart phone and the internet. Most business transactions are consummated via text or call, and this piece of technology has certainly opened avenues that were not available to the common entrepreneur in the past.

Technology bridges the gaps which used to be present in business

Also on the topic of technology development, the evolution of the laptop computer has transformed what used to be a mere figment of fantasy into incredible reality. The laptop is now faster, more compact, can store massive amounts of information and, most importantly, cheaper. Records keeping in a small business is now such a breeze with computer programs such as Microsoft Excel.

There is more credit or capital available today for small businesses

It used to be that informal credit was at 20% a week (or 80% a month), but today fresh graduates can borrow capital in the streets for 10% interest a month.

There are a slew of credit card companies just begging for people to apply for an account. With their parents as co-signers, a young entrepreneur can get credit cards with limits of PhP50,000 to PhP200,000. This credit limit is more than enough for them to start a small business in the local mall or business district.

And, when all else fails, with a little persistence, an enterprising youth can easily borrow PhP5,000 from their parents and relatives to start a micro business such as an e-load stall or a small food cart business.

There are more business opportunities today

According to an online article published in sme.com.ph, there were only 90 registered franchises in the Philippines twenty years ago. Today, one can choose among thousands of franchised businesses. Half of them are in the food industry and the other half in service or light manufacturing (sme.com.ph, 2015).

The cellular phone has also generated quite a few businesses that were not available in the 80's like e-load and money transfer.

The number of blossoming enterprisers may be daunting for the youth, but with a little support from us, their *titos* and *titas*, I am sure new business ideas can spring from their fertile minds. Who knows, they might even start the next fad or business craze just like the application-based business like Uber, Spotify, Netflix and others.

Entrepreneurship and Globalization

The business that you start today need not be a local neighborhood type of a business. It can be a global business with the use of the Internet, where the world is at your doorstep. You need not travel to France to sell your shoes – one can always use eBay or OLX. You need not meet face to face with your clients from Canada since Facebook Messenger, Viber, We Chat or Skype is always available for a meeting via the Internet.

Every business can become a global business via the Internet

Young entrepreneurs can set up a website domain to create Internet-based brochures, complete with video clips for every single product that is available. Marketing tools like Facebook, Twitter, You tube, and other online sites will keep working for you 24/7.

Every nation can be penetrated; every village is within one's reach. No longer are entrepreneurs limited to just a neighborhood business. With a laptop or a smartphone, your teenager can choose to become a global entrepreneur.

The youth are addicted in using the computer anyway. Why not put this addiction to good use by showing them the various ways with which an entrepreneur could make millions!

Mark Zuckerberg, the internet entrepreneur, chairman and CEO of social networking site Facebook, now stands at 35.7 billion USD net worth. That is not bad for a computer-addicted upstart.

Your market is now over 6 billion strong

College graduates will most often be disheartened with the number of small businesses closing shop due to stiff competition. All you have to do to lift their spirits is to show them the figures.

There are 6 billion customers out there waiting to be served. There must be something you could offer that a few hundred thousand souls need or want at the moment? In the Philippines alone, there are 98 million Filipinos accounted for by the Census release last July 2014, with millions scattered across the globe (Bersales, 2014). That is a massive market no matter how you look at it.

Distribution and transportation is now more efficient

Overnight delivery to most parts of the world is now a reality. Container vans clear customs in the U.S.A, almost instantly, thus allowing a three week turnaround for your exports. If you have an internet-based service, such as web designing, you can send your end product within seconds after uploading.

As coined from the Thomas Friedman's *The World is Flat*, Guillotin and Mangematin published in their research journal that the world has truly shrunk and turned into a tiny global village. Though you might not know it, the youth are very adept at this as we are. They buy books from Amazon.com and order toys and gadgets through eBay (Guillotin and Mangematin, 2015). With our help, there is no doubt they can take advantage of this opportunity now.

GATT (General Agreement on Tariffs and Trade)

The General Agreement on Tariffs and Trade is now almost fully implemented, making it easier and cheaper for products to clear customs in any part of the world. Due to reduced tariffs, exports have become more competitive in foreign markets allowing for more export sales.

This open competition has leveled the playing field which allows small exporters and business men access to world markets.

English is the language of Money and Profit

A simple research would show that the English language dominates as the business medium of the free world. The Filipino youth is very lucky to have a strong grasp of the English language; and this is what sets them apart from their Asian counterparts.

What you need to start a business

When we go into our houses, take a peek at our staff rooms, or enter the classrooms where we teach, there before us are the new breed of Entrepreneurs. They bring to the fore the talents of Filipinos of staying focused and resilient despite adversity. If we train them well in Entrepreneurship, we will eventually reap the benefits.

The next breed of heroes will no longer be the OFWs who bring home their petro dollars, but rather, they will be composed of today's students who will lead in the resurgence of small business as a catalyst for progress.

The San Beda College Graduate School of Business must remain as a bastion for developing the new breed of entrepreneurs. To transform our students into that successful entrepreneurs everybody emulates, innovation must be emphasized.

Innovation

Many small businesses employ the same product or service that other businesses sell. A mango shake is the same whether you buy it from a Frutas food cart or from Aling Nene's Carinderia. The pair of pants you buy from a tiangge is no different from the one you buy from an OLX seller. We get the same P150 haircut or the same P300 massage regardless of where we go. But what differentiates one product or service from another? Innovation!

As published in the research journal by Brexendord, Bayus, and Keller, innovation is the key word to make your product or service stand out from the rest of the mold (Brexendorf, Bayus, and Keller, 2015). For example, your ordinary *puto* has cheese on top or your haircut comes with a free blow dry or a free scalp massage.

All it takes to differentiate your product from the rest is a small twist. A swirl of chocolate in your *suman* or *bibingka* gives a newcomer a competitive edge. Intricate embroidery on the lapels of your business dress can spark a revolution of sorts in office attire fashion. A fast turnaround in your medical transcription service keeps your US-based clients sending more work.

During the conception of the popular Nintendo Wii, CEO Shigeru Miyamoto thought why he should compete with the Sony PlayStation and the Microsoft X-Box. He came up with his own gaming console absolutely different from the traditional ones. To date, 100 million units of Nintendo Wiis have been sold.

As mentioned earlier, Mark Zuckerberg, during his college years, wanted to create a better "address book" for his Harvard classmates. He simply toyed with the idea and 6 years later, a 6.9 Billion Dollar empire was created.

All it takes is one great idea, and the youth are great at coming up with these. Recent history has shown us this, and it would be advisable for us to take the lesson.

Passing the torch

I am sure you are already familiar with many of the points I have previously mentioned. But this is not for us. It is for the Filipino youth.

Yes, we may continue to expand our own mini business empires. Yes, we may continue to innovate and conjure up ideas which may change the course of history. Yes, we may continue to pad our CVs with Doctorate degrees and individual accolades. But we can also further our legacy by passing on our knowledge to those who can utilize it to a much higher level - the youth.

The best way to manage innovations, technology and entrepreneurship is to pass it on. To teach it to the next generation so that they may add to it and continue its growth is the true path towards economic development.

If the San Beda College Graduate School of Business is to fashion a community of men and women into a center of learning, stimulating one another's power of thinking through the guidance of an inspiring faculty, then such a task must start with us, Bedans.

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Living to Tell the Tale: The Precarious Workers' Experience

Divina M. Edralin
and Real So

ABSTRACT

Precarious work refers to “forms of work characterized by atypical employment contracts, limited or no social benefits and statutory entitlements, high degrees of job insecurities, low job tenure, low wages and high risks of occupational injury and diseases” (Evans and Gibb, 2009). From the point of view of the worker, this kind of employment is uncertain, unpredictable and risky. Based on this conceptual framework and Ghai’s (2006) conceptual framework on the “interdependence of the four elements of decent work,” we determined the employment practices that are associated with precarious work as practiced in the companies. We also identified the factors that drive employers to adopt these precarious practices and its effects on the workers. We conducted a survey among unionized and non-unionized hotels and food service establishments using a 2-page pre-tested questionnaire. A total of 154 research participants from the selected companies which implement precarious work practices were covered. Our findings revealed that employment practices that are often associated with precarious work is the hiring of labor via employment agencies or labor brokers and direct hire on temporary contracts. Precarious employment is driven by the companies’ desire to lower expenses or costs for salaries and benefits to increase profit. We also found out that precarious work is undermining worker rights, the scope and coverage of collective bargaining, as well as wages and working conditions in the hotel and food service industries. We suggested that it is imperative that a strong government action be taken. It must take up the challenge by reversing its policies of labor deregulation and contractualization that have facilitated the growth of precarious work but instead have at their core, creating good jobs and improving the quality of work which is in accordance with the Decent Work Platform of the International Labour Organization.

Keywords: Precarious work, unions, decent work, contractual work, part-time job, work

“Work is a fundamental right and a good for mankind, a useful good, worthy of man because it is an appropriate way for him to give expression to and enhance his human dignity”
(Pontifical Council for Justice and Peace, 2004, p.180).

BACKGROUND OF THE STUDY

In 1999, Juan Somavia, the long-serving Director-General of the International Labour Office, introduced the “Decent Work Agenda”. Rooted on the principles of human dignity and the right to work, decent work embodies the principles of workers’ rights, social protection, employment promotion, and social dialogue. The principle of the workers’ rights ensures that work is associated with dignity, equality, freedom, adequate remuneration, social security, and voice for representation and participation for all categories of workers. The principle of social protection aims to provide security against a variety of contingencies and vulnerabilities to reduce suffering, anxiety, insecurity, and material deprivation. The principle of employment promotion is to provide adequate employment opportunities for all who seek work and work should yield remuneration that meets the essential needs of the workers and the family members. And the principle of social dialogue aims to provide voice and representation to participants in the production process. It means they should be able to defend their interests, to articulate their concerns and priorities, and to engage in negotiations and discussions with other actors in the production system and with the public authorities on social and economic policies.

Decent work “emphasizes the importance of work in people’s lives, independence and dignity. It gives equal recognition to all workers and underlines work as the source of value creation, rejecting ideological and class-based concepts like entrepreneurship, where the rich single out a specific form of work as superior to others, and implicitly diminishes the contribution of teachers, designers, and caregivers to wealth creation” (Hoffer,2012,p.63-64). Decent work which emphasizes quality employment creates social value for the common and dignity of persons regardless of religion, race, gender, and age. It includes the “millions of workers outside the formal economy and demands decent living conditions for all who work, as well as for those who should not work or who cannot find adequate work (Hoffer, 2012, p.64).). Work, for so long in the past, has meant a stable, full-time job, representing substantial progress over an earlier age when labor was treated little differently from products (Evans & Gibb, 2009).

However, the establishment of the World Trade Organization (WTO) has resulted in changes in economies around the world. These changes, in turn, have affected business structures, work systems, and employment relationships. Adaptive responses have been adopted by businesses to cope with the pressures from globalization, competition and rapid innovation. These responses include labor and hiring strategies, such as flexible staffing, reduction or extension of work hours, contractual work, etc. (Tompa,

Scott-Marshall, Dolinschi, Trevithick, & Bhattacharyya, 2007). In the economic sense, Bowles (2002, cited in Temkin & Veizaga, 2010) maintains that globalization is “usually associated with a liberalization of goods, services, financial and labor markets.” These changes mediated the effect of globalization on work and employment relations (Gonos, 1997, cited in Kalleberg, 2009). In recent years, the “balance of power shifted all the more heavily away from workers and toward employers” (Kalleberg 2009).

Conclusions are divided regarding the effects of globalization on labor conditions around the world. Felbermayer et al., (2008) as cited in Temkin & Veizaga, (2010) found that “when globalization – seen as trade liberalization – goes hand in hand with increased productivity, unemployment rates decrease and real wages grow.” According to the prediction of the Heckscher-Ohlin models, globalization results in a convergence of development levels, incomes and wages (Ohlin, 1966; Heckscher, 1949; O’Rourke, 2004, cited in Temkin & Veizaga, 2010). Moreover, Kristof & WuDunn (2007, cited in Temkin & Veizaga, 2010) posits “global enterprises can offer opportunities to escape poverty.” In contrast, Reddy (2006, cited in Temkin & Veizaga, 2010) presents that globalization resulted in negative implications on labor conditions in less developed countries. According to him, in general, it resulted in “increased income inequality among workers.” Moreover, globalization as a “movement across boundaries has brought new efficiencies and vast new markets for business but it has also exacerbated inequalities and lessened the power of states to control business for the common good” (Williams,2013).

Notwithstanding the differences regarding the impact of globalization on various economic, social and cultural dimensions, work processes and the standard employment model have been changing in dramatic and important ways (Evan & Gibb, 2009). According to Evan & Gibb (2009), companies have been selectively adopting “flexibility” with adverse effects on workers. Managers are consistently pushing “to erode employment standards.” This dramatically transfers the risks from the companies to the workers. By deregulating labor markets through policies, governments have transformed the employment relationship. This significantly contributed to the “emergence and growth of precarious work over the past decades.” Despite the arguments, there is an increased number of informal or non-standard work globally. The concept of informal employment refers to the significant part of the global workforce that remains outside the world of full-time, stable, and protected jobs, regardless of whether they work in the formal or informal sector (Women in Informal Employment: Globalizing and Organizing, 2007, cited in Temkin & Veizaga, 2010). According to them, the main drivers of precarious work are first, cost-cutting approaches to competition. This often affects product and job quality, wages and the working environment. Second, new information and communication technologies that led to affordable costs of coordination and transportation led to precarious employment. This gave birth to new forms of subcontracting and outsourcing (Evan & Gibbs, 2009). Similarly, the employment of adaptive labor and hiring strategies gave rise to work experiences that are non-standard, atypical and precarious. Examples

of these strategies are flexible staffing, reduction or extension of work hours, contractualization, etc. (Vosko, 2010). As pointed out by Burrow (2012), precarious employment is characterized by work that is not permanent, is indirect, informal and/or otherwise insecure. Examples of these are casual, temporary, part-time, or fixed-term contract workers. The increased usage is intended to maximize short-term profitability and flexibility at the expense of the worker.

Beginning with the construct of “atypical work” or non-standard work, Rodgers (1989, cited by Tompa, et al, 2007), theorized about the key dimensions of work experiences that may result to instability, insecurity and vulnerability. He used the term “precarious work” to describe these dimensions. These are: 1) degree of certainty of continuing work; 2) the control over work, i.e. control over working conditions, wages and pace of work); 3) protection, which may be provided by regulation, social norms, and benefits); and 4) income inadequacy. Rodgers’ theory operates within the context of work forms and work arrangements, which includes temporary work, defined-term contract, casual work, contingent work, and non-standard or atypical work.

Differentiating contingent from precarious work, Vosko (2010, cited in Scott-Marshall & Tompa, 2011) refers ‘contingent work’ exclusively to the form of employment, but forms and levels of precariousness vary across jobs and across labor markets. However, Vosko (2006, cited in Tompa, et al 2007) echoed Rodgers by saying that precarious employment is characterized by “uncertainty, limited access to regulatory protections, lack of control, and low income. Tompa et al (2007) described “precarious” as work experiences that are associated with instability, lack of protection, and insecurity over different dimensions of work, and social and economic vulnerability.

According to Evans and Gibb (2009), precarious work refers to “forms of work characterized by atypical employment contracts, limited or no social benefits and statutory entitlements, high degrees of job insecurities, low job tenure, low wages and high risks of occupational injury and diseases.” From a workers’ point of view, it is employment that is uncertain, unpredictable and risky. The main drivers of precarious work are: (1) “low road” approaches to competition whereby cost-cutting is achieved at the expense of product and the job quality, wages and a clean environment; (2) new forms of subcontracting and outsourcing, facilitated by falling costs of coordination and transportation afforded by new information and communication technologies; and (3) new management and contractual forms, which loosen the traditional ties between workers and employers, as indicated by the increase in low wage jobs, temporary employment and self-employment, often taking the form of disguised employment (Evans & Gibb, 2009). As a corollary, the International Labour Office (2007) stated that precarious work is characterized by a combination of the following factors: (1) a limited duration or a high probability of the worker’s losing the job; (2) little or no opportunity for workers to control the working conditions; (3) absence of benefits or social security provisions; and (4) a low income in tandem with poverty.

Early in 2002, the International Labor Organization reported that informal jobs in developing countries comprised 50-75% of all non-agricultural employment (Temkin & Veizaga, 2010). A recent World Bank study revealed that informal jobs in a typical country in Latin America comprised 70% of the labor force (Norman V. Loayza et al., 2009, cited in Temkin & Veizaga, 2010). For developed countries, the figures are not remotely different. In 2002, non-standard work accounts for 30% of overall employment in 15 countries in Europe, while it accounts for 25% in the United States (International Labor Organization, 2002, cited in Temkin & Veizaga, 2010). Recent data on the incidence of precarious employment in advanced economies have been increasing over the years according to the International Institute for Labour Studies World of Work Report in 2012.

Across the world, national labor laws are being amended to enable employers to create more precarious jobs at the expense of stable employment. In 2006, the Australian government introduced new labor laws that removed workers' protection from unfair dismissal. The laws also encouraged contract and temporary work (Metal World, 2007). Recently, the European Union launched a consultation paper promoting 'flexicurity'. The paper posits that employment growth is stimulated when employment protections such as unfair dismissal laws are reduced and casual employment is increased. Moreover, UK affiliate Amicus pointed out the negative impact of Britain's weak labor laws on manufacturing jobs. Amicus General Secretary Derek Simpson maintains that, "well paid secure jobs can only be protected by stringer employment laws than we currently have in the UK (Metal World, 2007).

Precarious work practices of selected countries

Evan and Gibb (2009) identified a sample of actual precarious work practices of countries with advanced economies. In Canada, a third of the workforce are part-time, contract-based and temporary in nature. For contract and agency workers, they engage in work not different from those of permanent workers. However, they receive lesser pay. A substantial number of them are classified as self-employed or independent contractors for the purposes of labor and employment rights, benefits and protections.

In the United States, the Government Accountability Office (GAO) reported that "contingent" workers account for 31% of the total workforce. These include independent contractors, subcontracted and leased workers, and part-time workers. Despite the growth of the absolute number of workers in these categories between 1995 and 2005, the percentage remained stable. This means that the growth of contingent work in the United States has been steady parallel to the rest of the economy. Notably, more than those in other developed countries, more firms in the United States have taken the 'low road' strategy of reducing labor costs through contingent work arrangements. 'Flexible firms' use contingent workers to buffer their core, valuable workers from fluctuations in supply and demand.

In Japan, “the rise of precarious work has resulted to severe gender inequality and broader social implications.” Japanese firms, through the Japanese Federation of Employers’ Association, or Nikkeiren, has popularized the notion of a ‘multi-track personnel system’. These are first, the core or ‘elite’ group of long-term employees; second, a peripheral group for simple routine tasks, and; three, a ‘flexible’ work force which corresponds to the rise in non-regular employment in Japan. Part-time workers comprise roughly 75% of the third group. Workers in this group receive 60% less pay than the permanent workers. Of this number, 80% are women. The model has received continuous support from the Japanese Business Federation (Nippon Keidanren).

A brief on precarious work in the Philippines

In the Philippines, the Department of Labor and Employment (DOLE) defines employees in precarious work as those that “relate to wage and salary workers in any work arrangements, that differ from the commonly perceived norm of “full-time protected regular wage and salary employment”, such as short-term, casual and low paying jobs that do not provide the usual non-wage benefits and social security normally found in regular employment contracts. Data in Table 1 reveal that by type of non-regular employment, there are more hired contractual, followed by casuals, and then part-time employees.

Table 1.

Types of non-regular employment in the Philippines as % of total employment (1989-1997)

Year	Part-time	Casual	Contractual	Totals
1989	1.3	4.1	8.3	13.7
1990	1.6	3.7	8.2	13.5
1991	1.5	4.1	7.0	12.6
1992	1.5	4.1	10.0	15.6
1993	1.8	3.4	9.8	15.0
1994	1.5	4.3	7.9	13.7
1995	1.8	4.4	11.8	18.0
1996	2.0	4.1	12.3	18.4
1997	2.2	4.7	14.0	20.9

Source: DOLE-BLES Yearbook of Labor Statistics, 2007.

OBJECTIVES OF THE STUDY

We investigated this re-emerging old phenomenon that is seriously affecting the hotel and food service industries in the Philippines. Specifically, the objectives of the study are focused on the following: (1) To determine the employment practices that are often associated with precarious work in the hotel and food service industries; (2) To know the factors that drive these companies to resort to precarious work practices; (3) To describe the impact of precarious work on the following: (3.1) Women workers; (3.2) Workplace health and safety; (3.3) Union as an organization; and (3.4) Sustainable development; (4) To identify strategies or courses of action that can be taken by

the following stakeholders to combat precarious work practices: (4.1) Unions; (4.2) Employers; (4.3) Government; and (4.4) International Labour Organization (ILO).

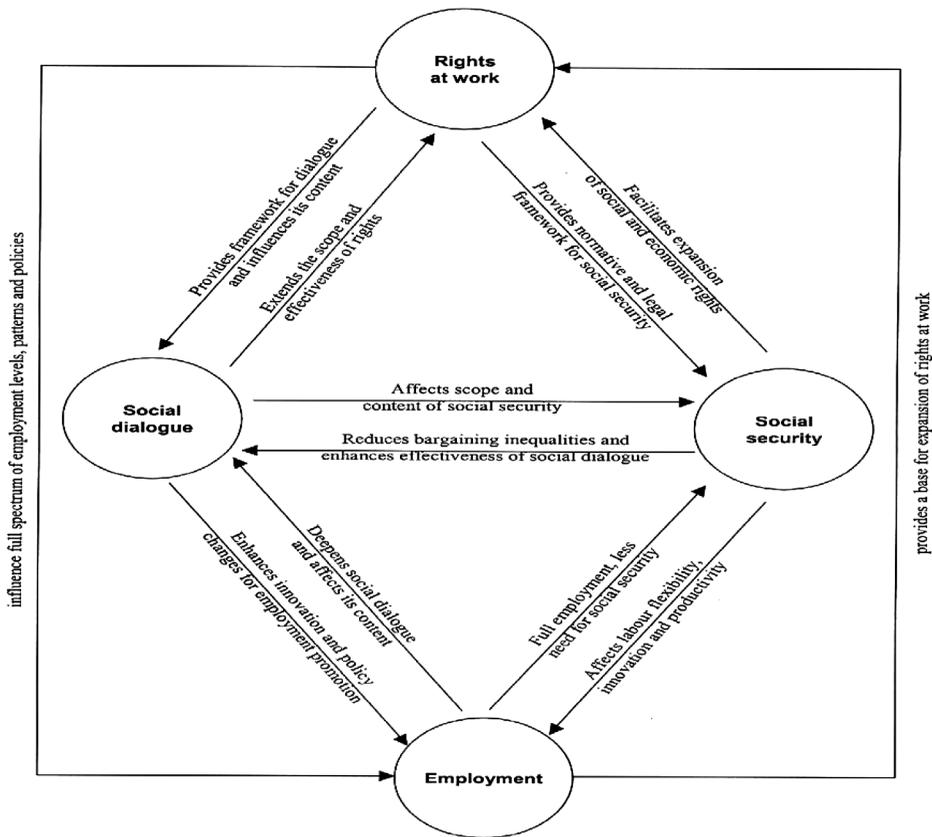
FRAMEWORK

Conceptual Framework on Decent Work

This study is based on the conceptual framework for the “interdependence of the four elements of decent work” developed by Ghai (2006) as shown in the figure below. Decent work embodies four fundamental objectives related to workers’ rights, social protection, employment promotion, and social dialogue. These four objectives must be integrated and mutually reinforce one another to ultimately attain fair globalization and inclusive and sustainable development, as emphasized in the Social Justice Declaration. The generation of productive and quality work is necessary to minimize unemployment and underemployment. Moreover, enforcing workers’ rights, social protection, and social dialogue indicate fair treatment of workers. On the other hand, unjust treatment of workers by impeding their rights can hinder growth and development (Sengenberger, 2001).

Figure 1.

Interdependence between rights at work, employment, social security and social dialogue

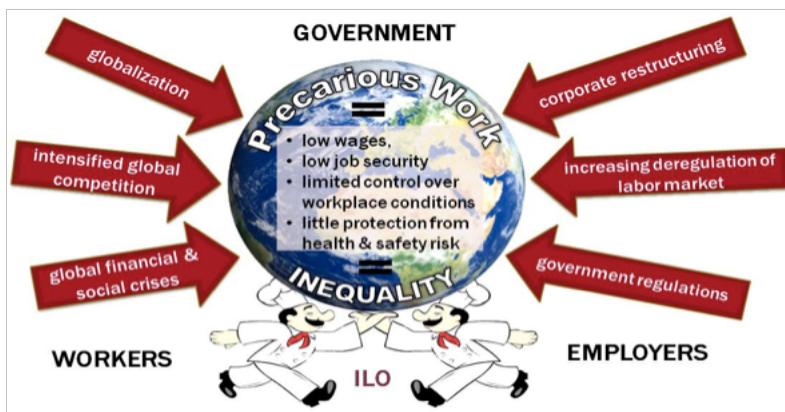


Operational Framework on Precarious Work

The framework shows the concept of precarious work, the factors that drive the hotel management to resort to this vulnerable work arrangement, and the stakeholders that can do something to combat this enemy of decent work are highlighted in Figure 2.

Figure 2.

Operational Framework on precarious work



METHODOLOGY

Using a descriptive research design, a survey was conducted in 11 unionized hotel establishments which are affiliated with the National Union of Workers in Hotel Restaurant and Allied Industries (NUWHRAIN- IUF) in the Philippines, as presented in Table 2. Of the 11 participating hotels, eight are located in Metro Manila and four are operating in the provinces. A total of 84 valid responses from supervisory and rank-and-file employees' union officers and members were used for the data analysis.

In addition, the same survey was conducted among workers of the non-unionized food service establishments in Metro Manila. A total of 70 valid responses from the workers were used.

A content analysis of government publications such as the BLES-DOLE and NSO data was also utilized to secure a brief profile on the extent of precarious employment at the industry level.

FINDINGS

Statistical Profile of Precarious Work in the Hotel and Restaurant Industry

The following data from the Department of Labor and Employment clearly reveal that precarious work is prevalent in the Philippines, particularly in the hotel industry. The

hotels employ contractual/project-based, casual, probationary, and seasonal workers to meet their needs. Contracted out services are mostly on security, food/catering, janitorial, general administrative, and logistics/transport work.

Table 2.

Total employment and number of non-regular workers in hotel and restaurants with 20 or more workers by category, Philippines: June 2010.

Industry	Non-Regular Workers						
	Total Employment	Total	Probationary Workers	Casual Workers	Contractual /Project-based Workers	Seasonal Workers	Apprentices /Learners
Hotels and Restaurants	196,075	70,077	14,032	13,424	38,338	1,534	2,749
All Industries	3,042,750	850,085	179,384	170,817	445,020	28,815	26,049

Note: Details may not add up to totals due to rounding of figures.

Source: Bureau of Labor and Employment Statistics, 2009/2010 BLES Integrated Survey (BITS).

Table 3.

Number of agency-hired workers in non-agricultural establishments with 20 or more workers in hotel and restaurants by type of jobs/services contracted out, Philippines: June 2010.

Agency-Hired Workers	Hotel and Restaurants	All Industries
Total Number of Agency-Hired Workers	19,691	341,703
Security Services	7,478	98,790
Janitorial	3,301	50,588
General Administrative	1,307	14,406
Marketing/Sales	163	20,285
Packaging	-	18,397
Production/Assembly	-	103,192
Research and Development	-	1,692
IT Services	56	3,384
Cashier	-	477
Food Service/Catering	6,041	7,410
Human Resource	-	20
Messengerial	-	453
Billing/Payment	-	194
Logistics/Transport	1,237	6,630
Repair/Maintenance/Construction	108	8,890
Data Processing/Encoding	-	165
Warehousing	-	2,156
Medical/Health Services	-	138
Others	-	4,436

Note: Details may not add up to totals due to rounding of figures.

Source: Bureau of Labor and Employment Statistics, 2009/2010 BLES Integrated Survey (BITS).

Table 4.

Number of hotel and restaurants engaged in subcontracting with 20 or more workers by type of jobs/ services contracted out, Philippines: June 2010.

	Hotel and Restaurants	All Industries
Production/Assembly	-	193
Finance/Accounting	134	1,091
Data Processing/Encoding	24	141
Human Resource	42	420
Learning/Training	24	299
Billing and Payment	54	271
Transport Services	59	462
Courier Services	54	602
Packaging/ Crating	-	108
Research and Development	12	129
Others	1	257
Total	235	2,471

Note: Details may not add up to totals due to rounding of figures.

Source: Bureau of Labor and Employment Statistics, 2009/2010 BLES Integrated Survey (BITS).

Survey Results

Table 5.

Employment practice often associated with precarious work in the hotels.

Practices	Average Percentage (n=84)	Department most affected
Hiring of labor via employment agencies or labor brokers	35.9	Housekeeping
On call/daily/per function hiring	29.1	Food & Beverage
Contracting out functions/tasks to other companies	25.9	Engineering
Direct hire on temporary labor contracts	23.4	Food & Beverage
Disguised employment training contracts (as trainees)	22.3	Housekeeping
Limited employment to less than six (6) months	21.8	Food & Beverage
Fixed term contracts	14.0	Engineering
Abusive probationary periods	12.1	Food & Beverage
Illegal or involuntary part-time work	7.1	F&B, steward
Individual labor contracts as bogus "self-employed" workers	6.5	Engineering
Home working	3.0	F&B, seamstress, laundry, accounting

Table 6.

Employment practice often associated with precarious work in food service establishments.

Practices	Frequency (n=70)
Direct hire on temporary labor contracts	52
Limited employment to less than six (6) months	43
On call/daily/per function hiring	43
Hiring of labor via employment agencies or labor brokers	33
Abusive probationary periods	18
Illegal or involuntary part-time work	17
Fixed term contracts	11

Practices	Frequency (n=70)
Disguised employment training contracts (as trainees)	11
Contracting out functions/tasks to other companies	11
Individual labor contracts as bogus "self-employed" workers	2
Home working	1

There are eleven specific employment practices that are often associated with precarious work in the participating hotels. The top of the list is the hiring of labor via employment agencies or labor brokers (35.90%). This is followed by on call/daily/per function hiring (29.10%). Third in the rank are practices such as contracting out functions/tasks to other companies (25.90%); disguised employment training contracts, as trainees (22.3%); and limited employment to less than six months (21.8%).

These precarious work arrangements are more commonly done in the Food and Beverage Department where they hire waiters, food attendants, stewards and bartender assistants. In the Housekeeping Department, they employ room attendants and cleaners/janitors. In the Engineering Department they contract out electricians and engineers. In a lesser degree, the other departments that are also affected are Laundry, General Services, Administration, and Accounting.

In the food service establishments, direct hire through temporary labor contracts is the most common practice associated with precarious work. This is followed by limited employment to less than six (6) months and on call/daily/per function hiring. Hiring of labor via employment agencies or labor brokers is also a common occurrence.

Table. 7.

Factors/causes for hotels to resort to precarious work practices

Reasons	Hotel		Food Service	
	Frequency (n=84)	Percentage	Frequency (n=70)	Percentage
Lower expenses or costs for salaries and benefits	67	80	53	76
Reduce number of regular workers or prevent regularization	66	78	67	96
Promote flexibility of labor	64	77	48	69
Weaken union or prevent unionization	62	74	23	33
Eliminate or reduce cost of dismissal or retirement benefits payment	61	73	52	74
High unemployment and/or surplus of labor	61	73	36	51
Allow employer to evade responsibility to workers	60	72	26	37
Make dismissal/lay off of workers easier	60	72	68	97
Labor laws encourage contract and/or temporary work	59	71	27	39

There are a number of reasons why hotels resort to precarious work practices according to the trade unionists' respondents. The top five factors are: (1) lower expenses or costs for salaries and benefits (80%); (2) reduce number of regular workers or prevent regularization (78%); (3) promote flexibility of labor (77%); (4) weaken union or prevent unionization (74%); and (5) eliminate or reduce cost of dismissal or retirement benefits payment (73%).

Comparatively, food services establishments share four out of the top five reasons. These are (1) reduce number of regular workers or prevent regularization (96%); (2) lower expenses or costs for salaries and benefits (76%); (3) eliminate or reduce costs for salaries and benefits (74%); and (4) promote flexibility of labor (69%). Interestingly, these establishments resort to precarious work practices primarily to make dismissal/lay off of workers easier (97%).

These data reveal that precarious work is caused by employment practices designed to maximize employer profits and flexibility and to shift risks onto workers. Moreover, the changes in the labor market are often an effect of the change to which decent work has been reconfigured to introduce precarious work in the hotel industry, and not one of its causes.

Table 8.
Effects of precarious work on the union.

Union	Hotel	
	Frequency (n = 84)	Percentage
Weakens union, lowers membership and reduces source of funds	68	82
Unable to fully exercise union rights or avail of union benefits and privileges	63	75
Contributes to union busting or dissolution of union	63	75
Lessens ability to bargain, to strike, or undertake concerted action	63	75
Discourages or prevents union organization or membership	62	74

For trade unionists, a big bulk (82%) of the respondents opined that precarious work practices have significantly weakened the union as an organization since their membership continues to decline and with this trend, their source of funds (which is the union dues paid by the members) is also reduced. When the workers are not regular, they are unable to fully exercise union rights or avail of union benefits and privileges simply because they are not members of the union.

Table 9.
Effects of precarious work on women workers.

Women Workers	Hotel		Food Service	
	Frequency (n=84)	Percentage	Frequency (n=70)	Percentage
Minimizes or prevents regularization	57	69	47	67
Discourages union membership and/or denies union representation	56	67	9	13
Minimal, or denial, or non-improvement, of benefits	53	64	31	44
Lower wages and salaries or compensation	52	63	7	10
Fosters discrimination	51	61	14	20

The unionists perceived that the re-emerging precarious work arrangements are unfair not only to women workers but to all workers. First, they are prevented from becoming regular employees and as such, they cannot become union members and are denied of union representation. Since they are not regular employees, they receive

lower wages and they are not entitled to benefits. If they are breadwinners, their salaries are not enough to fend for their family needs and even for themselves. But it seems that they are forced to engage in this non-standard work schemes due to the uncertainty about the future of employment and earnings, limited work opportunities and the stiff competition to find work in the hotel industry. It is better for them to have meager income, than having nothing at all. In such case, women workers who are exposed to low and unstable income, also suffer greatly during economic downturns. Since they are not regular employees, they are the first to go when labor downsizing is implemented by the hotel management.

In the same vein, workers from food service establishments shared the same perception of hotel workers. Most of them believed that precarious work minimizes or prevents regularization of women workers. However, not many of them believed that precarious work will foster discrimination, discourage union membership or lower wages among women workers.

Table. 10.

Effects of precarious work on the workplace health and safety in hotels.

Workplace Health and Safety	Hotel		Food Service	
	Frequency (n=84)	Percentage	Frequency (n=70)	Percentage
Tendency to have multiple jobs in multiple sites	61	73	31	44
Assigned to irregular or very limited hours of work; and/or long work shifts/work days or work weeks	60	72	43	61
Required to do dirty, dangerous, dull, and/or lowest paying jobs	59	71	23	33
Less or no health and safety equipment, benefits, or social security	55	66	24	34
Stressful psychosocial working conditions	52	63	21	30

The unionists observed that precarious work practices create the “tendency to have multiple jobs in multiple sites” in the hotel. It means that the job description of a hotel worker has expanded and this has to be done in more than one outlet in the establishment. The workers are now pressured to toil faster but efficiently and accurately. It means no customer complaints and higher revenues as reflected in constant high room occupancy and food consumption in the food outlets and room service orders. The contractual or temporary workers are “assigned to irregular or very limited hours of work and/or long work shifts/work days or work weeks” which the regular workers are seldom assigned to. What is more demeaning is the reality that precarious workers are “required to do dirty, dangerous, dull, and/or lowest paying jobs.” They have no option but to follow or else they will lose their job.

The observations of workers in food service establishments are similar with those of the unionists in hotels. For these workers, “tendency to have multiple jobs in multiple sites” meant moving from one location to another but not necessarily housed within the same geographical location.

Interestingly, both unionists and food service workers found stressful psychosocial working conditions having the least effect on workplace health and safety.

Table 11.

Effects of precarious work on sustainable development.

Sustainable Development	Hotel		Food Service	
	Frequency (n=84)	Percentage	Frequency (n=70)	Percentage
Declining living standards and rising poverty	64	77	36	51
Reduced or no purchasing power which can help stimulate economy	61	73	18	26
Lower or no income/other tax collections, and government revenues	60	72	12	17
High unemployment, underemployment and job instability	58	70	46	66
Increased government expenditures for health and social costs and services	57	68	12	17

The unionists believe that precarious employment has primarily resulted in the declining living standards of the workers and it is contributing to the rising poverty in the country. When workers have small and less income, which is even below the minimum wage, they are not able to afford even the minimum requirements of quality living which include decent shelter, clothing, three meals a day, access to good education, private health care; and simple recreation. On a macro level, lower or no income means no tax collections and revenue for the government which is used to finance government expenditures for education, health, social protection, and other social services necessary to keep a stable and afloat economy. Therefore, precarious work creates insecurity and leads to increases in inequality and poverty.

Table 12.

Action that can be taken by the unions to address/combat precarious work.

Unions	Hotel	
	Frequency (n = 84)	Percentage
Lobby for new or changes in laws to promote job security	64	77
Recruit or organize precarious workers into unions	63	76
Include contract workers in collective bargaining arrangements	63	75
Negotiate for the same wages, working conditions, benefits and job stability for precarious workers	62	74
Demand that employers' reduce or eliminate the use of contract labor and other forms of precarious work	62	74

The trade unionists strongly believe that what they can do as a labor group as a priority is to “lobby for new or changes in laws to promote job security” (77%). They should also “recruit or organize precarious workers into unions” (76%) and “include contract workers in collective bargaining arrangements” (75%).

Table 13.

Action that can be taken by the employers to address/combat precarious work.

Employers	Hotel		Food Service	
	Frequency (n=84)	Percentage	Frequency (n=70)	Percentage
Respect workers and union rights	65	78	26	37
Practice transparency in relation to workers and unions	63	76	37	53
Support setting of legal standards in the use of precarious workers	63	76	63	90
Negotiate with union/s about use of precarious workers	62	74		
Minimize or eliminate use of precarious workers	61	73	50	71

The unionists averred that the employers as the owner of the hotel, first and foremost, should “respect workers and union rights” (78%) and “practice transparency in relation to workers and unions” (76%). They also should “support the creation of legal standards in the use of precarious workers” (76%). However, there are considerable challenges still facing unions trying to reach out to vulnerable workers in the hotel industry.

Since the respondents of the food service establishments do not belong to a union, they believed that employers can address/combat precarious work by “support setting of legal standards” (90%) and “minimize or eliminate use of precarious workers” (71%).

Table 14.

Actions that can be taken by the government to address/combat precarious work.

Government	Hotel		Food Service	
	Frequency (n=84)	Percentage	Frequency (n=70)	Percentage
Enforce labor laws and regulations	68	81	63	90
Promote security of tenure of workers	68	81	62	89
Pass legislation to eliminate use of employment agencies and grant of same rights to both regular and precarious workers	63	75	57	81

The trade unionists consider the role of the government in the areas of legislation and implementation of the laws. The legislative role is to “pass legislation to eliminate use of employment agencies and grant of same rights to both regular and precarious workers,” while the implementation role is to “enforce labor laws and regulations, as well as “promote security of tenure of workers.”

These observations are shared by the respondents from the food service establishments.

Table 15.

Action that can be taken by the ILO to address/combat precarious work.

International Labor Organization (ILO)	Hotel	
	Frequency (n = 84)	Percentage
Global campaigns to end precarious work and promote decent jobs	65	78
Develop suitable ILO conventions to limit, restrict and reduce resorting to precarious forms of employment	65	78

There are only two strategies that the unionists can think of as far as the ILO is concerned. First, is strengthen their “global campaigns to end precarious work and promote decent jobs” and develop “suitable ILO conventions to limit restrict and reduce resorting to precarious forms of employment.” It entails that the Decent Work Agenda which was introduced by Juan Semovia in 1999 to refocus the ILO and make it relevant for the 21st century. Its role in the workplace should be pushed and supported by the tripartite bodies.

CONCLUSION

“First, the business must not be single-mindedly focused on its own profits, but must have a bigger purpose that includes taking on some of the problems of the wider society. Advancing the common good implies tapping into the shared concerns and purpose espoused by most, such things as improving health, preserving the environment, enhancing education and, in general, improving the quality of life. A careful examination reveals that some companies never realize these values in practice. It is not enough to have a lofty philosophy of the organization, but rather, a company must also have business plans with time frames and goals that integrate these values into daily practice. Hiring and development must reflect the philosophy of the firm and motivate employees to carry forward the espoused values. The ideal firm envisioned by Pope Benedict, however, would attend to the dignity of all significant stakeholders involved. Paying a living wage respects the dignity of the workers and enables them to exercise their right of participation in the society” (Williams, 2013).

Findings revealed that precarious employment is undermining worker rights, the scope and coverage of collective bargaining, as well as wages and working conditions in the hotel and food service industries. In the case of vulnerable workers who are exposed to low and unstable income, they suffer greatly whether the economy is up or down. The data also reveal that precarious work is caused by employment practices and that one of the most significant characteristics of this dangerous work is the physical fragmentations of the cycle of production and employment arrangements, in order to obtain greater efficiency, maximize employer profits and flexibility, and to shift risks onto workers.

Therefore, there is an urgent need to combat the rising incidence of precarious work in the hotel and food service industries. The overall goal is to ensure that precarious work which is the enemy of decent work, does not become the dominant feature of the working relationship between workers and employers.

The hotel industry trade unionists recognize that theirs and the other private initiatives will not be adequate, while the food service workers should form their own unions to combat precarious work. It is imperative that a strong government action be taken. It must take up the challenge by reversing its policies of labor deregulation and contractualization that have facilitated the growth of precarious work but instead have at their core, creating good jobs and improving the quality of work which is in accordance with the Decent Work Platform of the International Labour Organization.

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Managing the Impact of the ASEAN Economic Community on the Mining Industry: A Quantum Perspective

Emiliano T. Hudtohan

ABSTRACT

The Asean Economic Community (AEC) Blueprint, which has four pillars with 17 core elements and 176 priority actions, which member nations started to implement in December 2015. The objective of this paper is present a quantum perspective on this new organizational phenomenon in Asia; it discusses an alternative economic platform to hasten relationship among AEC members and specifically, it poses a challenge to the mining industry to superstruct for sustainability. The framework of this paper is quantum management in the light of the new economy and the new environmental ecology. Thus, the mindset of the mining management is invited to move from a 17th century Cartesian-Newtonian paradigm to a 21st century quantum worldview. Thus, the need to consider the AEC as: 1. A quantum organization in terms of its economic, political and leadership structure; 2. An economic innovator in promoting the comparative advantage of David Ricardo in contrast to the current competitive advantage practice in business; 3. A pioneer in developing the common wealth of Martin Brown in veering away from the current practice of rabid pursuit of commercial wealth; and 4. A model in the mining industry where Asean members superstruct locally and regionally by consolidating their resources, and ultimately participate in a new global economy with sustainable ecology.

Keywords: Cartesian-Newtonian physics, metaphysics, quantum theory, quantum organization, comparative advantage, common wealth, and superstruct.

OBJECTIVES AND SIGNIFICANCE OF THE STUDY

This paper seeks to answer the questions: 1. How can the New Science of quantum physics help us appreciate the AEC as a new organization in the 21st century? 2. What is the alternative economic platform which will hasten the development of the Asean Economic Community? 3. What are the challenges facing the mining industry in the face of a superstructure that is based on a new ecology of the future?

For the Cartesian-Newtonian scientists and practitioner, this study presents a different perspective in managing organizational change. The metaphysicists who are advocates of promoting the New Science will find an ally in this paper. Specifically, mining management steeped in the mathematical science of engineering will discover that the assumption of quantum organization differs from the assumptions based on physical laws. Finally, this study will help the AEC members to interact with less competitive positioning if comparative advantage is used in pursuing common wealth in the Asean region, which was once a unified geographic entity, until the respective countries were colonized.

METHODOLOGY

This is an exploratory paper, using heuristic approach to develop the topic on The Impact of AEC on the Mining Industry in Southeast Asia. Heuristic research attempts to discover the nature and meaning of phenomenon through internal self-search, exploration, and discovery (Moustakas & Douglass, 1985). As an axiologist, I used my banking and insurance experience for 20 years and academic experience at the De La Salle College of Business teaching corporate social responsibility and business ethics for 10 years viewing the mining industry from a perspective of the New Science of management. My self-search, self-dialogue and self-discovery regarding mining has been ongoing for the past six years when I gave a talk on mining and social responsibility in Indonesia (2009 and 2011). In 2014, I delivered a paper on the challenges and opportunities of the AEC at the Halo Oleo State University, Kendari, Indonesia. With the implementation of the AEC Blueprint in December 2015, it is imperative that the mining industry, and similarly with other industries, be seen from a new perspective.

1. The AEC as Quantum Organization

The impact of AEC

For the Asean member nations to be able to manage the impact of the Asean Economic Community (AEC), it is necessary to understand the implications of the new community in terms of 21st century perspective based on quantum organization, quantum economy, quantum politics and quantum leadership. Creating a new community means new organization, new structures and new governance. On the

ground, the AEC Blueprint inevitably makes an impact on existing organizations and structures of Asean members.

The word impact is defined by Google as a noun and a verb. As a noun, impact means “the action of one object coming forcibly into contact with another.” It is synonymous to synonyms: collision, crash, smash, bump, bang, and knock. If the AEC is considered as concept that is forcibly coming into contact with Asean members, then there can be a collision, smashing, banging and knocking events. As a verb, it means “to have a strong effect on someone or something.” It is synonymous to consequences, repercussions, ramifications, reverberations. The AEC Blueprint will have primarily a strong effect on the economy of member nations, and ultimately on their respective political and social life.

The British dictionary sees impact as “a force or action of one object hitting another” or “a powerful effect that something, especially something new, has on a situation or person.” In effect, the Blueprint is coming forcibly into contact with the mining industry and the strong effect can be that of collision or a big bang. In the early 17th century impact means to “press closely, fix firmly” or to be “driven in.”

From the various meaning of the word impact, the Blueprint can be considered a force that is driving in particular the mining industry among Asean member nations to create framework to manage the impact of the new AEC Blueprint.

The AEC Blueprint

The AEC will establish ASEAN as a single market and production base making ASEAN more dynamic and competitive with new mechanisms and measures to strengthen the implementation of its existing economic initiatives; accelerating regional integration in the priority sectors; facilitating movement of business persons, skilled labor and talents; and strengthening the institutional mechanisms of ASEAN.(AEC Blueprint, II, 6, p.5)

Free flow of goods

Free flow of goods is one of the principal means by which the aims of a single market and production base can be achieved. A single market for goods (and services) will also facilitate the development of production networks in the region and enhance ASEAN’s capacity to serve as a global production centre or as a part of the global supply chain (AEC Blueprint, p.6). Promotion and awareness: SMEs MNEs, and MNCs (AEC Blueprint, p.11)

Culture of fair competition, (p. 18). Currently, only four AMCs (Indonesia, Singapore, Thailand and Viet Nam) have their own competition law and competition regulatory bodies. Malaysia has not passed any nation-wide competition law but has, instead,

relied on sector-level regulations to ensure and enforce competition in markets, mining cooperation, enhance trade and investment and strengthen cooperation and capacity in geological and mineral sector for sustainable mineral development in the ASEAN region.

Actions:

- i. Facilitate and enhance trade and investment in minerals;
- ii. Intensify institutional and human capacity building in ASEAN geological and mineral sector;
- iii. Promote environmentally and socially sustainable mineral development; and
- iv. Encourage the participation of the private sector in mineral development (AEC Blueprint, p.22).

What is quantum organization?

In order to expand our respective national consciousness to a regional consciousness, as framed by the AEC Blueprint, I am offering a quantum perspective AEC as an organization and its impact on leadership that will drive the new political economy in this region.

The concept of quantum organization is based on a new paradigm of metaphysics as a New Science (Kilmann, 2006; Dator, Pratt, & Sea, 2006; Deardorff & Williams, 2006; Wheatley, 2006; Chopra, 2008; Karakas, 2009; Beck, 2014). This is in contrast to the Cartesian-Newtonian physical science.

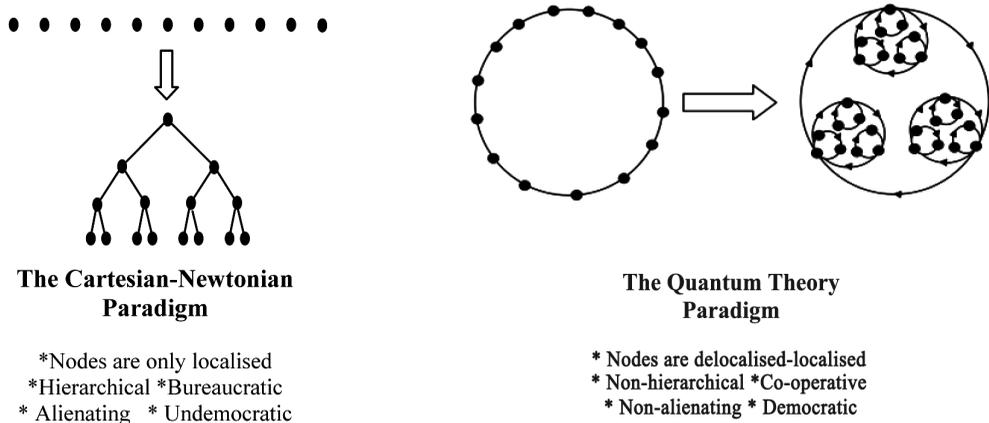
Hookes (c2011.) graphically explains the two paradigms in Figure 1. He says, "This rooted-tree graph represents the partition of the world into its constituent people particles, as well as the resulting hierarchical political and social structures of the bourgeois state, and that of its main economic players, the corporations."

He continues, "As we can see in the quantum theory (QT) paradigm, the circle on the right is a topological folding of the circle on the left. The nodes can be considered as problems-solvers within a Problem-Solving Intelligent network, that is, a PSI-net or Ψ -net⁷. A 'problem-solver' node may be an individual, group of individuals, or else some intelligent software/hardware. In this case of the Ψ -net, they can be thought of as connected by an information channel with a given bandwidth. The original set is partitioned into sub-cycles (or subsets) and further into sub-sub-cycles (sub-subsets) and so on. In such structures information about the activity at each node, the collective activity of each subset (or sub-subsets) or the collective activity of the complete set of nodes can be accessed by each individual node. It just requires sufficient bandwidth. With modern technology this is in principle almost infinite (actually terabits/sec and increasing...). The important point is that relationship of each part can be consciously related to the whole. This helps to solve the problem of the alienation of the isolated

problem-solver in the tree-like hierarchies of bureaucratized reason (Weber, 1978), as illustrated by the left-hand CN-net. In the latter, the problem-solver usually does not understand how her sub-sub-problem relates to the main problem or the other problem solving activities. Only those in the top layer have an overview."

Figure 1.

The Cartesian-Newtonian paradigm and the Quantum Theory paradigm, Hookes (c2011).



Political Economy

Hookes (c2011) explains quantum theory as an alternative to Cartesian-Newtonian paradigm. He says, "What is understood by only a very small number of the critics of modern corporate capitalism is that modern physics, and, specifically, quantum theory, provides an alternative paradigm, or framework of thinking, that can help demolish that of Cartesian-Newtonianism (CN) in the politico-socio-economic sphere as well as that in physics itself."

In Figure 1, CN on the left side is a capitalist view of the political economy while the one on the right is a QT view of the political economy. Notice that Marxian is used and not Marxist because this is a new interpretation of Marx's thoughts in quantum science and not necessarily dialectical philosophy. According to Hookes (c2011, p, 13), "The quantum paradigm (on the right), represents the account of the global capitalist productive process given by Marxian political economy. In this picture we can see that the labor and value produced at each node are connected to all other nodes through the global market exchange system to create both a global (universal) labor and global (universal) value system. Labor carried out locally becomes de-localized; value created locally becomes de-localized through the global market system of capital."

I think the lesson here is that the Marxian political economy offers a social economic paradigm which allows the clustering of similar labor and products in mining, so that it becomes an efficient structure for global enterprise. It must be pointed out that the QT

paradigm is non-hierarchical, non-alienating, cooperative and democratic. Cartesian-Newtonian paradigm and the New Science of metaphysics are extensively discussed by Whitely in *Leadership and the New Science*, Beck's *Finding Your Way in a Wild New World*, Deepak Chopra's *Grace and Freedom*, and Karakas *New Paradigms in Organization Development: Positivity, Spirituality, and Complexity*.

In many ways, QT paradigm supports the social innovation (Godin, 2012) which promotes structural reforms (economic, political and social) that will benefit the many (traditionally termed as common good). Here, Hookes is very selective in using the term Marxian, as opposed to Marxist which has a socialist and even worse implying communist ideology.

In the Philippines, socialism raises the specter of communism (Murphy, 2015), which is an ongoing concern in provincial areas where insurgency continues to be a problem. In the business and marketing sector, socialist inclination of a capitalist is now labeled as democratization of the market, or the practice of social marketing. There is much acceptability in the business sector when it comes to corporate social responsibility, which is now enshrined in business school curriculum. Social innovation from the corporate sector in the Philippines is opening up towards democratizing business as the trend for social entrepreneurship gains good ground. In fact, CSR is now moving towards corporate shared value (CSV) with the community and towards corporate social initiatives (CSI). The concept of democratization and socialism in business is converging without Marxian, Marxist, socialist, and communist undertones.

ASEAN quantum politics

Dator, Pratt, and Sea (2006), on current political governance reforms said, "They [governance reforms] are cosmologically inadequate because they are all based on old "Newtonian" notions of causality and intentionality. It is essential that new forms of governance be based on what the best science and humanities of all cultures can tell us about human and other systems, artificial as well as natural... They are technologically inadequate because they were invented at a time when communications technologies were quite different from what they are now – initially limited to human speech and handwriting, later augmented by the very labor-intensive and slow printing presses of the day. At that time, literacy was low, books were few and rare, and newspapers had little more than a few pages of local announcements and opinion."

Jake Dunagan, Director of the Institute for the Future's Technology Horizon's Program, interviewed James Allen Dator who is a professor of political science of Hawaii at Manoa for a Ten Year Forecast of the Institute for the Future. Dator described quantum politics in terms of cosmology and technological innovations of the 21st century. He said, "[I]n a normally operating society, there is a close relationship between the dominant cosmology, the dominant technology of the time, and the social institutions and social values of the group. That relationship has characterized almost all societies

up until probably the 20th century. What happened in the 20th century is that a new cosmology called quantum physics – and the new technologies of the electronic information and communications revolution – became out of sync with many social institutions and practices specifically with governance systems, which are still very much locked into technologies of 200 years ago” (Dator, 2009).

Quantum leadership

The 2013 assessment of Asian Development Bank in Asian Economic Integration Monitor states that: “The success or failure of the AEC ultimately lies in the hands of the national decision- and policy-makers who make it happen, and who have the political backing to overcome vested domestic interests that stand to lose from liberalization...The flexibility that characterizes ASEAN cooperation and institutional arrangements could give member states a pretext for non-compliance – and these are enforcements issues. This is the key challenge to be overcome in realizing the AEC as more than a political exercise in solidarity.”

A scorecard based on March 2012 data on the four pillar of AEC showed the following accomplishments: 1. Single Market and Production Base is 66%, 2. Competitive Economic Region 68%. 3. Equitable Economic Development is 67%, and 4. Integration into the Global Economy is 86%. The overall performance of AEC reached is about 68% of its overall targets between 2008 and 2011. Le Luong Minh, Secretary General of ASEAN, says as of 2014 implementation is already 80% (Oxford Business Group, 2014).

The biggest strides have been made in integrating into the world economy Pillar 4 which registered 86% accomplishment. This is due to the fact that that ASEAN economies trade mostly with the rest of the world. According to Hill and Menon (2013), since 1970, intraregional trade has generally been between 15% and 30% of total ASEAN trade, and while the move has been trending upward, it remains low in comparison with the shares of ASEAN’s external trading partners, particularly the European Union. (Hill and Menon 2012).

According to the Asian Development Bank (ASEAN Economic Monitor, 2013), there are five key drivers to the AEC integration: 1. Political will, 2. Coordination and resource mobilization, 3. Implementation and arrangements, 4. Capacity building and institutional strengthening, and 5. Public and private sector consultations. The ASEAN quantum leader is expected to be the driver in AEC integration.

Deardorff and Williams (2006) say that within the quantum organization are three tiers or levels of interaction which are the Self, the motions of Fluidity and the leader. The intersection of all three of these elements is the quantum node where synergy is created to produce innovation and novel, new ideas.

They argue that synergy leadership is a process where the interaction of two or more agents or forces combined effect is greater than the sum of their individual effects. In effect, there is an evolving phenomenon that occurs when individuals work together in mutually enhancing ways to achieve success by inspiring one another to set and accomplish both personal goals and a group vision. They further noted that "The easiest area to describe but hardest area to recognize in the quantum organization is the Self." The Self of the leader is ultimately the key to the success of the quantum organization model.

Thus, one's personality, energy, spirit, quirks and experiences comprise the uniqueness of the Self. What is needed is a measurement rubric, tool or instrument that can create a quantum measurement capturing these features. This measurement will determine impact of the Self on quantum organization. The Self will have the ability to accept and move with chaos and dynamic change can only be channeled constructively by utilizing the Self's ability to accept accountability for the interactions; communication and dynamic ability make transformations in a chaos filled world.

Laszlo (2006) announced that we have already reached the chaos point and Braden (2009) mathematically showed that 2012 was the beginning of a new age based on the Mayan calendar. Page (2008) averred that in 2012 Mother Galactica is entering into a black hole, where change and rebirth will be experienced thereafter. The AEC's birth in 2015 is an opportunity to make a breakthrough for future survival. Wheatley (2006) suggests that the leader of the 21st century must take cognizance of the new science and pay attention to chaos theory. Chaos causes disequilibrium and disorder but equilibrium which stabilizes can lead to complacency and stagnation. Chaos theory has been identified by Sardar and Abrans (2004) with ancient wisdom of Chinese yin-yang creative energy, 8th century Greek theogony of how the first chaos came to be up until modern concept of randomness and unpredictability in the universe (Mapes, 2003; Taleb, 2010) came about.

Kilmann (2006) observed that: "What were once simple problems that could be solved by extreme specialization have become complex problems that challenge fragmented categories. To succeed in the new millennium, accordingly, requires holistic categories that will enable members and their organizations to (1) clearly see the flowing interconnections surrounding the globe, (2) consciously think about interconnected problems in comprehensive ways, and (3) purposely behave in a manner that stimulates the meaningfulness and coevolution of life and nature throughout the world and the expanding universe. Seeing, thinking, and behaving with new – holistic – categories requires a mental revolution in self-aware consciousness.... We live in an interconnected world yet suffer from acute fragmentation."

He "provides a deep understanding of a new paradigm with self-aware consciousness at center stage and offers a completely integrated program of eight tracks for effectively – and compassionately – accelerating self-aware consciousness in complex

systems. By applying these insights and tracks, it is possible to create quantum organizations and thereby achieve success, happiness, and meaning.”

2. The Mining Industry and the New Economy

Mining as common wealth

South East Asia will slowly emerge to become one of the main growth drivers in Asia's mining sector. The total value of mineral exchanges in ASEAN has multiplied by 10 in the past decade, going from US\$ 4.1 to 43.1 billion between 2000 and 2011. ASEAN made up for 10.3% (South East Asia Mining Industry, 2013). Indonesia is second exporter of coal and nickel in the world, first in Asean; its coal makes up for 9% of exports globally and 95% of exports from ASEAN; its turnover is from US\$56.8 billion in 2009 to a projected US\$143 billion in 2016; it has a repository of coal equivalent to that of the US, and its main minerals are coal and nickel. The Philippines is fifth richest country in the world in minerals which include nickel, gold and copper; its turnover is from US\$2.3 billion in 2009 to a projected US\$7.8 billion in 2016; its main minerals are nickel, gold and copper. Vietnam is set to become a major player in the global aluminum raw material market with the opening of the US\$460 million Tan Rai Alumina refinery in December 2012; its estimated deposit of 2.1 billion tons of bauxite, and prospection has shown reserves in minerals such as copper, iron, nickel, and tungsten. These impressive figures make Indonesia, Philippines and Vietnam targets of mining competition.

There is repeated use of competitive advantage thriving in a CN business paradigm but comparative advantage is more appropriate in a QT paradigm. With the clustering of mining companies, the question of monopoly and oligopoly may be justifiably raised. However, with the rise of corporate social responsibility, the movement towards corporate shared values, the proposal for corporate social initiatives and social enterprise, the negative effects of monopoly will be properly addressed for the benefit of common good (Hess, Rogovsky, Dunfee, 2002; Porter & Kramer, 2006; Kramer, 2008; Porter & Kramer, 2011; Pfitzer, Bockstette, & Stamp, 2013).

In the context of common wealth, is monopolistic economy workable in the future? Monopoly within the purview of Marxian political economy, comparative advantage, social innovation, and corporate social responsibility need not be an economic monster of the 21st century. Because the question of global survival in the face of impending environmental chaos leading to the destruction of Mother Earth is a major concern, the mining industry must consolidate its strategic presence in the future.

The editorial of The Philippine Star (August 30, 2015) announced, “In just four months the ASEAN Economic Community will be in place, opening opportunities in a market of 650 million but also threatening the survival of those unprepared for competition... Open competition will break monopolies and oligopolies that often lead to lousy

goods and services...radical change can lead to disaster or opportunity.”

The core of the Asean Economic Community is not only economic activity. The primary focus should be on what a community is. The mining industry must be considered a mining community. Today, the concept of community in multi-stream management is “characterized by its emphasis on multiple forms of well-being for multiple stakeholders... [where] any group or person within or outside an organization...is directly affected by the organization and has a stake in its performance” (Dyck and Neubert, 2011, p. 16).

The AEC may consider Marvin T. Brown’s (2014) common wealth proposition. He says, “In a commercial society, what counts as wealth is what can be treated as a commodity in the market. In a common society, wealth will not be limited to what we can purchase, but will include all that we need for a good life...Instead of focusing on the accumulation of property; the focus will be on the making of provisions. A common society will provide for one another through process that are based on shared endeavors...A common society will also allow us to recognize the planet as a living provider instead of only seeing its property value. Most importantly, instead of treating the planet as an object we control, we can see it as something to which we belong. This means that inhabitants of the planet can relate to one another not primarily as owners, but rather as members of a common [society]” (Brown, 2014, p.37).

The mining industry is challenged to create a civic platform for commonwealth. Brown suggests answering the following questions: 1. how should we design an economy that makes provisions for everyone? 2. How should we deal with disagreements among citizens? and 3. How should we govern a civic commonwealth? Brown (2014, p. 44) believes that “The work ahead is the work of citizens, who through civic conversations give shape to a viable relationship between the commons and the commercial. Business leaders can participate in this work by exploring the role of their business in a particular system of provision. Ethicists and others can help to facilitate such conservations, so that civic defines our commonwealth rather than the commercial.”

Community is a union of consciousness; it is about our humanity in this region. And our economic community based on material exchange must never exclude our transcendental relationships that bind us together in Asia and around the globe.

Mining and comparative advantage

David Ricardo’s (1817) theory of comparative advantage suggests that a nation should concentrate solely on those industries in which it is most internationally competitive, trading with other countries to obtain products which are not produced nationally. This means that industry specialization and international trade always produce positive results. Philippine DTI Undersecretary Adrian Cristobal, Jr. (2014) describes the AEC

as vast opportunities for growth, dynamic competition as well as complementation. I translate 'complementation' as a comparative advantage.

Although Sec. 8 of AEC Blueprint talks about the region as a community, it in the same breath identifies the region under Item b. as "a highly competitive region." I believe it continues to subscribe to the theory of competitive advantage based on Adam Smith's Wealth of Nations. The AEC Community has the greatest opportunity now to make Ricardian comparative advantage work in this region. Article 8 of AEC Blueprint states that "the AEC envisages the following key characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy. (AEC Blueprint, p. 6). In addition to the current practice of competitive advantage, there is a need to study and experiment with comparative advantage to balance individual ASEAN member's exclusive economic growth at the 'expense' of other members.

The Asean region can be competitive vis-à-vis the Western global market. But regionally, it must do its homework in promoting a comparative advantage among its industrial economic engines. The question then arises: Will mergers and restricting of the companies be moving towards monopoly? We must keep in mind that the objections against monopoly is based on protecting the very core of democratic capitalism, where the concept of free enterprise and the laissez-faire principle are the guiding spirit of business. The rise of social innovation has opened the door to socialist capitalism of China and social entrepreneurship as alternative courses of business development and practice. In a monopolistic Chinese-owned business corporation, the trend now is mandated corporate social responsibility to address the plight of the poor

3. Superstructuring the Mining Industry

Local Integration

The mining industry, in the context of AEC blueprint calls for the "mineral sector for sustainable mineral development in the ASEAN region." It is the position of this paper that comparative advantage be promoted instead of the classical competitive advantage that has permeated the business sector with a view for bottom-line profitability. The comparative advantage must first happen at the national level where some kind of integration among the mining industries will strengthen top performers and illuminate laggard performers.

By analogy, I am using the experience of the banking sector of the Philippines, when in 1991 a major decision was made by the Monetary Board of the Central Bank of the Philippines to rationalize the many universal banks in the Philippines. The idea was to have top ten high banks with capitalization and assets comparable to the ASEAN and global banks. Thus, from 1991 to 2001 a period of mergers took place. In 2015

the top ten banks in the Philippines are: 1.BDO, 2. Metrobank, 3. BPI, 4. Landbank, 5. RCBC, 6. DBP, 7. PNB, 8. Chinabank, 9. Unionbank, and 10. Security Bank (<http://philpad.com/>).

Bangko Sentral Governor Amando Tetangco Jr. said that banks operating in the country need to beef up and strengthen their operations to survive intensive competition from regional banks. Foreign banks under the new law have also been allowed to own as much as 100 percent of any local bank, removing the previous cap of 60 percent. The central bank together with the Land Bank of the Philippines and state-run Philippine Deposit Insurance Corp. (PDIC) are offering incentives to consolidating and merging rural banks (Philippine Star, 2015a).

The government policy to rationalize the ownership and operation of the mining industry can only make sense if it pursues David Ricardo's comparative advantage theory and common wealth theory. Today, there is initiative in Philippine congress and senate to rationalize the mining industry in the Philippines.

The history of the SEACEN began in February 1966, as a group of governors of some South East Asian central banks met in Bangkok, Thailand, to exchange information and ideas on matters affecting their economies and financial systems. The meeting was attended by 7 heads/representatives of the central banks and monetary authorities of Laos, Malaysia, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam. Since then the Conference has been held annually with the member banks of SEACEN playing host by rotation until the present.

Philippine mining status

The Philippines has to rationalize its mining operations in relation with large and small-scale ones. Villoria (2015) reported that in 2012 there were about 317 business establishments engaged in mining and quarrying wherein about 218 were non-metallic producers and 27 metallic mines were engaged in the production of gold, silver, copper, nickel, chromite, zinc and iron ores based on roster of the Chamber of Mines of the Philippines (2015) as shown in Table 1.

Table 1.

Regular Members-Metallic in the Philippines.

NAME OF COMPANY	LOCATION	PRODUCTS
1. Apex Mining Co., Inc.	Compostela Valley, Davao	Gold & Silver
2. Asiaticus Management Corp.	Davao Oriental	Copper, gold, silver & nickel
3. Atlas Consolidated Mining & Development Corp.	Cebu	Copper concentrates

NAME OF COMPANY	LOCATION	PRODUCTS
4. Benguet Corporation	Baguio, Zambales, Bataan, Apayao Zamboanga & Surigao	Gold, silver, nickel, coal & iron ore
5. Berong Nickel Corporation	Palawan	Nickel laterite ore
6. Coral Bay Nickel Corporation	Palawan	Nickel/cobalt mixed sulfide
7. C.T.P. Construction & Mining Corp.	Carrascal, Surigao Del Sur	Nickel Ore
8. Zambales Diversified Metals Corp.	Zambales	Nickel, copper, gold
9. Eramen Minerals, Inc.	Zambales	Nickel
10. Filminera Resources Corp.	Aroroy, Masbate	Gold
11. Hinauan Mining Corp.	Eastern Samar & Surigao Del Norte	Nickel
12. Lepanto Consolidated Mining Co.	Mankayan, Benguet	Copper, gold & silver
13. Marcventures Mining & 14. Development Corp.	Butuan City	Not stated
15. Manila Mining Corp.	Placer, Surigal Del Norte	Gold, copper & silver
16. Nickel Asia Corp.	Palawan, Taganito, Hinatuan, Surigao	Nickel
17. OceanaGold (Phils.), Inc.	Nueva Vizaya/Quirino	Copper and gold
18. Pacific Nickel Phils., Inc.	Nonoc, Surigao Del Norte	Nickel
19. Philex Mining Corp.	Padcal, Tuba, Benguet	Copper, gold & silver
20. Philippine Associated Smelting & Refining Corp.	Isabel, Leyte	Copper cathodes
21. Philsaga Mining Corp.	Davao & Agusan Del Sur	Gold
22. Platinum Group Metals Corp	Clavel, Surigao Del Norte	Nickel
23. Rapu-rapu Minerals, Inc./KMP Resource Inc.	Albay	Copper, gold, zinc & silver
24. Rio Tuba Nickel Mining Corp	Palawan	Nickel
25. SR Metals, Inc.	Agusan Del Norte	Laterite nickel ore
26. Taganito Mining Corp.	Claver, Surigao Del Norte	Nickel ore
27. TVI Resources Development (Phils.), Inc.	Zamboanga	Copper, gold & silver

Source: Chamber of Mines of the Philippines 2015

Villoria (2015), citing Philippine Statistics Authority 2014 report, noted that the mineral sector of the Philippines is basically export-oriented with Japan as its main market and other markets include China, United States of America, Canada and Hong Kong. The mining industry, as of first quarter of 2015, has contributed 6.1% share to total exports amounting to U.S. \$862 million (MGB Mining Industry Statistics, 2015). Indeed, the Philippine Government collected Php376.3 million of taxes, royalties and fees from mining in first quarter of 2015. Hence, the industry plays an important part

in economic development (Viloria, 2015).

Superstructuring the mining industry

The New Science of quantum theory, Hooke's (c2011) Marxian economy, Brown's (2014) concept of common wealth, Ricardo's (1871; 1951) comparative advantage and Li Zhang's (2012) cross-strait economic interdependence and cross-strait political relations based on neoliberalism and interdependency theory form a new perspective on why superstructuring the global, regional and local mining industry is most critical for its sustainable developing and the sustainability of the Earth as resource provider for mining.

Would it make sense that the global mining companies work for the comparable advantage of all by collaborating with the Indonesian, Malaysian, and Philippine mining companies? The Glencore Xtrata, followed by BHP Billiton, Rio Tinto and Vale recorded the biggest revenue from mining operations in 2013. Mining-technology.com profiles the world's ten biggest mining companies based on revenue earned in calendar year 2013. Indonesia has outstanding gold mining companies: PT Aneka Tambang Tbk, Aurora Gold Ltd (Indonesia), Austindo Resources Corporation NL (Indonesia), Batu Hijau copper-gold-mine, Golden Valley Mines NL, PT Antam Tbk, PT Kelian Equatorial Mining, and PT Newmont Nusa Tenggara (MBendi Information Services). Malaysia has top mining companies: Peninsular Gold Ltd., CNMC Goldmine Holdings, Ltd., PT Bukit Makmur Mandiri, Monument Mining Ltd., and Olympus Pacific Mineral, Inc. The question is how to superstruct the mining industry.

The ASEAN Economic Community is just a beginning of an ambitious attempt to make Asia a sustainable civilization in contrast to the weathering away of North American and European civilization. As we restructure our economy, we are challenged to further restructure our socio-political life in the region. Visionaries have suggested that we superstruct to facilitate and enable us to fulfill our dream of an AEC in 2020. To superstruct means:[T]o build new structures that extend our reach, expand our capacity, and go beyond the limits of today's institutions. It means to bridge, to traverse boundaries, not just of organizations, communities, or nations, but also of scale itself. It also means finding new kinds of value in new kinds of social production and new forms of social connectedness. In fact, superstructuring is all about building a new level of sociability into our economic lives – and into all our projects, from securing food and shelter to governing ourselves (McGonigal and Vian, 2009). The superstructuring, however, has a direct impact on the mining industry.

Superstructuring: Regional and Global

Superstructuring the ASEAN region and the global community should consider the quantum politics of Dator (2006) in implementing this ambitious initiative. According to McGonigal and Vian (2009), the heart of superstructuring is “collaborating across

scales, from the micro to the massive. Superstructuring is not just about big; it's also about very small contributions by many individuals that add up to something big. We can apply practical strategies to the millions of interactions that make ecology sustainable. We can work small to create big effects. And we can leverage massive platforms to create much targeted value in select places in the ecology.”

There are five key areas which the mining industry must consider, if it wishes to be sustainably operational in the 21st century. The Insitute for the Future suggests: 1. The Applesed Ecology which proposes ‘sim farms’ structures for securing food, repurposing wastes, and crating new forms of exchange. 2. The Natural Currency Ecology which re-envisions our capital systems as tied, not to gold or GDP or other commodities, but to environmental measures, linking sociability to sustainability. 3. The Community Works Ecology which advocates that large scale problems do not require large scale solutions. It means creating superstructures for replicating local solutions across large-scale systems. 4. The Open Fab Initiative Ecology starts a node for linking small-scale fabrications and practices to solving problems of distressed communities - creating a new local material and economic realities. 5. Quantum Governance Ecology is building a desire to create a new post-Newtonian model of governance that will help citizens make sense of the world - bridging across realities (Superstruct Handbook, 2009). Of the five ecologies, the most critical to the mining industry is the natural currency ecology. If gold will no longer be the global currency, will mining still be economically sustainable?

CONCLUSION

The QT paradigm challenges the mining industry to step up its organizational structure in order to cope with the challenges of the AEC Blueprint. It must address the following issues:

First, this paper poses a challenge to the corporate leaders and engineers, who are steeped in the physical science of Rene Descartes and Isaac Newton. Are they willing to explore the new science of quantum physics as a dimension of their profession? Second, the AEC Blueprint calls for new leadership in the 21st century. Quantum leadership posits a way to create synergy among teams, corporations, communities and member nations of the ASEAN. Third, the challenge among ASEAN member nations is to figure out a political economy based on quantum theory of the science of metaphysics. The hegemonic nature of AEC calls for a new economic and political order that will allow implementation of the AEC Blueprint beginning December 2015. Fourth, member nations must remember that as early as in 1955 the Bandung Conference in Indonesia asserted that Asia is for Asians; then, there was the Association of Southeast Asia (ASA) formed by the Philippines, Thailand, and the Federation of Malaya in 1961; the formation of Maphilindo (Malaysia, Philippines and Indonesia) in 1963 and the creation of SEATO (South East Asian Treaty Organization) pushed by the United States America for military alliance in 1954. Fifth, Asean leaders need to

create a new consciousness in this region by exploring their respective cultural values that were degraded and erased by the Western colonials. This means bayanihan in the Philippines, gotong-royong in Indonesia and Malaysia, and the Buddhist dharma in Thailand (Sharma, 2013). Sixth, the ASEAN member nations must re-visit the history of the region when the Majapahit Empire that ruled from 1293-1500 (www.rumormillnew.com/pdf/The-untold-story-of-Maharlikans.pdf) under the Royal Kingdom of the Marlikhans. According to the Nagarakretagama (Desawarñana) 1365 document, the Majapahit empire stretched from Sumatra to New Guinea and it included present day Indonesia, Singapore, Malaysia, Brunei, Southern Thailand, Sulu Archipelago, Manila, and East Timor (<http://dbpedia.org/resource/Majapahit>). This is a historical basis for the ASEAN Economic Community. Seventh, it is important to note that No.2 of superstructuring of the Institute for the Future specifically mentions a revision of capital system no longer tied up to gold. What, then, are the production and the economic implications of this projected global currency to the mining industry?

In closing, the question I ask then is: Can we steer our economic community towards a moral economic community that truly cares for every member of civil society in the ASEAN region? The answer: The Institute of the Future has a superstructuring game. I highly recommend we play it to have a foothold on the superstructure we call the ASEAN Economic Community which we are starting now. We want to operationalize the four pillars that contain 17 core elements and 176 priority actions by 2020.

Quantum Theory of the New Science of metaphysics was presented as an integrating framework for the ASEAN member nations to consider. It is a departure from the old way of seeing things based on Cartesian-Newtonian paradigm. The 21st century calls for a new political economy, which is based on quantum organization, quantum leadership and quantum politics.

The local, regional, and eventually global integration challenges the existing economic fundamental of Adam Smith's construct of the Wealth of Nations. The challenge of creating a Common Wealth needs to be addressed as it is diametrically opposed to our current concept of Commercial Wealth. The threat of global warming and impending climate change will be for us to think globally if we wish to have economic sustainability for a sustainable civilization, no longer as member nations but as inhabitants of the planet Earth.

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Models of Women Entrepreneur- ship: A Historical and Global Perspective

Milagros F. Malaya

ABSTRACT

The contribution of the sector of women business owners to the national and global economy has dramatically increased in the last decade. Thus the need arises to synthesize the existing literature about women's ways of entrepreneuring. This research will attempt to integrate these materials to present frameworks, or models, which best describe how women manage their business considering a historical and global view. Hopefully these can lead to a deeper understanding of the challenges faced by these women in order to provide them with the appropriate assistance and support. The study also recommends research on a proposed model that may provide the solution for the many obstacles faced by women.

Keywords: Women entrepreneurs, business performance, models, frameworks, gendered perspective

INTRODUCTION

Women are “prime movers of inclusive growth.” This was the statement issued by Irene Sim, Chief of Staff of the APEC (Asian Pacific Economic Cooperation) Secretariat, regarding the recognition given by APEC leaders on the “crucial role of women in the development and prosperity of the Asia Pacific” during the 2015 APEC Summit convened in the Philippines last November, 2015. This is especially true for women engaged in business. Regarding their contributions to world economy, the latest Global Entrepreneurship Monitor (GEM) 2015 Report cites the following:

- * More than 200 million female entrepreneurs are starting or running new businesses in 83 economies across the globe.
- * An additional 128 million are running established businesses.
- * Total early-stage entrepreneurial activity (TEA) rates and gender gap ratios saw positive upward movement in three regions: factor-and efficiency-driven Asia, Latin America and the Caribbean and innovation-driven Europe.
- * In 10 economies, women are as likely as men, or more likely than men, to be entrepreneurs.

These economies come from three regions: El Salvador and Brazil in Latin America and the Caribbean; Vietnam, Indonesia, Malaysia and the Philippines in Southeast Asia; and Zambia, Nigeria, Uganda and Ghana in Africa.

- * Women in the Philippines are the second most entrepreneurially active in 42 countries surveyed, and they are instrumental in creating new businesses.

The Global Entrepreneurship Monitor (GEM) was initiated in 1999 as a joint venture of Babson College and the London Business School. Starting with 10 participating economies, the project has expanded to include 73 economies in its 2014 survey. GEM is the largest and most developed research program on entrepreneurship in the world.

These impressive statistics demonstrate the impact women-owned businesses can have on their respective societies and even world-wide. Since the individual is the key success factor in firm performance, it is necessary to investigate the energizer of the entrepreneurial process. This paper therefore seeks to expand the knowledge base about women entrepreneurs to serve as guide for government and other institutional leaders in creating strategic plans that will sustain and foster the development of these ventures.

OBJECTIVE OF THE STUDY

This study attempts to investigate the different literature which describes women’s ways of managing their business in order to classify them into frameworks or models,

adopting a historical perspective as they have developed over the years, and across different countries around the world for a global view.

The first two models are models of business performance exclusively attributed to women, while the last two apply to both men and women. This is perhaps because the gender gap in entrepreneurial activity has narrowed over the years. The last model - social entrepreneurs - possesses features that are particularly attractive to women.

MODELS OF WOMEN ENTREPRENEURS

The Traditional Model and the Underperformance Hypothesis

Much of the early literature addressed to investigate the business performance of women entrepreneurs provided useful information on the individual characteristics and motivations as related to their performance (Chaganti, 1986; Scott, 1986; Cuba, Decenzo and Anish, 1987; Hisrich and Brush, 1987). Subsequent studies employed gender comparisons using the conventional economic measures (Holmquist and Sundin, 1988; Kalleberg and Leight (1991); Johnson and Storey, 1993; Fischer et al, 1993).

The bulk of this research seems to point towards lower performance for women entrepreneurs as compared to the men, giving rise to what has been termed the "female underperformance" hypothesis (Du Rietz and Henrekson, 2000). It was found that women-owned businesses tended to be smaller in size, have less assets and fewer employees, are in low-income informal sectors particularly the service sector, possess lower expectations for future growth, and consequently, report lower economic performance measures like sales, employment growth and profitability (Fischer et al, 1993; Chaganti and Parasuman, 1996; Sigh, et al, 2001).

The more recent research in many countries, particularly in developing economies and in the rural areas of developed countries, is still consistent with this traditional model. The World Bank Special Report on Women cites the plight of female entrepreneurs where, despite problems on capitalization and strict social constraints, they still manage to launch and grow businesses, thus contributing to economic growth and poverty reduction in their respective communities.

In the Greek countryside, women entrepreneurs serve mainly tourists and local residents. They own small enterprises to minimize risk exposure but earn enough to supplement family income. They also use privately-owned premises situated near their homes to maintain flexibility between family and work responsibilities (Iakovidou, Koutsou and Partalidou, 2009).

Empirical data from an investigation by Loh and Dahesihsari (2013) show that female entrepreneurs in Indonesia typically own gender specific trade and service business

ventures which are garment boutiques, hair salons and food catering services. This type of business allows them to balance their work in the household and business.

In Saudi Arabia where women are viewed as secondary to men, there have been changes in terms of business development and the rights of women. Decisions regarding opening and registering their own business, and buying a home and investing in real estate have been accorded to women. These have resulted in an increase in trade registries for women small and medium enterprises. Such SMEs are typically simple with small capital requirement with flexibility to move and spread geographically (Sivakumar and Sarkar, 2012).

The Integrated Perspective Model

Many other researchers disputed the claim of the “female underperformer,” suggesting that for women, economic success may not be as important as personal satisfaction and other non-financial goals (Kyro, 2001; Buttner and Moore, 1997; Brush, 1995; Chaganti, 1986; Scott, 1986). A trend has surfaced and continues until the present to include qualitative assessments of performance, since women do not enter business just for financial gain, but more importantly, to pursue intrinsic goals.

The *Integrated Perspective Framework* as proposed by Brush (1992) was a response to the heightened clamor by feminist authors to reassess the research results on women’s ways of enterpreneuring to obtain proper valuing of a truly female approach. It is rooted in psychological and sociological theories that assert that women’s social orientations are centered on relationships (Helgesen, 1990; Gilligan, 1982). This means that women view their businesses as an interconnected system of relationships (and not as a segregated economic unit) which they integrate into their personal and family life.

Research conducted that employed a combination of quantitative variables (sales, number of employees, value of capital assets, employment growth) and subjective measures (personal satisfaction, desire for growth) were those of Hisrich et al (1997), Rosa et al (1996).

Based on the findings of Malaya (2006), women entrepreneurs belonging to the printing services sector in Metro Manila in the Philippines displayed a behavior that was strongly supportive of the Integrated Perspective Model. Their management style and strategies are significantly affected not only by the demands of their business but by the people they interact with – employees, customers, family members and friends. Furthermore, whereas male owners indicate a consistent pattern in their management practices, the women show an adaptive behaviour, directing activities as they see fitting to the demands of the situation to improve business performance.

Li et al (2013) revealed that, in the Chinese workplace, women firm owners are more people-oriented, giving priority to communication, coordination, good interpersonal relationship and collective success. Concurring with this adaptive behavior, these women deal with their subordinates using various leadership styles to regulate behavior.

Likewise in a study of women entrepreneurs in the UK (Quader, 2012), women associate their success with their relationships and consider individualism and freedom as more valuable. They possess an innate sense of their business and their products. Thus, it is concluded that, "Women really seemed to be focused on not just the bottom line, but also on the culture within a company" (Hurst, 2005, in Quader, 2012).

Consistent with social feminist theory, evidence from research by Kinera, Prasad et al (2011) point to the importance of non-economic, relational, and familial factors for understanding entrepreneurial fulfilment for Indian women owners, over and above their financial performance.

Furthermore, evidence gathered by Welsh et al (2014) show that in Japan, family support has a significant positive influence on firm performance. However, family support combined with personal problems has a negative influence. In the Asian context where strong family ties and profound respect for parents play a central role, moral and financial support given to women entrepreneurs open possibilities of interference with business decisions. Such behavior is labelled in the most recent literature as the family embeddedness perspective which remains consistent with the Brush framework of interconnectedness between business and family life.

Welsh et al (2014) replicated the Japan study in Korea with slightly different findings. The new data reveal that personal problems of Korean female entrepreneurs have negative effects on firm performance. Family support, while helping the women cope with their personal problems, does not have a direct effect on performance. It appears that Korean women have avoided the possible effect of power and control that family may exert on the business. Family influence is thus limited to moral support.

The Innovative and High-Growth Entrepreneur

Traditionally, women entrepreneurs adopt the Small but Stable Business Model, limiting their business size beyond which they prefer not to expand because of their orientation towards conservatism and survival (Cliff, 1998; Lee-Gosselin & Grise, 1991). Generally this refers to undercapitalization at start-up, a limited line of products/services, and a parochial mind-set viewing competition as local rather than global. This has been labelled in literature also as lifestyle ventures, those that seek long term stability instead of growth, in order to generate income sufficient to make a living for themselves (Papadaki and Chami, 2002).

However, the picture of women in the entrepreneurial sector is changing rapidly. According to the World Bank Report (2014), in Chile and India, more than half of women firm owners sell products and services that are new to consumers and not generally offered by competitors. The gender gap (ratio of women to men participating in entrepreneurship) has narrowed by 6%. TEA rates and gender gap ratios saw positive upward movement in three regions: factor- and efficiency-driven Asia, Latin America and the Caribbean and innovation-driven Europe. In 10 economies, women are as likely as men, or more likely than men, to be entrepreneurs. These economies come from three regions: El Salvador and Brazil in Latin America and the Caribbean; Vietnam, Indonesia, Malaysia and the Philippines in Southeast Asia; and Zambia, Nigeria, Uganda and Ghana in Africa.

Now in its third year, the Female Entrepreneurship Index (formerly known as the Gender GEDI) is the world's most comprehensive diagnostic tool that measures high potential female entrepreneurship using data from 77 developed and developing economies. The Index focuses on female entrepreneurs who are defined as 'innovative, market-expanding, and export-oriented.'

The major highlights in the 2015 report are the following:

- * The United States, Australia, and the United Kingdom are the top three places for female entrepreneurs.
- * Globally:
 - The percentage of female entrepreneurs who are highly educated has increased by 9%.
 - The percentage of business gazelles (those who intend to grow their businesses by 50% and employ 10 people within 5 years) among female entrepreneurs has increased by 7%.

Moreover, the 2014 GEM Women's Report stated that:

- * Women entrepreneurs in nearly half of the economies in their sample have equal or higher innovation levels than men entrepreneurs.
- * In almost three-quarters of the economies in efficiency-driven Europe, female entrepreneurs are reported to have higher levels of innovation than their male counterparts, since it is said that there are proportionately more educated women (than men) entrepreneurs in this region.

Additionally, results from a study by Neill, Metcalf and York (2015) indicate that, among growth-oriented women entrepreneurs, a discovered mindset allows entrepreneurs to see what others have missed and to pursue opportunity translating such into reality. These women entrepreneurs are said to provide positive role models that disprove the gender stereotypes that have long been associated with high-growth entrepreneurship.

Morris et al (2006) employed the database of approximately 3,000 women business owners located in Central New York to examine the dilemma of women entrepreneurs regarding growth aspirations in order to understand their venture size choices. For these women, growth is a deliberate choice as a result of a clear analysis of costs and benefits.

Based on survey data collected from female venture owners in Bulgaria, research by Carter, Manev and Gyoshev (2007), echoes the same growth expectancy of women as offshoot of perceived benefits from their experience.

In the United States, the Coleman Report (2014) for the National Women's Business Council used the Kauffman Firm Survey of more than 4,000 businesses followed over the 2004-2011 time period. The major findings reported that women owners of high growth firms have more employees even from start up. They are likely to be in high tech industries than in home-based, providing services (rather than products). They tend to be incorporated, with team ownership and higher credit scores. On owner profile, these women possess a college degree (more than a graduate degree), have more industry experience, and are likely to have prior business. Regarding the financial aspect, the top ranking firms started with much more capital (even higher than male firms).

The Social Entrepreneur

Countries all over the world are plagued with social problems and are troubled by their devastating effects. A new solution has been proposed as a change to make the world a better place to live. This is referred to as *Social Entrepreneurship*. The goal of social entrepreneurs is a transformational systems change that tackles the root causes of poverty.

Research on social entrepreneurship is still considered in its embryonic stage, since it is based mainly on anecdotal evidence or case studies (Boschee, 1995; Alvord et al, 2004 in Nieva, 2015). Just like entrepreneurship in its early stages of academic inquiry, interest is focused on the personal traits of the social entrepreneur, or the process or social opportunity involved in order to determine its distinguishing characteristics as compared to another phenomenon (Drayton, 2002; Henton et al, 1997; Hibbert et al, 2002; in Nieva, 2015). Empirical data as presented in a scholarly output are still very much lacking.

While social entrepreneurship is not exclusively a woman's turf, the World Bank reports that women entrepreneurs tend to be involved in community activities using profits derived from their business. Moreover, Harding (2004, in Quader, 2012) revealed that women tend to be initiators of socially oriented activities (4.9% of women vis a vis 4.5% of men). They are also credited with the development of a business culture where profitability is not the primary objective (Gracie, 1998 in Quader, 2012).

In Saudi Arabia, social entrepreneurial activities by women entrepreneurs focus on training and development on work-related skills and knowledge, community engagement such as promoting areas of Saudi Arabia that are overlooked, empowering communities to reduce poverty, awareness of environmental management, and health care and human development (Nieva, 2015).

In the Philippines, the First Distinguished Entrepreneurship Leadership Forum held on May 16, 2015, spotlighted two of the country's top women entrepreneurs now active in social entrepreneurship – Myrna C. Bituin and Cynthia A. Villar.

Myrna C. Bituin, owner and founder of the Pampanga-based Betis Crafts, Inc., is now involved in social concerns such as environmental protection through the bamboo propagation project, rights and welfare protection for “the differently abled”, culture and heritage preservation for their Betis Church in Guagua, Pampanga; waste segregation in their village or *barangay*; and organic backyard vegetable gardening. According to her, social enterprise requires goodwill as primary capital. While returns from these ventures may take longer, they benefit communities and individuals with limited access to economic opportunities and basic social services.

According to Cynthia A. Villar, a senator and wife of former Senator Manny Villar, the goal of entrepreneurship is to improve lives and not just to make money.” As a former congresswoman in Las Piñas City, she knew flooding was a major problem because the city's main river was clogged by the overabundance of water hyacinths. She asked a basket weaver and exporter whom she met to teach her constituents how to weave water hyacinths into baskets. Soon they were weaving not only baskets but also slippers, bags, furniture and *bayongs* (the native hand-woven bags). Senator Cynthia Villar continued on to processing organic fertilizers, coco net used for riprapping the riverbank (cheaper than using concrete), and making Christmas lanterns from bamboos planted along the riverbank.

Table 1 presents the summary of the aforementioned models of women entrepreneurship.

Table 1.

Summary of the Models of Women Entrepreneurs.

Model	Historical Perspective	Global Perspective
Traditional Female Underperformer	Early literature revealed that businesses owned by women (as compared to men) tended to be smaller in size, have less assets and fewer employees, are in low-income informal sectors particularly the service sector, possess lower expectations for future growth, and consequently report lower economic	The more recent findings in many countries, particularly in <i>developing economies and in the countryside of even developed countries</i> , still support this traditional model. Evidence from <i>Greece, Saudi Arabia, Indonesia</i>

Model	Historical Perspective	Global Perspective
	performance measures like sales, employment growth and profitability.	
The Integrated Perspective Model	Women view their businesses as an interconnected system of relationships (and not as a segregated economic unit) which she integrates into her personal and family life. A combination of financial as well as nonfinancial goals are used to assess women's business performance. Most recent literature focuses on the <i>family embeddedness perspective</i> which is especially true in the Asean context. An <i>adaptive</i> behaviour also becomes evident to achieve business goals.	Research point to the importance of non-economic, relational, and familial factors for understanding entrepreneurial fulfillment for women. This is supported by empirical data from <i>UK, Philippines, China, India, Japan, Korea.</i>
Innovative and High Growth Entrepreneur	Traditionally, female enterprises follow the Small but Stable Model, but better education, relevant information and training are influencing more women to aspire for growth.	Women in high-growth ventures tend to be more educated, offer innovative products/services, to be in high tech industries rather than home-based, have more employees. They are also more likely to be incorporated, with team ownership and higher credit scores. For owner profile, they have more years of industry experience with prior work experience – <i>US, Australia, UK, Europe, Chile, India, Bulgaria</i>
Social Entrepreneur	Research is still considered in the infantile stage – mainly anecdotal, lacking empirical data. It is focused on the characteristics of the entrepreneur and the process involved.	In <i>Saudi Arabia</i> , social entrepreneurial activities by women entrepreneurs center on training and development on work-related skills and knowledge, community
		engagement to reduce poverty, awareness of environmental management, and health care. In the <i>Philippines</i> , 2 women entrepreneurs narrated how they passed on their successful businesses to be involved in solving the social problems in their communities.

FUTURE RESEARCH

The Social Media Entrepreneur

Social media is the aggregate of online communication channels dedicated to community-based input, interaction, content-sharing and collaboration. With the growing number of social websites and applications, social media has become a potent tool for marketing business products and services. For small entrepreneurs especially, social media can provide a potential customer population never before seen in history. Worldwide, the number of Internet users by late 2010 was expected to exceed 2 billion currently recorded users.

According to the latest information from the Internet and Mobile Marketing Association of the Philippines (IMMAP), close to half of the Philippine population is now online. The number of Philippine Internet users as of mid-2014 is now at 38 million out of a population of 100 million, and still expected to increase because of cheaper Internet access and devices. It is also estimated that about two-thirds of Internet users are below 30 years old.

Women entrepreneurs naturally gravitate towards this type of business because of the obvious advantages:

1. They can work at home at their own time. They can also have another job.
2. There is low risk and unlimited growth potential.
3. An Internet presence instantly gives a company a global market who can learn and buy these products and services.
4. The World Wide Web operates all the time. An Internet store becomes a virtual retail shop that never closes.
5. Cost effectiveness is perhaps the biggest advantage since there is no need for an office. Internet marketing is also more affordable than traditional marketing.

Currently, there is hardly any research done on the social media entrepreneur, particularly statistics on women business owners. More studies along this line should be encouraged and findings should be disseminated to further assist current and aspiring business owners. The *Social Media Entrepreneur framework* may provide the solution for the many obstacles faced by women regarding assets, operating costs, time devoted to business and growth. More significantly, it is with fervent hope that the *Social Media Model* can be predicted to be the future framework of the empowered women entrepreneurs that can break the boundaries of home and country, thrust them into the global economic environment, and eventually close the gender gap.

CONCLUSION

This research has attempted to describe models of women's ways of entrepreneuring across different countries through the progress of time, which are – the *Traditional Underperformer*, *Integrated Perspective Framework*, *Innovative and High-growth Model* and *the Social Entrepreneur*. Realistically, there are no strict delineations between/among these models and in many instances, there may be overlaps. Nevertheless these frameworks serve to support Gartner's contention (1985) that the entrepreneurial phenomenon is a complex process and as such, its dynamic nature must be reflected in *what the entrepreneurs do and how the business is managed*.

With the narrowing gender gap, eventually there may be no differences between men and women business owners from the economic standpoint. However, innate differences still exist due to their inherent nature as alleged by feminist theory and a gendered-perspective of entrepreneurship. Thus women will continue to have their unique ways of running their business and as women will say, "We do what we do because we are who we are."

It is hoped that this endeavour will help people better understand the diversity among women business owners and their businesses, including an important recognition of their selfless contributions and the impact they can have on their societies. Supporting women's aspirations may be the key to open opportunities that are otherwise barriers in creating businesses leading to improved lives.

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Diagnosing and Changing Organizational Culture: A Strategy Case Study for Sustainable Competitive Advantage

Roberto G. Manaois

ABSTRACT

This case is a retrospective study of Diagnostika, a diagnostics company operating in the in-vitro diagnostics (IVD) industry in the Philippines. It describes the dynamic developments in the IVD industry and the drivers of change directly affecting the financial performance of the firms in this industry. It is in this light that Diagnostika attempted to reinvent itself by plunging into the treacherous sea of organizational change using an Organizational Culture Assessment Instrument OCAI (Cameron and Quinn, 1999) in pursuit of its corporate vision and mission. It examines the impact of changing organizational structure as a form of strategy to achieve competitive advantage and drive financial performance. This paper also narrates how the company assessed its preparedness in implementing the structural change and how it navigated its way through the maze of change adaptation.*

In Diagnostika's journey towards change, the changing external environment brought about by what Porter, an authority on competitive strategy, described as Five Competitive Forces mostly drove the challenges. Internally, the company dealt with financial struggles due to expanding business opportunities, an increasing number of demanding customers, and a growing number of installed instruments to support. It also faced concerns on management of employee behavior brought about by mixed cultures from different regions in the Philippines. There were conflicting regional mindsets which were obstinately imbedded in the employees' behavior. Through the use of the organizational culture assessment instrument (OCAI) by Cameron and Quinn, the president of the company assessed and compared the current and preferred organizational culture of Diagnostika. The results showed that the OCAI is a useful tool for assessing current and preferred organizational culture and helps analyze how to bridge the gap between the actual and the preferred culture. This

paper shows that with an appropriate leadership and workplace environment, accompanied by a well-identified and -defined current and preferred corporate culture, the company can transform into a more productive organism. The same operational constraints such as regionalist tendencies and organizational issues could become sources of competitive advantage when harnessed and addressed properly. This paper also demonstrates that as the company matures and grows, the original culture may have to be changed to adapt to more complex operations. An appropriately chosen and implemented style of leadership can unite members of an organization to rally behind a common vision and mission, and achieve productivity. This can result in the birth of a revitalized meta-organization. Adapting a firm's organizational culture, therefore, to the demands of its environment can bring about path-breaking strategies.

The only thing of real importance that leaders do is to create and manage culture. If you do not manage culture, it manages you, and you may not even be aware of the extent to which this is happening. – Edgar Schein

Keywords: In-Vitro Diagnostics industry, organizational culture change, competitive convergence

BACKGROUND OF ORGANIZATIONAL CHANGE

Blake and Mouton (1964); Silverzweig and Allen (1976); Pettigrew (1979); Deal and Kennedy; and Peters and Waterman (1982) initiated empirical studies on organizational culture. It was through their efforts that the term Organizational Culture, which became “more customarily called Corporate Culture, propagated the academic literature in Administrative Science” (Hofstede, et. al, 1990). Earlier in the field, scholars explained that understanding the culture of people is crucial because “culture consists of patterns, explicit and implicit, of and for behavior-acquired and -transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts” (Kroeber and Kluckhohn, 1952). Mehta, et al (2004) referred to organizational culture where companies develop a culture that represents its “beliefs, assumptions, and values that members of a group share about rules of conduct, leadership styles, administrative procedures, ritual, and customs” (Mintzberg, 1990, Schein, 1990, 1992, 1995). The earlier organizational culture scholars “agreed on the construct of organizational/corporate culture that it is: (1) holistic, (2) historically determined, (3) related to anthropological concepts, (3) socially constructed, (4) soft, and (5) difficult to change” (Hofstede et al, 1990). They argued that “values, the deepest manifestation of culture, strongly influence the practices” (Hofstede, 1990) in a given corporation.

Culture influences the emotional and motivational aspects, which are linked to the soft wiring of the organization. “The major function of culture is to help understand the environment and determine how to respond to it, thereby reducing anxiety, uncertainty

and confusion” (Yukl, 2009, p326). So when this corporate culture no longer matches with the changes in external environment and internal developments of an organization, change becomes imperative. But critical to successful implementation of big changes, such as organizational culture, is steadfast leadership. Mehta and Krishnan (2004) launched a study that linked organizational culture and transformational leadership. One of the findings was that “leaders were seen as more transformational if the organizational culture is strong than weak” (Mehta & Krishnan, 2004). This is because “the effect of leadership is stronger when the leadership behavior and the program, systems, structures, and cultural forms are consistent” (Yukl, 2009). The relevance of these findings comes with the advent of globalization where the world is developing and advancing, and so are the organizational challenges, problems, and opportunities. Hence, “the only way to build a learning culture that continues to learn is for leaders themselves to realize that there is much that they do not know and must teach others to accept that there is much that they do not know” (Schein, 2004).

In the succeeding decades, the discussions on organizational culture’s contribution to sustainability grew, and were elevated to a more sophisticated level. In Asia, the increase in business activities and opportunities in the ASEAN region necessitated the sharing of culture among the peoples in the region. The need to understand organizational culture differences among the Asian nations increased with globalization, and the dynamic rise and fall of world economies. Organizational scholars proposed, “culture, determined by historical and social traits, is an undeniable element in shaping the qualitative nature of organizations” (Abo et al, 200). The resulting opportunities and threats brought about by the external changes had to be calibrated with internal competencies of companies in order to create value. Consequently, constant strategy reviews, and incessant quest in providing added value to customers became inevitable. Organizational scholars support this by advocating that “international business today demands multicultural interaction, understanding and communication, and therefore should not be viewed as a polarized system; rather, we should take the stance of culture being on a continuum” (Noronha & Hasegawa, 2009). It is therefore imperative for companies to pursue organizational culture assessment and determine congruency to its business direction to propose added value for its customers.

In the context of creating value, organizational scholars Fitzroy et.al, prescribed that “organizational change and renewal are central strategic management activities; and these require designing a change program and change management must become a core capability of the firm; hence, the role of leadership is critical” (Fitzroy, Ghobadian, and Hulbert (2012). The benefit of these strategic changes must therefore result in achieving “operational effectiveness” (Porter, 2011) and “operational efficiencies” (Benn, et al., 2014). Operational efficiency often begins with “an emphasis on using cost measures for short-term results, and for sustainable longer-term gains, the appropriate human systems and cultural values must be built to support value adding and innovation” (Benn, Dunphy, & Griffiths, 2014). It is crucial to recognize that each business entity is a living organism, composed of dynamic human resource, and operating in a

dynamically changing external environment. These, therefore, necessitate assessing the current organizational structure and comparing it with the preferred one. One challenge that comes with corporate culture change is structural change because “structure largely dictates how objectives and policies will be established; and how resources will be allocated” (David, 2011). Alfred Chandler popularized the interconnection of structure and strategy in that they are interdependent to each other. He proposed “as organizational performance declines, a new organizational structure is established to improve performance and thus follow new strategies until new problems emerge and then the cycles comes back to first step again” (Chandler, 1962).

A Quick Look at Opportunities and Culture in the Philippine Context

In the World Economic Forum report, “the Philippines was named as the most dynamic and rapidly growing economies in terms of competitiveness” (Luz, 2013). “Fitch Ratings has raised the country’s Long-Term Foreign-Currency Issuer Default Rating to ‘BBB-’ from ‘BB+’ while Standard and Poor’s raised the Philippines’ foreign and local bond ratings to BB+ from BB” (Daang Matuwid, 2013). These opportunities have attracted more investors in the country and necessitated a deeper understanding of the Philippine cultures and systems specifically in the aspect of doing business. Filipino anthropologist F. Landa Jocano underlined the importance of addressing culture as one of the key issues that could potentially plague corporations when overlooked. He pointed that “one of the many things that managers and supervisors often overlook is the fact that management is not all business; it is also a social and cultural encounter.” (F. Landa Jocano, 1999). There are a lot of business cases that link culture’s influence in the way people work, make decisions, respond to stimuli, and thrive in a dynamic workplace environment. For example, one of the cultural features that distinguish many Filipinos in the workplace locally is their propensity for apparent silence and shyness. In truth, their coy response when asked for their opinion or suggestion in a business meeting especially in the presence of foreigners is actually contrary to their desire to come out and boldly express their viewpoint. In his book *Management by Culture*, F. Landa Jocano called this as constrained conformity. “Constrained conformity is part of the Filipino cultural orientation and it is deeply ingrained in the value system. Many foreigners view this trait as lack of frankness, concealed dishonesty, and lack of intellectual integrity” (F. Landa Jocano, 1999). This culture of Filipinos therefore must be understood and harnessed to maximize the potential of the workforce and achieve competitive advantage. This requirement of culture sensitivity across the globe has been an important factor to a business’s failure or success locally and globally. In the Philippine business arena, it is necessary for “managers to give due recognition to, and respect for, the influence of culture and to use the people’s patterned ways of thinking, believing, feeling and doing things to enhance corporate success” (Jocano, 1999).

The Philippine In-Vitro Diagnostics (IVD) Industry in Brief

According to the market research survey which was published by Frost and Sullivan on the 22nd of July 2014, the global IVD market size was \$47.30 billion in 2013 and it is expected to reach \$62.63 billion in 2017, at a compounded annual growth rate of 7.3% (Frost and Sullivan, 2013). The market study showed that “despite global economic and industry challenges, in vitro diagnostics (IVD) markets are growing robustly at double the rate of the global pharmaceutical industry” (Frost and Sullivan, 2013). They therefore recommended, “the fast-rising Asia-Pacific market should be part of every IVD company’s long-term strategy” (Frost and Sullivan, 2013). Furthermore, they explicitly stated that “the Asia-Pacific region holds the most next-wave emerging markets, including Indonesia, Vietnam, and the Philippines” (Frost and Sullivan, 2013).

In addition, the market survey released by Clearstate, an economist intelligence unit business for healthcare, estimated market size of IVD in the Philippines at PhP4,817.20 million (Clearstate IVD market update, July 2015). This industry in the Philippines has been ushered into a rapidly evolving and constantly changing market. The forces of fierce competition and globalization have been spawning concerns and uncertainties in the healthcare industry in Southeast Asia. This has been forcing players in this industry to have the need to reinvent themselves. For the current players, reinventing (Porter, 2011) meant repositioning, finding/creating new demands, creating added-value concepts from the products and services, and even changing organizational culture. The fierce competition which brings about potential risks to the small and unprepared players, but opportunity for the firms with strong financial muscles to flex, have drastically changed the rules of the game in the Philippine IVD playing field. The recent economic, social, technological, political, environmental, and legal developments spawned business risks and opportunities in the healthcare industry. These challenged the old ways of doing things and heralded a new era of business and healthcare management. Paradigm shifts in business practice, quality management, efficient turn-around-time, flexibility for market adaptation, and achieving sustainable competitive advantage became a necessity.

The key drivers of change in the in-vitro diagnostics in the Philippines are the recent implementation of the ASEAN economic integration in the region heralding a barrage of sudden opportunities and threats to both existing and incoming players; the rapid proliferation and use of advanced technology resulting in the increased number of alternative products and services thus increasing the force of threat of substitutes; and the rise in number of highly empowered customers because of access to information through the Internet. In addition, the following also drive the changes in the industry: (1) the promising high forecast economic growth in Asia as opposed to a low projection of growth in the IVD industry in the western market, (2) the increase in number of potential suppliers resulting in decline of force from high to moderate bargaining power of suppliers, (3) the drastic change in lifestyle of Filipinos resulting

in high demand in IVD services due to the increasing health hazards, (4) the rise in population of the Philippines with increasing number of its ageing population, and (5) the increasing need in the provision of quality healthcare services in the country.

This situation therefore has given birth to a different playing field to the existing IVD companies in the Philippines who were forced to adapt strategically. This strategic adaptation has become imperative for players to effectively navigate their way through the maze and ride these waves of change. In his article "What is Strategy?" Michael Porter defined strategy as "the creation of a unique and valuable position, involving a different set of activities" (Porter, 2011). He argued that "whatever the basis of strategic position – variety, needs, access, or some combination of the three – positioning requires a tailored set of activities because it is always a function of differences on the supply side; that is, of differences in activities" (Porter, 2011). This is critical especially that the healthcare industry requires service with quality and expediency. Therefore, strategy-savvy IVD players, knowing that they are serving a service-driven industry, should incessantly search for innovative "sets of activities" (Porter, 2011) to differentiate themselves from rivals. One of the critical indicators of sustainability in the IVD industry in the Philippines, as it is a developing economy, is achieving operational effectiveness while satisfying the demands of the customers. Over the past two decades, there were many locally based companies in the IVD market in the Philippines who established successful organizations and brands for few years but the challenges caused by the developing and growing market caused them to lose grip on their positioning. They eventually lost their sparkle and hard-earned leadership. Furthermore, the influence of politics in choosing the preferred suppliers was also strong in government-owned hospitals. They capitalize on their strong bargaining power because of the significant volume of business they offer. This is aggravated by the bigger problem of corruption. Geographically, the difficulty of achieving impeccable speed to market both of the products and after sales-service is also complicated by the archipelagic nature of the Philippine territory. So the need of establishing bases and offices in key cities became helpful but they have also become significant cost centers. Logistically, the implication to business productivity brought about by the horrible and ubiquitous traffic in the streets of Metro Manila drives a company to re-examine its activity costing and optimize it to minimize huge losses. In the Philippine setting therefore, balancing cost and differentiating activities, overcoming logistical constraints versus speed to market, competitive positioning, and maximizing revenue and income generating centers are crucial to sustainability. Following Porter's definition, when these sets of activities resulting in operational effectiveness are incorporated in the business operations in the Philippine setting, they can result in the "creation of unique and a valuable position" (Porter, 2011), and therefore can be categorically called strategies.

However, Porter argued that, "Operational effectiveness (OE) is not a strategy" (Porter, 2011). "Operational effectiveness means performing similar activities better than rivals perform them" (Porter, 2011). In the Philippine industry, and specifically

in IVD industry, the business model seems to show a different perspective. Given the geographic and transportation constraints in the Philippine market, operational effectiveness, providing the fastest response time in satisfying the client's needs and wants at the lowest possible cost that is, could help IVD companies create unique and valuable position for themselves.

In the last five years, the transportation constraints in the Philippines have been systematically affecting operational effectiveness cross-industries wide. "A Japanese study in 2012 found that the time lost by people stuck in traffic and extra cost of operating vehicles in gridlock in Metropolitan Manila and nearby areas amounted to 2.4 billion pesos (\$51 million) a day; and with a bigger population today and more vehicles on the roads, 3 billion pesos (\$64 billion) is a conservative estimate" (Balicasan, 2015).

Apart from the land-related constraints in the Philippine market, the water-related constraints are also real. The inter-island logistics poses such a challenge because not all islands have direct transportation ports to hop from one island to the other. The availability and schedule of the trips on fast boats are also intermittently hampered by the condition of the seas. Furthermore, the Philippine archipelago is seated at the Pacific Ring of Fire where it is frequented by perennial climactic deterrents such as typhoons, hurricanes or earthquakes. It is due to these inherent geographical and climactic limitations that make the Philippine IVD market peculiar. An effective structure and efficient after-sales support system, therefore, could prove to be a strong differentiator. Hospitals and clinical laboratories too perceive this as one of what they are looking for when choosing a supplier. St. Luke's Medical Center Global, one of the biggest private hospitals in the Philippines, awards "The Most Responsive Suppliers". This supports the idea that customers demand fast response from their suppliers. The geographic location and economic condition of the Philippines make it special as a target market. In the Philippine IVD market, using operational effectiveness as a tool by formulating differentiating and value-adding activities can create a unique and valuable position for the company.

Limitations of IVD Benchmarking: Lessons Learned from the Past

The IVD industry in the Philippines can prospectively look at operational effectiveness as a possible source of strategy. However, this should be pursued with prudence, as it is time sensitive and affected by multi-factorial influencers. In the last two decades, when the concept of benchmarking was introduced in the Philippines, the many others indiscriminately applied the strategies of leading players in their own companies. This resulted in imitation and copying of operational strategies without regard to the different variables inherent to each firm. As a result, these benchmarking and copying of best practices without regard to the intrinsic behavior of every organization faced a lot of challenges and issues at the implementation phase. Most of the problems were related to failure in considering the uniqueness of each organization. Strategic

Management scholars aptly explained “the best practices of other organizations must be adapted to fit the specific circumstances of a company’s own business, strategy, and operating requirements” (Thompson, Peteraf, Gamble, & Strickland, 2014).

Constant review of strategic plans including the effectiveness of the current organizational culture therefore is indispensable in order to know when it is time to abandon an existing strategy and introduce a new one. The last two decades in the diagnostics industry in the Philippines demonstrated that no single operational effectiveness or competitive advantage, lasted for a long time without being easily imitated. The problem, as cited by Porter, of having the tendency of being focused only on competition as was seen in the last twenty years in the IVD in the Philippines is the “zero-sum competition resulting in what is called competitive convergence” (Porter, 2011). This has caused leading firms to lose their leadership in the Philippine diagnostics industry and were overthrown by more aggressive and strategically positioned players. The problem, as highlighted by Porter, is that some other players stubbornly engaged themselves in “copying strategies and not in differentiating themselves” (Porter, 2011) from the other players. This resulted in aggressive price competition, unnecessary capital costs, and unprofitable competition among the IVD players.

THE OBJECTIVES OF THIS CASE STUDY

The objectives of this paper are to (1) describe the current developments in the in-vitro diagnostics industry in the Philippines that are affecting the opportunities and threats of the players in the market, (2) identify the drivers of change in the industry that are affecting the sustainability of the players in the field, (3) assess the organizational culture of an IVD company in the Philippines by using an organizational culture assessment instrument, (4) assess the company’s preparedness in implementing the structural and organizational change, and (5) examine the impact of these changes on the company’s profitability.

This case study will pursue some very important organizational science questions. Can Organizational Culture really be a source of sustainable competitive advantage? How can one diagnose its own organizational culture? As a company grows, will organizational culture continue to change? What are the necessary preparations and organizational adaptations that are needed for this dynamic internal change?

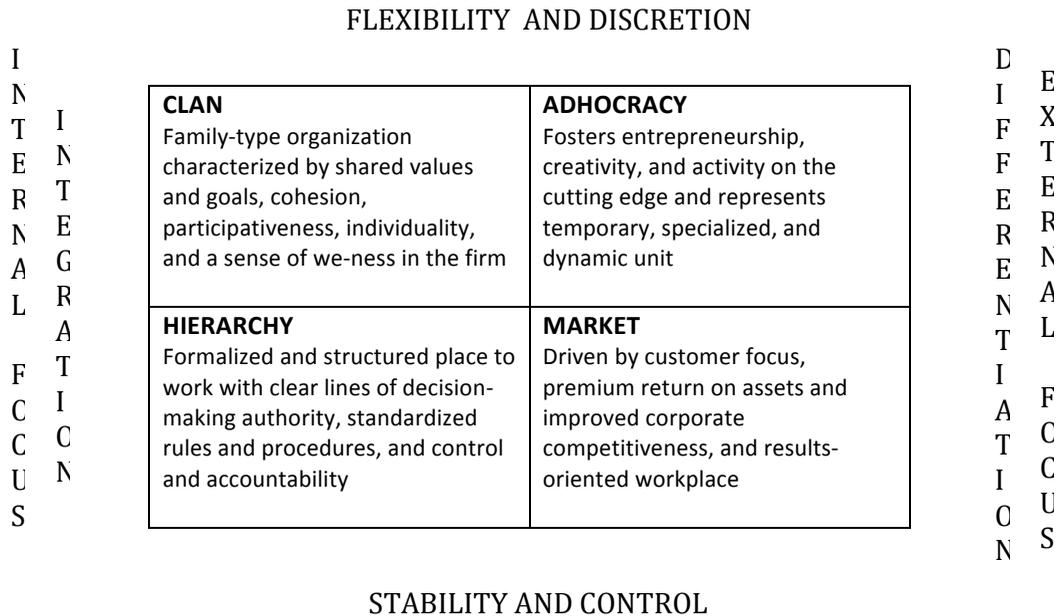
FRAMEWORK

The framework mainly used in diagnosing and changing organizational culture in this paper are the Organizational Culture Assessment Instrument (OCAI) by Cameron and Quinn which “is based on a theoretical model entitled the Competing Values Framework” (Cameron & Quinn, 1999). This theoretical framework “is empirically derived, and helps integrate many of the dimensions proposed by various authors to

diagnose and facilitate change in organizational culture” (Cameron and Quinn, 1999). It captured the important factors that contribute to organizational effectiveness which are relevant to Diagnostika’s operation. In this framework, there were two important dimensions: (1) “one which differentiates effectiveness criteria that emphasize flexibility, discretion, and dynamism from criteria that emphasize stability, order and control; and (2) another which “differentiates effectiveness criteria that emphasize an internal orientation, integration, and unity from criteria that emphasize an external orientation, differentiation, and rivalry”(Cameron and Quinn, 1999). This led to the formation of four quadrants representing a particular organizational culture.

Figure 1.

The Competing Values Framework



In order to assess the preparedness of Diagnostika in implementing change, the following framework were used: Stakeholder’s Map Analysis (patterned after Freeman’s (1984) concept for strategic management), Force Field Analysis by Kurt Lewins, and Influence Diagram Tool.

The stakeholder’s map analysis lists all stakeholders who directly or indirectly influence the process of changing organizational culture. It helps identify key allies and resisters in the implementation phase. The Force Field analysis by Kurt Lewins help the change champion/s identify the driving and opposing forces in the process of instituting organizational culture change. It provides a foresight as to the level of ease or difficulty that could be met during the implementation phase of organizational culture change. The influence diagram tool is a decision and risk analysis tool that helps strategists especially the organizational culture change catalysts, in order to

make informed decisions.

THE COMPANY IN FOCUS

The Humble Beginning

DIAGNOSTIKA is a diagnostics company supplying clinical laboratory equipment and reagents to hospitals and clinical laboratories all over the Philippines. It was established in 1998 with a paid up capital of only 4 million pesos. It started with four people in an office in Makati, Philippines, with just one secretary, one logistics and delivery, one accounting, and one sales personnel. Eleven years after DIAGNOSTIKA has evolved and grown into a sixty-four personnel organization that has strategically-located bases all over the Philippines in Luzon, Visayas, and Mindanao. It is currently managing and supporting about 600 instruments ranging from simple to complex machines all over the Philippines through a network of about 56 sales people and technical service engineers based in Luzon, Visayas, and Mindanao.

The Business and its Market

The business required an effective network of operating systems to provide hospitals and freestanding clinical laboratories equipment and their corresponding reagents and consumables in time. The market is fragmented, as the whole country is an archipelago. The industry is technology driven and is after sales support-sensitive. Its primary target markets are the secondary and tertiary government and private hospitals, freestanding clinical laboratories, industrial, educational and research institutions all over the Philippines. It has been in operation for seventeen years now. It is a corporation run by a Filipino president who is appointed by a board of directors of Taiwanese and Filipino nationalities. Its sixty-four personnel are mainly composed of Filipinos coming from the different regions in the Philippines. Currently, to handle the logistics and after-sales service requirement of the market, it created teams based and are operating in Cebu, Davao, Cagayan de Oro and Iloilo apart from its centralized operations based in the National Capital Region.

Having a very simple flat structure with few people, DIAGNOSTIKA's employees supported and took care of each other like how typical family members would. When someone was absent, another would be willing to take the place of the missing staff with few complaints, and it operated just like a small family. Ten years later, its business began to grow with more people. Its operations covered the whole Philippines, its customer base significantly grew, and the roster of suppliers increased. Operational constraints began to unfold, more and more customer complaints poured in and the pressures from its suppliers added to the fray. It began to have the typical problems of a growing company.

Unaware of what it was facing, the simultaneous dynamic internal and external changes led to difficulty in achieving smooth operations. Some of the internal challenges were difficulty in communication among teams, coordination, provision of efficient after-sales support that it used to have, adaptation to technological changes and innovation, and eventually financial constraints to support the ongoing expansion. Some external driving factors were influenced by the promising growth and prospect of the diagnostics industry in Asia Pacific. This led to what Porter described as a normal consequence to an attractive industry resulting in the increase in the intensity of rivalry of players, the force of threat of substitute also became high, the bargaining power of the buyers became high, and the threat to new entrants was moderate.

METHODOLOGY

For the diagnosing and changing organizational culture, this paper used the framework Organizational Culture Assessment Instrument (OCAI) by Cameron and Quinn (1999) that combines both qualitative and quantitative measurements of key cultural dimensions. As proposed by the authors of the framework, the respondent is required to respond to six items in the questionnaire. This questionnaire will help identify the current culture of a firm and eventually the preferred culture. The questions are organized into the following key components: dominant characteristics, organizational leadership, management of employees, organizational glue, strategic emphases, and criteria of success.

For the implementation of change, several tools were used to assess the company's preparedness for the implementation of change. The tools used are mentioned in the framework.

The Call for Organizational Change

It was clear that in order to improve the company's operational efficiency and to stick to the organization's vision and mission, change was inevitable. The need for change was evidenced by the increasing revenue and span of operation of the firm (nationwide) and at the same time an increasing number of customer complaints and decreasing satisfaction index in its after sales support to the market. The competition too is threatening DIAGNOSTIKA's market share if it does not do something about its "old ways of doing things". It was a make or break situation.

The Organizational Culture Assessment Instrument (OCAI) and the Competing Values Framework

Diagnostika realized it had to optimize its operations by relying on the very source of its strength – its people. But how can it change something it doesn't understand? Change what? How? When?

The framework proposed by Kim S. Cameron and Robert E. Quinn about diagnosing and changing organizational culture proved to be very useful for Diagnostika. The framework of these organizational sciences scholars offered a “practical, timely, qualitative and quantitative, approach” (Cameron and Quinn, 1999). Although they explicitly stated that “they do not stake a claim that their framework or methodology represents the one-best-way to diagnose and change organizational culture”, it still proved useful for Diagnostika. Another scholar in Organizational Sciences particularly in organizational culture expressed similar opinion by saying “leaving readers with the suggestion that four and only four cultures represent the wonderful world of organizations is a mistake” (Van Maanan, 1997).

The Organizational Culture Assessment Instrument (OCAI) proposed by Cameron and Quinn to diagnose the organizational culture offered Diagnostika a way to understand where it is and helped it to navigate its way to where it would want to go.

Cameron and Quinn explained that

the Organizational Culture Assessment Instrument (OCAI) is based on the theoretical model Competing Values Framework, a framework that was initially developed through research on organizational effectiveness. Out of this framework, four dominant culture types in an organization emerged: the hierarchy culture, the market culture, the clan culture, and the adhocracy culture. They advocated that the Competing Values Framework is useful in identifying the major approaches to organizational design, stages of life cycle development, organizational quality, theories of effectiveness, leadership roles and roles of human resource managers, and management skills (Cameron, Quinn, 1999).

Diagnosing Diagnostika's Organizational Culture

The diagnosis of Diagnostika's current and preferred organizational culture was assessed from the leader's perspective. The basis of this exercise, of getting the perspective of the executive level about the culture of the company, stems from the finding of Hofstede's and his colleagues' study - *Measuring Organizational Cultures: A Qualitative and Quantitative Study Across Twenty Cases*. They concluded from their comprehensive study that “the values of founders and key leaders undoubtedly shape organizational cultures; and the founders' and leaders' values become members' practices” (Hofstedes, et. al, 1990). This is critical in the sense “that values, classified as, the inner manifestations of culture (apart from rituals, heroes and symbols), resemble the shared practices that members of organization manifest in their companies” (Hofstede, Neuijen, Ohayv & Sanders, 1990). As an initial step of organizational culture change, the instrument was first answered by the president giving meticulous

description through scores given on all six categories of the instrument. The first round of instrument rating by the president considered the current ways of doing things in Diagnostika. Then the president answered the instrument again, this time taking careful consideration of the preferred organizational culture. Then all scores were added for each of the six categories and the weighted average score was obtained, and the organizational culture of the company is inferred.

The executive did the first assessment alone in 2009. The results were as follows:

Diagnosing Medica's Organizational Culture

This tool is used to diagnose the current organizational structure of MEDICA and then assessed the preferred culture if the company wants to improve its competitive advantage. The following shows the process:

TASK NUMBER 1: DIAGNOSING THE CURRENT MEDICA CULTURE AFTER 9 YEARS OF OPERATION

DIAGNOSTIKA's Organizational Culture Assessment Instrument-Current (OCAI Instrument From Diagnosing and Changing Organizational Structure by Kim Cameron and Robert Quinn – pp. 20-25)

1. Dominant Characteristics		Now
A	The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.	60
B	The organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	15
C	The organization is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented.	20
D	The organization is a very controlled and structured place. Formal procedures generally govern what people do.	5
Total		100

2. Organizational Leadership		Now
A	The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.	55
B	The leadership in the organization is generally considered to exemplify entrepreneurship, innovating, or risk taking.	15

C	The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus.	5
D	The leadership in the organization is generally considered to exemplify coordinating, organizing, or smooth-running efficiency.	25
Total		100

3. Management of Employees**Now**

A	The management style in the organization is characterized by team work, consensus, and participation.	55
B	The management style in the organization is characterized by individual risk-taking, innovation, freedom, and uniqueness.	5
C	The management style in the organization is characterized by hard-driving competitiveness, high demands, and achievement.	20
D	The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.	20
Total		100

4. Organization Glue**Now**

A	The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high.	60
B	The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.	5
C	The glue that holds the organization together is the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.	25
D	The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.	10
Total		100

5. Strategic Emphasis		Now
A	The organization emphasizes human development. High trust, openness, and participation persist.	65
B	The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	10
C	The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the market place are dominant.	15
D	The organization emphasizes permanence and stability. Efficiency, control, and smooth operations are important.	10
Total		100

6. Criteria of Success		Now
A	The organization defines success on the basis of the development of human resources, team work, employee commitment, and concern for people.	50
B	The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.	10
C	The organization defines success on the basis of winning in the market place and outpacing the competition. Competitive market leadership is key.	30
D	The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical.	10
Total		100

TOTAL SCORE:

NOW	
A	57.5
B	10.0
C	19.17
D	13.33
Total	100

ANALYSIS OF THIS CULTURE:

The total scores show that the dominant culture in the current organization of DIAGNOSTIKA was the clan culture. This indicates that relationship was the key factor that predominated in its organizational structure. This explains why the team succeeded in its early years of operation but also sheds light on why it suffered and had difficulty in its previous operation. People had difficulty reprimanding and rectifying colleagues who were non-performers. It was also important to note that at this stage, it was extremely difficult to issue disciplinary memos to erring employees. People treated one another like members of family and showed significant effort to avoid hurting the feeling of others that might cause conflict. As a result, productivity was very slow; there was progressive development of frustration among the people and utter failure in delivery of departmental expectations. The planning and leading part of management was in place but the organizing and controlling aspects were failing.

LEGEND: A – CLAN CULTURE
 B – AD HOC CULTURE
 C – MARKET CULTURE
 D – HIERARCHICAL CULTURE

TASK NUMBER 2: IDENTIFYING THE PREFERRED ORGANIZATIONAL STRUCTURE AFTER 11 YEARS OF OPERATION (FOR CHANGE IMPLEMENTATION) – to gain competitive advantage for the firm

DIAGNOSTIKA's Organizational Culture Assessment Instrument-Preferred Structure (OCAI Instrument From Diagnosing and Changing Organizational Structure by Kim Cameron and Robert Quinn – pp. 20-25)

1. Dominant Characteristics		Preferred
A	The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.	25
B	The organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	10
C	The organization is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented.	10
D	The organization is a very controlled and structured place. Formal procedures generally govern what people do.	55
Total		100

2. Organizational Leadership		Preferred
A	The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.	30
B	The leadership in the organization is generally considered to exemplify entrepreneurship, innovating, or risk taking.	15
C	The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus.	5
D	The leadership in the organization is generally considered to exemplify coordinating, organizing, or smooth-running efficiency.	50
Total		100

3. Management of Employees		Preferred
A	The management style in the organization is characterized by team work, consensus, and participation.	25
B	The management style in the organization is characterized by individual risk-taking, innovation, freedom, and uniqueness.	5
C	The management style in the organization is characterized by hard-driving competitiveness, high demands, and achievement.	20
D	The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.	50
Total		100

4. Organization Glue		Preferred
A	The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high.	20
B	The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.	5
C	The glue that holds the organization together is the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.	20

D	The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.	55
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Total	100
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5. Strategic Emphasis **Preferred**

A	The organization emphasizes human development. High trust, openness, and participation persist.	25
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B	The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	5
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C	The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the market place are dominant.	20
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D	The organization emphasizes permanence and stability. Efficiency, control, and smooth operations are important.	50
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Total	100
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6. Criteria of Success **Preferred**

A	The organization defines success on the basis of the development of human resources, team work, employee commitment, and concern for people.	30
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B	The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.	5
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C	The organization defines success on the basis of winning in the market place and outpacing the competition. Competitive market leadership is key.	10
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D	The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical.	55
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Total	100
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TOTAL SCORE:

PREFERRED	
A	25.83
B	7.50
C	14.17
D	52.50
Total	100

ANALYSIS:

The total score and diagram shows that the more fitting culture that DIAGNOSTIKA could get into is the hierarchical culture. The objective is to put systems and rules in place in order to have structured metrics and accurate measurement of performance in all of the firm's departments: sales, operations and service. This will professionalize work, set-up regulatory and disciplinary measures and reinforce responsibility and accountability throughout the whole company. By organizing and aligning each employee's individual productivity, the resulting synergistic efforts and team-based collaboration will contribute to better bottom line results.

Scoring the OCAI:

"Scoring the OCAI is very easy. It requires simple arithmetic calculations. The first step is to add together all A responses in the NOW column and divide by 6. That is, compute an average score for A alternatives in the NOW column. You may use a worksheet if you'd like. Next, add together all B responses and divide by 6. Repeat this computation for the C and D alternatives" (Cameron, & Quinn, 1999).

"Hierarchical cultures are characterized by "clear lines of decision-making authority, standardized rules and procedures, and control and accountability mechanisms..." (Cameron and Quinn, 1999). This is a culture that DIAGNOSTIKA is not used to from its organizational inception. According to Quinn and Cameron, based on their empirical studies, this organizational change (from family- to rules- and procedures-structured) is an expected growth related-change among growing companies. This is now true in the case of DIAGNOSTIKA. The challenge here is that the president will now have to steer the helm of the company from a family-oriented business management to a strictly-policy-guided operations with goals of being competitive and profitable.

Implementation of Organizational Culture Change

Tools for assessing Diagnostika's preparedness for the Organizational Culture and Structural Change Plan:

1. SYSTEMS MAP TOOL:

- a. Core/subsystem: Structural organizational change (sub-segments: Sales Department, Service Department and Logistics Department, Human Resource Department)
- b. Immediate: Office operations, decision makers of government and private hospitals, free standing clinical laboratories, international suppliers, The board of directors, brokers and forwarders, regional dealers

- c. Mega/Macro: The immediate community, diagnostics market and competition, Philippine economy, Department of Health, BIR, Philippine Association of Medical Technologists, Local Government Units, Philippine Society of Pathologists, Philippine Blood Coordinating Council.

2. INFLUENCE DIAGRAM TOOL:

- a. Factors I (the president) can influence and control
 - i. Developing and writing of departmental SOP's (standard operating procedures)
 - ii. Mentoring and training of first and second line managers in helping making a "buy-in" for the implementation of SOP's
 - iii. Spearheading and monitoring the implementation of change inter- and intra-department
 - iv. Strict implementing of punishment and reward system
 - v. Devising ways by which change could be effectively communicated all throughout the company

- b. Factors I (the president) can influence but cannot control
 - i. Professionalization of Human Resource department
 - ii. Formation of company policies
 - iii. Initiation of sense of urgency and orchestrating mechanics of change for new SOP implementation
 - iv. Implementation of strategic planning for the firm
 - v. Solicitation of Board of Director's decisions in support of the needed change
 - vi. Preparation of new mind set in employee behaviour due to the changes which are about to be implemented
 - vii. Preparation for the impact brought about by the implementation of new SOP's to target hospitals and customers
 - viii. Prediction of and preparation for supplier's reaction to the internal changes that will happen in the company and preparation
 - ix. Preparation for responses of the government agencies to the new approaches of the firm in terms of its new guidelines and policies

- c. Factors I (the president) may not influence nor control the following areas
 - i. Immediate families of employees
 - ii. Economic downturn
 - iii. Government labor policies
 - iv. Other concerned government agencies
 - v. Technological innovations
 - vi. Political Issues and corruption
 - vii. Influx of other IVD players in the Philippines
 - viii. Mergers and acquisitions among IVD players and the stakeholders

in the industry

3. FORCE FIELD TOOL:

a. Forces supporting change (**Total score: 27**)

- i. Marching orders by the chairman of the Board of Directors which are in support of the proposed change (4)
- ii. Hiring of Professional HR consultant (5)
- iii. Creating the management change team who will help in the implementation of change by acting as change agents(5)
- iv. Implementing rewards and incentives programs(4)
- v. Hospital's positive reaction as a result of the implementation of new guidelines in sales, marketing and operations (4)
- vi. Forming the guiding team and change agent team to ensure that SOP's are implemented and help control resistance (5)

Total Score of Forces Supporting Change: **27 points**

b. Forces Opposing Change (**Total Score: 30**)

- i. Probable attacks and resistance by other members of the board (transition period) 5
- ii. Possible system-wide confusion and turbulence during the initial implementation of the change (5)
- iii. Possible non-allotment of funds/budgets leading to complaints/initial confusion for and of salaries of new hires and training of employees (5)
- iv. Arising fears of learning and adapting to new systems of doing things(5)
- v. Possible non-inclusion of extra budget support in the annual budget plan (5)
- vi. Negative reaction of change resisters specially that there are many old employees who might feel being threatened by the change (5)

Total Score of Forces Opposing Change: **30 points**

Analysis of the results from tools:

The force field tool analysis suggests that the desired structural change might face significant challenge. However, as the total scores of forces supporting are a bit lower than those of the opposing forces, the motivation to pursue the change implementation is high as the scores indicate that there is a significant support group that could overcome the resisting factors. Furthermore, the influence and systems map tools also indicate that there is great potential for successful implementation of the planned change given the level of influence that could be contributed specifically by the identified stakeholders in the tools.

IDENTIFYING THE POTENTIAL GUIDING TEAM AND AGENTS OF CHANGE

Number	Stakeholder	Interest/ What's in it for Me	Position	Intensity of Position	Degree of Influence	Network of Influence
1	Chairman of the Board	Legacy	Ally	High	Med	High
2	President	Legacy, Control, Efficiency, Effectiveness	Ally	High	High	High
3	Resistant Board of Director/s	Power, Control	No Commitment	High	High	High
4	National Sales Manager	Control, Efficiency, Effectiveness	Ally	High	High	Medium
5	SBU Managers	Power, Control, Recognition	On the Fence	Neutral	Med	Med
6	Sub-dealers	Power, Recognition	On the Fence	Neutral	Low to Med	Med
7	Logistics head	Recognition	Ally	Med	Low	Low
8	Company messenger	Recognition	Ally	Med	Low	Low
9	Product Manager	Power, Recognition	On the Fence	Med	Low	Low
10	HR Officer	Power, Recognition	On the Fence	Med	Med	Low
11	Accounting Officer	Power, Recognition	On the Fence	Med	Med	Low
12	Cashier	Recognition	On the Fence	Med	Low	Low
13	Field Service Supervisor	Power, Recognition, Efficiency, Effectiveness	On the Fence	Med	Med	Low
14	Professional Sales Representative	Recognition, Efficiency, Effectiveness	On the Fence	Med	Low	Med
15	Field Service Engineers	Recognition, Efficiency, Effectiveness	On the Fence	Med	Low	Low
16	Secretary	Recognition, Efficiency, Effectiveness	On the Fence	Low	Low	Low
17	Invoicing Officer	Recognition, Efficiency, Effectiveness	No Commitment	Low	Low	Low

Analysis and Strategy:

This internal stakeholder map shows that there is potentially a rich source of guiding teams that could be recruited by the president as his allies in implementing the change in the organization to change from a non-SOP operations to an SOP guided and structured operation. The president started with the chairman of the Board of Directors and the National Sales Manager as allies. Then he worked on all the Strategic Business Unit Area Managers in forming a strong batch of change agents. The next target of the change agents later on were the group of the employees who are 'on the fence' by influencing and convincing them to take part in the organizational change.

Bracing for Casualties of Change

In light of this drastic change in the direction that the firm has taken, not all employees were able to ride the tide of change. Some valued the clannish culture that they had difficulty weaning away from the former culture and failed to see the reasons for and benefit from the systematically implemented changes. There were strict rules to follow. Confusion came about as a result of resistance to change despite the management's incessant effort of communicating the change to the whole body. A predominant struggle was working in a former relationships-driven environment to the new rules-and systems-driven organization. This major change eventually resulted in the resignation of some key people in middle management. The implications of the organizational culture change brought much difficulty for employees to adapt to the new ways of doing things that were implemented. Nevertheless, the management welcomed the casualty and tenaciously instituted the more structured and systematic culture change. In response, it began to develop a more stringent succession plan to fortify middle management and develop more agents of change in the organization.

The Financial Remuneration of the Implemented Change

The president continued to lead in the implementation of necessary changes by setting up formal operational rules, disciplinary and rewards systems, and enforced employees' adherence to such rules. The greatest challenge at that time was that there was no formal Human Resource Manager, no official operations manager, and no marketing manager resulting in the multi-tasking role of the executive post. The result was an inundated culture shock among the employees bringing about loss of identity, threatening of turf, and sudden confusion. But because of constant communication with everybody, and their resolve to be able to be part of Diagnostika's growth, the organization was able to take off from its potential demise and rose into a liberating flight of conquest. It grew in revenues and numbers, and is still continuing to grow up to present.

By the end of fiscal year 2014, the financial condition of the company improved significantly year by year as shown by the following ratios:

DIAGNOSTIKA'S NINE-YEAR FINANCIAL RATIO PERFORMANCE

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Management Performance									
Number of Day's Receivables	63	74	75	68	71	73	76	67	55
Number of Day's Sales Inventories	63.87	59.46	70.17	92.7	112.75	84.45	50.79	24.12	13.69
Total Assets Turnover	1.59	1.54	1.44	1.56	1.46	1.58	1.97	2.7	3.44
Profitability of the Company									
Net Profit to Total Asset	0.01	0.02	0.02	0.03	0.03	0.03	0.06	0.12	0.14
Net Profit to Stockholder's Equity	0.14	0.24	0.27	0.37	0.39	0.39	0.54	0.53	0.43
Net Profit to Net Sales	0.01	0.02	0.02	0.02	0.02	0.02	0.03	0.04	0.04
Growth Ratio									
Sales growth	1.19	13.75	12.76	35.16	29.62	48.33	42.72	29.92	15.75
Net Profit Growth	10.17	91.44	28.3	68.89	33.03	23.44	140.12	64.95	8.15
Financial Structure									
Equity Ratio	0.11	0.1	0.1	0.1	0.08	0.08	0.16	0.27	0.35
Stockholder's Equity to Liability Ratio	0.12	0.11	0.11	0.11	0.09	0.09	0.19	0.37	0.55
Liquidity of the Company									
Current Ratio	0.83	0.84	0.95	1.16	2.31	4.48	7.25	1.46	1.61

Contributors to Organizational Change Resulting In Financial Success

The financial ratios of Diagnostika over time proved that changing its organizational culture from clan to one which is hierarchical significantly contributed to its eventual financial strength and stability. The wastages and unproductive "ways of doing" in the past have been tapered significantly and with the help of clearer control policies and more structured way of doing things in the company, it was able to maximize its revenue generating potential. However, the financial ratios were again beginning to decline from 2013 to 2014. This might be a signal that the company should re-consider making an assessment of its organizational culture and see if there is a need to change once again.

It took the company about a year of numerous bouts of internal, emotional, and organizational challenges before it was able to stabilize and have a full control of the helm. The relentless pursuit of a more systematic way of operations was complemented with other differentiating strategies. The company prudently but aggressively engaged in niche market of specialized diagnostic tests pioneering in the introduction of novel tests and tools in the field of endocrinology, parasitology, new born screening,

and transfusion medicine. To further strengthen its presence on a national scale, and divert the attention of the change-supportive team, it also intermittently launched workshops and trainings all over the Philippines. Furthermore, the company intensified its business relationship with foreign suppliers by regularly visiting them at their headquarters and making progress reports on business development about the Philippine market.

It is of course important to acknowledge that there were other strategic pursuits of Diagnostika that contributed to its financial improvement, apart from its organizational culture change. But what was clear was that the change from Clan Culture to Hierarchical Culture provided a strong organizational backbone for Diagnostika that helped it muster its metamorphic journey into a new realm of growth and competitiveness. While the concurrent strategies were equally important, the organizational culture change provided the necessary values systems for the software component of the firm that fueled and supported the company's hardware. This practically proved the necessity of alignment of all the 7S's as described by McKinzie. It also set the tone (of new ways of doing things round here) in the company that became the stimulus for cultivating a new culture of productivity across the organization.

In fact, the Golden Globe Annual Awards, a third party company that gives recognition of best practitioners in different industries in the Philippines, recognized Diagnostika as the best diagnostics products provider in the Philippines for Business Excellence in 2014 and 2015, respectively. It also received the most outstanding distributor award for Asia Pacific by its biggest supplier based in France both in 2013 and 2014.

LIMITATIONS OF THIS CHANGE PLAN

As Diagnostika prepares for an incipient second wave of change implementation (based on the decreasing financial ratios in 2013 and 2014), this change plan will be limited by the full cooperation of the board of directors in allowing and empowering the president to fully implement the strategies. Another limitation is the unforeseen events that might take place which are beyond the influence and control of the president, and the change team, and agents. As the diagnosis of the current and preferred organizational culture was only taken from the perspective of the executive, an assessment of the same kind from each department should also be conducted to get the body's perspective as to what would be the most preferred organizational culture for the firm.

CONCLUSIONS AND RECOMMENDATIONS

The in-vitro diagnostics industry in the Philippines has been changing drastically due to the rapidly evolving technology as well as the dynamically changing external environment. This has significantly affected the profitability and the capability of firms

in this industry to achieve sustainable competitive advantage. The ASEAN integration did not only bring opportunities through the borderless economy in the region but also inundated the IVD market with challenges brought about by the sudden confluence of cultures. When the organizational culture of a firm is optimized, it could become a strong internal source of competitive advantage. Diagnosing organizational culture therefore has become a critical step in discovering and nurturing untapped and undiscovered internal resources. The practice of diagnosing the current organizational culture of a firm and identifying the preferred culture can help executives understand current issues in the business operation and make decisions for operational effectiveness. It helps narrow down the gap between the actual and the expected performance in order to achieve sustainability. Astutely identifying organizational culture at a given point in a firm's existence and developing an effective and efficient implementation change plan can be a source of a sustainable competitive advantage. The challenge is being able to use an instrument that will help qualitatively and quantitatively assess the existing culture of the company and identify the preferred organizational culture. The framework by Cameron and Quinn proved to be a useful measure for this purpose for Diagnostika. Furthermore, key leaders must have a clear and inspiring vision of the company's short- and long-term direction to aptly steer the helm at the right time. It is true that diagnosing organizational culture, changing to another type, and embracing the organizational challenges would mean engaging the whole organization in this feat. This is indeed a humongous task. But while the journey could mean trekking a treacherous path, the benefits outweigh the intimidating challenges, pains and struggles. One cannot oversimplify or underestimate the impact of culture in a company's operation especially among culturally sensitive people such as Filipinos because it systematically affects the hard and soft wirings of a business entity.

When a current organizational culture is identified, it has to be matched with its current external opportunities and threats, as well as its current internal strengths and weaknesses to see if the company is in a very competitive position to thrive in its current environment. When there is a big gap between the current and preferred organizational culture, then a decision must be taken to embrace change. This process, called organizational culture adaptation, promises operational effectiveness and efficiency as benefits. When the preferred culture does not match with the actual, then it means it is again imperative to review the current culture and assess whether there is substantial reason to enforce another culture change.

In the IVD industry, strategists should be as fast as the wind and as fluid as water in re-thinking and re-formulating strategies. The rapid change of external environments aggravated by the mergers and acquisitions between and among IVD companies in the last decade set the stage for the need to continually adapt, assess, and measure the appropriateness of the current strategies at a given time frame. Critical to changing the organizational culture and structure are impeccable timing and a resolute leader's heart.

When companies launch diagnoses of organizational culture, a careful understanding of current and preferred culture must be observed. For a small-scale company, the analysis of organizational culture can be done from the executive's point of view. But in medium- to big-scale companies, it would be useful to combine the leader's as well as the employees' perspective. This approach will help narrow the gap between the desired and the actual culture. As Diagnostika is growing in terms of its personnel size, sales targets, and market reach, it is now timely for a 360-degree organizational culture assessment. All the divisions should now make their own assessment of the appropriateness of the current organizational culture versus the preferred.

Benn, et.al (2014) aptly described how complex and difficult but necessary and fundamental the pursuit of organizational culture change is for any business entity. "The process of continuing cultural innovation is an organizational endeavor to support and renew, rather than exploit and degrade; and restore a fuller meaning to human work than the accumulation of capital and material goods" (Benn, Dunphy, and Griffiths, 2014).

The tool proposed by Cameron and Quinn proves to be a useful tool for diagnosing and changing organizational culture. It aids strategists and leaders to identify the gap between the current and preferred organizational culture.

*For confidentiality purposes, the real name of the company was changed to Diagnostika in this paper.

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Application of Business Continuity Management (BCM) System Model to a Holding Company in the Philippines

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Geraldine D. Peña

ABSTRACT

This research study aims to determine the impact of Business Continuity Management (BCM) application to a holding company and the specific effect on Organizational Resilience. The survey was conducted on the entire population of the organization of a holding company - the case subject. Involvement of executives in the survey responses provided significant insights on studying the level of management commitment to the BCM arrangements and the involvement of management in determining their level of responsibility on BCM application. Variables of BCM and OR were analyzed and evaluated using t-Test, Pearson r for interval data and Spearman r for ordinal data.

The results revealed that BCM arrangements have significant impact on building OR. Level of importance of key drivers of BCM, determining threats, risk assessment, business framework, Business Continuity Strategy, outcomes of BCM application and resiliency were tested. These Business Continuity Cycles, while being implemented, have to be improved for the purpose of obtaining BCM maturity.

On the basis of these findings, recommendations were formulated on how to further improve the existing BCM in building organizational resilience through obtaining certification on Business Continuity Management System requirements using the Shewart and Deming's PDCA model.

Keywords: Business Continuity Management System, Business Impact Analysis, Risk Assessment, Organizational Resilience, ISO and Plan-Do-Check-Act (PDCA) Model

INTRODUCTION

Management composed of directors, managers and all stakeholders cannot disregard the consequences of disastrous effects of environmental threats such as that what has happened to the World Trade Center Towers in New York in September 11 (popularly known as the 9/11 attack) or the Japan Earthquake last March 2011 (commonly known as the Tsunami) and even the Yolanda aftermath last November 2013 in Tacloban, Leyte, Philippines.

The Philippines is one of the most storm-exposed countries in the world with an average of 8-9 tropical storms making landfall every year. It was only last year when Yolanda made a landfall dubbed as one of the deadliest typhoons ever to hit on earth. These disasters are causing the country financial loss and putting the economy at risk. The Philippines is one of the most vulnerable countries in terms of exposure to national disasters such as cyclones, flooding, and rising sea levels according to the World Risk Index due to the surrounding seas, and other disasters such as earthquakes and fires.

All business processes are subject to disruptions such as technology failures, natural disasters, utility disruptions, labor disputes and pandemics. There is little tolerance for downtime should there be business disruptions in today's fast-paced business environment. Business visionaries or companies strive to achieve efficient and effective supply chain such as just-in-time (JIT), built-to-order, and lean manufacturing among others. Before, business continuity was not considered as a priority by management and viewed it merely as a niche issue. However, the world is facing the irreversible effects of climate change, man-made or natural disasters. Numerous companies now are seeing the consequences of being unprepared for disruptions everywhere. In the Philippines, resiliency of a company thus comes down to serious dealing with such disruptions and creating recovery solutions.

Business risks increase globally, as disasters also increase being part of the world's aging existence. These events, though unpredictable, are not unexpected (Blyth, 2009). No firm or industry is immune to crisis, regardless of its size and the truth is that that no one can fully control risks (Kildow, 2011). According to Blyth (2009), it is of primary importance to have a dependable and mature business continuity management in dealing with catastrophic events affecting the operations of the business. As a result of recent events caused by natural and man-made disasters, there is an increasing need for a model and standards that can be used to assess business risks of company operations.

Smith (2012) points out that these matters are key issues having direct impact on the organization, its stakeholders, interested parties, employees, managers and directors. Risk management, insurance, corporate and personal liabilities are determinants and consequences of the eventual impact on the organization's resilience and sustainability in the event of an incident or corporate crisis.

According to Smith (2012), when dealing with a disruptive event, senior, tactical and operational level managers must have access to accurate information. He emphasizes the systematic flow of collection, filtering and disseminating information of the incidents which occurred to be able to determine the whole scenario. It will accelerate the resumption of at least minimum levels of operations by using strategically the business continuity management in mitigating the impacts of business disruptions.

Kite and Zucca (2007) emphasize that whether a company is big or small, risk management and business resiliency are critical elements in enabling the business continuity function to protect, optimize and grow the product or service portfolio, and maximize shareholder value.

For beginners in the use of this standard, it will influence the customer preference by promoting confidence that can sustain one's business, rather than just being a protector of company assets. This will guide management on how to take a proactive role by making a sound decision. The application of the standard can be promoted through consulting, training, influence and by understanding the risks.

The effects of disaster have tremendously increased the threat and have posed great risks on today's global economy (Kildow, 2011). The effectiveness of service covers the normal scale and especially emergency scale of operations. Companies of all scales must have a dependable strategy in order to protect the interest of all stakeholders. For the holding company (KP Group Philippines Inc.), the main subject of this study, the main goal is to keep the customer's confidence by providing services at the eventuality of disruption even in a minimal capacity on maximum allowable outage acceptable to the clients. Even a small disruption on operations can trigger a large crisis to KP Group Philippines Inc. due to increased dependability on information technology and other supply chains which affect the services to its internal and external clients.

Not everyone in the senior management of KP Group Philippines Inc. perceives Business Continuity as important assuming that disaster has never occurred; therefore, for them there is no valid reason to invest or spend financial resources in one. Since it will not generate revenue, it is often given low importance by other stakeholders. Thus, many companies now, KP Group being not an exception, do not have a BCM.

Thus, this study aims to highlight the advantages of setting up Business Continuity to meet customer demands, preventing liability on the consequences of business disruptions, and maintain confidence from clients. The main purpose is to determine the impact of Business Continuity Management application in obtaining Organizational Resilience using the KP Group Phil., as a case study.

This paper will include a literature review as the basis of the conceptual framework. It will discuss the correlation of Business Continuity Management System (BCMS) models application to the organizational resilience of the company. This study

demonstrates how Business Continuity Management System can better fit the small and medium scale company. This study highlights the implications of having Business Continuity Management in place versus being complacent in spite of increasing evidence of disaster occurrence. Being certified with this voluntary management system recognizes the program's effectiveness and compliance to the requirements of International Standard. Gaining company-wide support for acceptance of Business Continuity Management is vital for company's strategic advancement.

For scholarly references, quantitative study using statistical treatment in proving the relationship between BCM application and Organizational Resilience could be useful in determining the value of the business-centric approach of BCM.

REVIEW OF LITERATURE

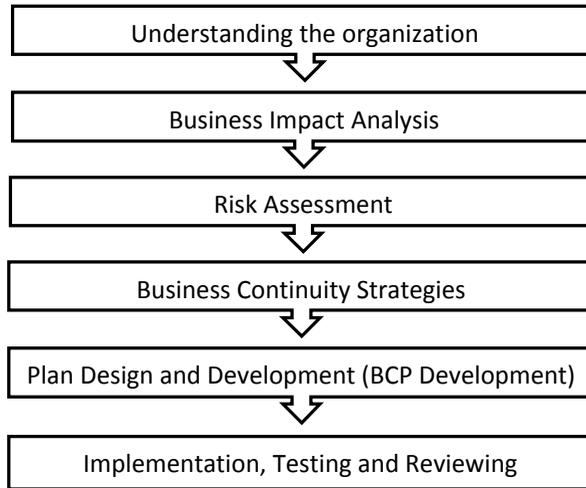
Business Continuity Management

Disruptions on business operations which might be caused by power outages, floods, fires and internal sabotage of information or other external cyber attacks, can lead to irreversible damage to the company (Islam 2010). These risks play significant role in rendering a Business Continuity Management that can be the main factor in the company's strategies in handling these risks. Although it is commonly believed that BCM and risk management are the same; however, that is a misunderstanding as explained by Krell (2006). He states that the two approaches are different on purpose of applications where risk management's focus is risk avoidance and risk mitigation; BCM, on the other hand, focuses on the effective process on how to resume operations after the disruptions. Many believe that the two concepts are interchangeable; however, BCM provides a more strategic approach on how to manage uncertainties and protect the interest of stakeholders.

The two main objectives of BCM are (1) Survival and (2) Recovery. Belen (2014) defines Survival as the ability to cope with disaster under Business Continuity (BC), while Recovery aims to minimize the significant impacts of disruptions under Disaster Recovery (DR). Disaster recovery planning is a subset of a more extensive BCM planning. The disaster recovery approach has evolved to business continuity approach. DR focuses on Information Technology while BC focuses on the business units and all other resources needed for its operations (Neville-Clarke, 2014).

In order for BCM to be effective, the organization shall manage the overall BCMS program through Operational Planning and Control, Business Impact Analysis (BIA), Risk Assessment, Business Continuity Strategies, Plan Design and Development (BC Plan Development), Implementation, testing and reviewing (Neville-Clarke, 2014). The most critical part of BCMS implementation is the BC Planning process, which includes BIA and Risk Assessment. According to Lu (2012), the two processes are essential components of BCMS in identifying the CBF in order to prioritize processes with significant impact, its dependencies and resources being required for the delivery of the products and services.

Figure 1.

Business Continuity Management System Operation

Source: Belen, A. (2014). Business Continuity Planning: Business Continuity Management. Neville Clarke Philippines, Inc. Training Module, 321 (2), 9-12.

Determining and Developing BCMS Strategy

Hiles (2011) states that the main goal of determining Business Continuity Strategy is to prepare the organization to respond and recover their prioritized functions within acceptable period of time. Most of the strategies depend on the maximum tolerable period of disruption (MTPoD), a consideration of the cost of strategies to be implemented. (Bjelmrot, 2007). She states that these strategies consider various areas that include people, premises, technology, information, supplies and most specially stakeholders. Application of strategies that includes documented procedures on how to handle critical activities, training of people, succession planning and others are usually detailed in Business Continuity Plan.

Bjelmrot (2007) expresses that in order to determine effective business continuity strategy, it must be evaluated to enable to choose an appropriate response to disruptions. The choice makes ample considerations of the organization's available resilience and countermeasure options. It is important that in determining business strategy, one must consider a fit for use that is based on the identified prioritized activities and one which is aligned with business requirements.

Establishing and Implementing Business Continuity Plan

Kibildis (2007) explains that it is a documented and developed company-wide program for business continuity procedures that include the corporate headquarters and non-corporate physical locations and also subsidiaries and all stakeholders. Business

Continuity Plan that is fit-for-purpose based on identified critical business function of KP Group Philippines Inc., should allow the operations to continue at acceptable levels. BCP is defined as well as the strategic and tactical capability of the organization to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable predefined level. Bjelmrot (2007) defines Business Continuity Planning (BCP) as an approach that develops a plan in order to prevent disruptions during operations when implemented, and aid the company resume faster should these uncertainties occur. Business Continuity Plan requires testing and exercise to ensure applicability. On the onset of uncertainties, BCP is a documented procedure for response, mitigation recovery resumption, restoration of operations and on-going communication at all phases of the incident. For BCP to be effective, the plan has to be flexible when it is activated to demonstrate that business disruptions are minimized.

Continual Improvement

In order to attain the consistency of the BCM implementation, the organization shall continually improve the suitability, adequacy or effectiveness of the BCMS (ISO22301, 2012) through leadership, planning, and performance evaluation. Performance evaluation could be done thru Internal Audit, Management Review and Corrective Action that are very similar to other ISO standards.

Kibildis (2007) states that BCM is a non-generating income and the business world would not necessarily prioritize a business continuity plan. But in reality it is indispensable and is often an unappreciated valuable asset of the company. It brings process knowledge that can be gained by working on real-world problems and occasionally, tackling actual disasters of various scale (Jablonowski, 2007). This perception on BCM application contributes to the difficulty in finding scholarly studies tackling BCM and its impact to organization, not because it is costly, but because of the underrated value of its application.

CONCEPTUAL FRAMEWORK

The factors relate to the components of the organizational resilience, its capability and capacity and, of course, to the practice on Management System of the organization. On the components, response planned ahead is very important to the timing of the occurrence of the event before, during and after. It will demonstrate the company's capability when they understand the situation. Business Continuity Management System is the management system that will be discussed in the succeeding topic.

According to Smith (2012), Business Continuity is a dynamic, proactive and ongoing "business as -usual" management process. That for it to be effective, it must align to a standard, fit-for-purpose, practical, realistic, updated and proven capability. One must first look for distinguishing key definitions of terms as defined in ISO22301 (2012) that specifies the requirements for setting up an effective Business Continuity Management System.

Business Continuity is defined as the capability of the organization to continue the delivery of products or services at acceptable predefined levels following disruptive incident. The Business Continuity Institute states that:

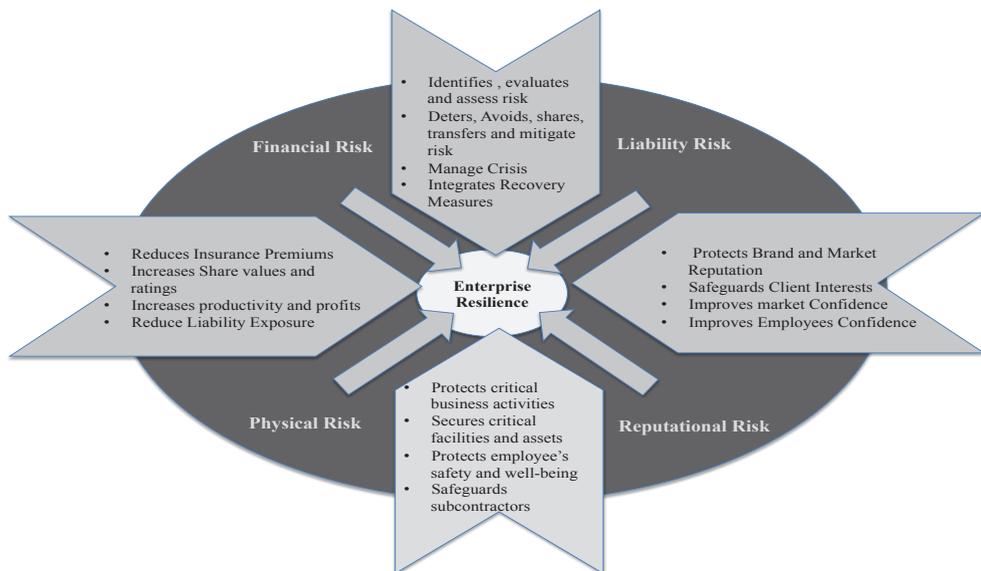
Business continuity is about building and improving resilience in one's business; it is about identifying key products and services and the most urgent activities that underpin them and then, once that 'analysis' is complete, it is about devising plans and strategies that will enable the company to continue business operations and enable it to recover quickly and effectively from any type of disruption whatever its size or cause.

It gives a solid framework to lean on in times of crisis and provides stability and security. In fact, embedding BC into your business is proven to bring business benefits. Providing financial funding when there is no definite return on investment could face challenges in defining the value of Business Continuity Management (Kildow, 2011).

Blyth (2009) demonstrates the value of developing effective Business Continuity Management plan capability in mapping risks by determining the risk factors which usually pose as the BCM key drivers as shown in Figure 2. It should include as well protecting interest of stakeholders, well-planned response in chaotic crisis, maintaining confidence among internal and external clients, improve profitability, protection of people's welfare, and regulatory compliance.

Figure 2.

The Value of Business Continuity Management Plans



Source: Blyth, M. (2009). Business Continuity Management Plan. Business Continuity Management: Building an Effective Incident Management Plan(1), 6-7.

Theories on Relationship of Business Function to Business Continuity Management

From an effective Business Continuity Management program, the organization might gain a competitive advantage demonstrated by the ability to continue or maintain the delivery to customers/clients. This theory is illustrated below by Nollau (2009) that an organization can become robust and further improve organization resilience by making the Business Continuity Management program a part of the system. The diagram illustrates the generalized relationship of establishment of Business Continuity up to the recovery plan after the occurrence of the disruptions. It depicts an interdependencies of the business functions during disruptions and how the critical business function will be managed in Business Continuity Management program that incorporates the Business Continuity Plan. It also emphasizes the companies' reliance on Information technology, which is commonly identified as critical business function since it is not to be used internally only but for the clients as well.

Effective Implementation of Business Continuity Plan

A company, in the event of a major disaster or unexpected disruptions, will greatly be affected in their operations. These assumptions are explained in the guidelines ("Guidelines on Formulating and Implementing BCP," 2006) that when a company which has not established BCP takes time to resume operations or takes much slower to recover when hit by unexpected disruptions. This would lead the management to lay off employees, reduce scale of operations, or much worst, stop the business altogether. It also states that a company that has implemented an effective BCP can resume business operations on acceptable level and within a reasonable period of time. Even in emergency situations, this company can sustain their delivery and continue operations until they fully recover, thus earning trust and confidence of clients. It will be illustrated how effective BCP works in time of sudden disruption (Figure 3).

As defined in ISO 22301 (2012), Business Continuity Plan is a system of "documented procedures that guide organizations to respond, recover, resume and restore to a pre-defined level of operation following disruption. It also notes that this will cover resources, services and activities to ensure the continuity of critical business function".

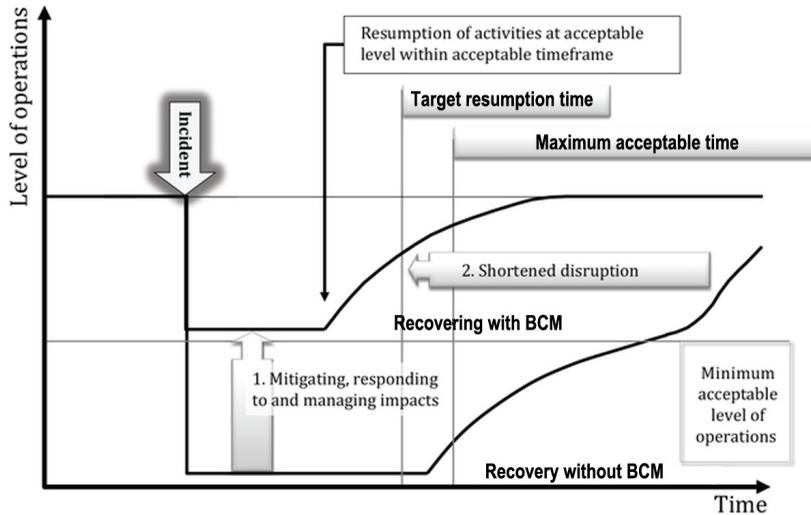
Comparison of Recovery With and Without Business Continuity Management

Zsidisin et. al (2004) explain that Business Continuity Planning is an approach when disruptions that are hard to predict, have a small probability of occurring but that, when they occur, have a direct and significant impact on the capability of the supply chain to meet customers' demand.

The illustration emphasized the importance of the Business Continuity Plan during sudden disruptions.

Figure 3.

Illustration of BCM being effective on sudden disruption



Source: Societal Security: Business Continuity Management System-Guidance. ISO/DIS 22313 (2011). Draft International Standard.

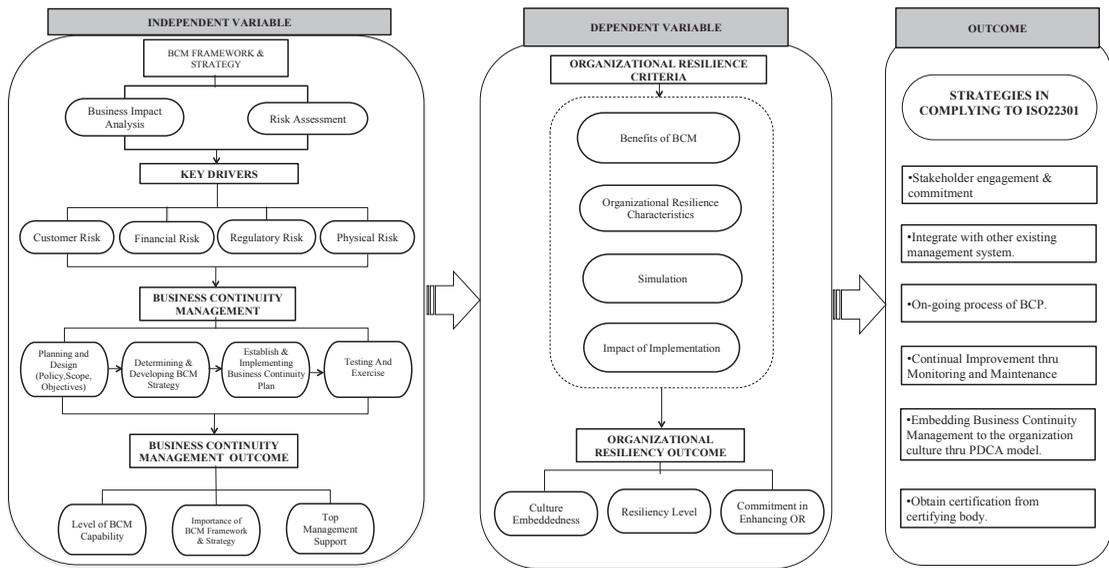
Above illustration shows that recovery is slow without BCM compared to recovery with BCM. The minimum acceptable time using the term MAO/MTPoD (Maximum allowable outage/Maximum Tolerable Period of Disruption) on ISO 22301(3.25) is the time it would take for adverse impacts, which may arise as a result of not providing a product/service or performing an activity, to become unacceptable.

The target Resumption time, again using the term RTO (Recovery Time Objective) in ISO22301 (3.45) is the period of time following an incident within which product or service must be resumed. RTO must be less than the time allotted for MAO or the point to which an organization's viability will be irrevocably threatened if product and service delivery cannot be resumed. However, if MAO is breached by RTO, Business Continuity Plan shall be established. The implementation and application of the Business Continuity Plans during the time of disruptions simply shortens its impact on the business operations.

However, the success in establishing a sustainable and mature Business Continuity Management program depends on the adaptation of relevant standards and best practices to suit organizational cultures and requirements which lead to certain challenges in the implementation of BCM projects. There is no one-size-fits-all approach to implement BCM.

OPERATIONAL FRAMEWORK

Figure 4.
Operational Framework of BCM and Organizational Resilience



The framework demonstrates Business Continuity Management impact to organizational resilience. The strategies on how to implement the Business Continuity are considered. These factors affect the operational performance in terms of efficiency, reliability and the effectiveness of KP Group Philippines Inc. services. As shown in the framework, the independent variables are depicted as the input, while the dependent variables depicted are the output and the results are expected outcomes. These methodologies outcome is the application of the implementing strategies in complying with the ISO22301 requirements in order to enhance Organizational Resilience.

Business Impact Analysis (BIA) is the foundation of the Business Continuity Plan. In BIA, the critical business functions are identified in order to prioritize the recovery solutions depending on the impact of the disruptions. The impacts which must be considered focus on Customer, Financial and Regulatory factors. BIA is defined as a process of analyzing activities and the effect that a business disruption might have upon them (ISO22301, 3.8). All processes are evaluated including the interdependency of other processes to one another. The approach is focus on internal factors and or operations.

The external factors that may have impact, even if these risk factors have a low probability of occurrence, are considered in risk assessment. Risk is defined as an effect of uncertainty on objectives, a deviation from the expected, positive or negative (ISO22301, 3.48). Risk is often characterized by reference to potential events (ISO

Guide 73 2009,3.5.1.3) and consequences (ISO Guide 73, 3.6.1.3). Risk assessment is an overall process of risk identification, risk analysis and risk evaluation (ISO 22301, 3.5).

The phases of BCM Framework and Strategies, and its outcome from the BCM cycle are interpreted as independent variables. The review of literature suggests that two main objectives of Business Continuity Management are Survival and Recovery. The expected impact of this application is Organizational Resilience interpreted as dependent variables. It is demonstrated by managing uncertainties and ability to maintain delivery in the event of disruptions. On the basis of the results of the study on these variables, implementing strategies will be recommended for the purpose of enhancing the Organizational Resilience of the organization.

RESEARCH METHOD

Population & Sampling Plan

Delphi method was utilized to gather and evaluate the data and summarize the opinions of BCM champions. The respondents for this study were composed of executives, managers, supervisors and staff who participated in the development of the BCM plan. The sampling plan covered 100% of that population which equated to 14 respondents. The personnel were assigned into different divisions where consultancy is the key service, such as Systems and Operations, Information Technology, Financial and Accounting Management, and Language Education and the executives who are also members of the mother company, Kanepackage Co. Ltd. The survey took place in the last quarter of the year (October – December, 2014).

Respondents/ Research Participants

The President/Chief Executive Officer of the Kanepackage Group of Companies voluntarily participated in the survey. Respondents belonging to executive positions such as Executive Vice-President, Vice-President, Managing Directors and General Manager are heads of affiliate-companies that KP Group Philippines Inc. provides its services to. The responses of these respondents contributed significant insights on the impact of the Business Continuity Management to the organization.

All members were trained and given orientation about the BCM and were supporting and participating with the BCM adoption. They were the ones who identified the critical business functions on the processes they were engaged in. The results were submitted to the BCM Manager for evaluation.

The second set of respondents included the President/CEO, executives, managers, staff and some executives from headquarters having designated functions in KP Group Philippines Inc. The respondents were directly involved in the BCMS adoption in the organization. They were the ones directly managing and monitoring the BCM.

Information were gathered through self-administered questionnaire. Survey questionnaire was used to collect data from respondents sent through email with attached cover letter.

Measurement and Evaluation of Data

The Likert scale was used to determine the level of importance of BCM and Organizational Resilience criteria and utilized statistical analysis to analyze data with the purpose of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusion, and supporting decision-making. The study utilized correlational research in order to determine if there exists a relationship between Business Continuity Management and Organizational Resilience and the characteristic of that capitalized; implemented relationship. To address the objective of determining the relationship of variables, there was a need to compute Pearson correlation coefficient between each of the BCM and Organizational Resilience Variables. In this way, it determined if BCM Outcomes were correlated with Organizational Resilience Outcomes.

FINDINGS AND RESULTS

This section explores the depth of the identified survey results by considering the responses from participants who have direct involvement in BCM implementation driven by identified critical business functions on their respective processes.

As stated in the survey questionnaire, the criteria were outlined according to the relevant literature included in this study. These criteria focused on understanding the Significance of Business Continuity Management and its application to Organizational Resilience.

The purpose of the study is to determine the impact of Business Continuity Management application in obtaining the Organizational Resilience. The study tries to correlate the two variables by utilizing qualitative and quantitative approach. The three-part survey questionnaire is used to gather data for BCM and Organizational Resilience outcomes.

The tables presented in this section provide an overview of the findings for each hypothesis formulated and validated using statistical treatment.

Table 1.

Summary of the Findings, Hypotheses and Conclusion

Objectives & Hypotheses	Results	Interpretation	Conclusion
1. To determine the Profile of Respondents with respect to business unit, position and tenure.			
2. To determine if there are critical business functions in business operations.	Function 1: IT: Mean=10.67 LAN: Mean=10.00 Function 2: LAN: Mean = 10.75 Function 3 LAN: Mean = 10.33 ACC: Mean = 9.50	Mean is not significantly different from 11	Fail to reject the null hypothesis. There are existing critical business functions.
3. To determine the degree of importance of the BCM Key Drivers	Mean is significantly higher except for Bank/Finance Provider	Level of Importance is high	Reject the null hypothesis except for Bank/Finance Provider. There is high degree of importance on BCM Key Drivers.
4. To determine the degree of importance of: <i>4.1 BCM Framework BCM Strategy</i>	<i>BCM Framework:</i> Mean higher than 2.51 except Determining threats and Risk Assessment <i>BCM Strategy:</i> Mean is higher than 2.51	Mean Not Significantly different from 2.51	Reject the null hypothesis.
5. To determine the level of importance of Organizational Resilience Criteria	Mean is significantly higher than 2.51 except Simulation	Level of importance is high except for Simulation	Reject the null hypothesis. There is high level of importance of Organizational Resilience Criteria except Simulation
6. To determine the level of importance of BCM Application and Organizational Resilience Outcomes 6.1 BCM Application Outcome 6.2 Organizational Resilience Outcome	Mean is significantly higher than 2.51 Mean is significantly higher than 2.51	Level of importance is high Level of Importance is high	Reject the null hypothesis. There is a high level of importance of BCM Application and Organizational Resilience Outcomes.
7. To determine if there is a significant relationship between BCM Application Outcome and Organizational Resilience Outcome.	Pearson $r = 0.510$	There is positively moderate relationship between BCM Application and Organizational Resilience Outcomes	Reject the null hypothesis. There is significant relationship between BCM Application and Organizational Resilience Outcomes.

Resilient Outcome is founded on Culture Embeddedness, Resiliency Level, and the Commitment in Enhancing Organizational Resilience of the organization. Top Management's initiatives in implementing BCM shows that its focus shifted in the ability of the organization to resume operations in the event of disruptions. Since BCM commitment is relevant to the company's policy as well as to its mission and vision, the quality objectives and targets should be aligned with its policy. This must be supported by a continuous training and awareness program among delegated BCM leaders to gain acceptance and ownership. These results support Bjelmrot (2007) study that integrating BCM by increasing knowledge of all stakeholders is essential in increasing the level of resilient outcomes.

The result reveals that the overall BCM Application Outcome and Organizational Resilience Outcome are significantly correlated indicative of the impact of BCM Application to the Organizational Resilience. The result indicates that the organization activities demonstrate the extent to which the implemented plans and strategies meet the requirements of the organization. Periodic testing and exercise support identified opportunities for improvement. Business Continuity is not only about putting plans in place but also having periodic reviews to maintain up-to-date systems and ensure their effectiveness.

The company has the initiative to continually improve the current system in order to ensure effectiveness and fit-for-purpose Business Continuity Plans that will likely increase the level of Organizational Resilience. The results are indicative of how the BCM Application Outcome criteria affect the resilient outcomes.

CONCLUSIONS

For the purpose of improving or enhancing the level of BCM and Organizational Resilience, the researchers tried to explore several approaches other than the existing one. The applicability of using existing models for BCMS implementation applied to a small scale company defines the future of the business industry as well as the standards that are evolving from quality-focused on risk and continuity management approach. The transformation of international standards is an indicative of global acceptance of the threats of the unknown, thus providing guidance on how to maintain sustainability of the operations and improved vulnerability to the impact of such threats.

For every critical business function identified in each of the processes, establishment of Business Continuity Plan is mandated to be created.

Since the results of the study determined that there are critical business functions in the business operation, established Business Continuity Plan must be exercised using simulation to check the actual impact of disruptions based on the scenario created in order to check the effectiveness of the plan. Testing must be conducted in stages based on size. Critical functions of IT shall be addressed by ensuring that Business

Continuity Plan is validated for its entirety and fit-for-purpose usage, and BCP defined review schedule.

Identified prioritized activities from Business Impact Analysis shall be assessed in the Risk Assessment. Risks are assessed by determining the probability and vulnerability, and Risk of disruption must be classified as natural or man-made.

Once BCP is established, simulation is done, followed by upgrading the level of BCP testing from intermediate to a more advanced BCP test options and keeping people involved to make it work. Test must cover checking the accuracy and comprehensiveness of the Business Continuity.

To sustain the effectiveness of the BCMS, commitment from top to bottom is a must such as culture embeddedness, requiring signing of agreement with process owners. In this way, there will be ownership of plan by taking responsibility of its maintenance. Maturity Level of BCM and Organizational Resilience depends on communication with other stakeholders of the company to impart awareness on BCM implementation benefits, and if the business functions have interdependencies to them, require service level agreements on how they can adapt business continuity aligned with the company's acceptable timeframe of business disruptions.

There is an obvious absence of regulatory requirements for Business Continuity Management in other industries; thus, in order to sell BCM with management, Business Impact Analysis results showing the significant risks that may threaten the operations of the business is extremely useful.

There is a need to plan the activities in obtaining the BCMS certification by preparing Gantt Chart of Activities. This will serve as time-line for the planned activities in order to guide the organization on BCMS implementation.

To prove the capability of the BCM application of the company, a certification from third party audit team must be obtained. According to the SGS certification process, the certification body will provide proposal to the company depending on the size of the organization. If budget is not an issue, company may opt for pre-audit to review the "Company Readiness" for certification.

RECOMMENDATIONS

According to the Business Continuity Institute, regulation for Business Continuity Management is specifically created for banking and finance industry only. Based on the findings of this study, BCM regulations will best serve also the non-banking industries such as the subject holding company of this study. By implication, BCM is applicable to any industry and size. By this mandated requirement, the drive on application of BCM to the companies will significantly improve. Impact of climate change has worsened,

creating extreme weather disturbances which damage infrastructures, ripping the highways apart as Senator Manuel Villar wrote in his column in Manila Bulletin last Jan 21, 2015.

"We have hundreds or thousands of regulations ratified yearly by our congress. It could be beneficial by proactively addressing the problems by mandating private and government entities to implement the BCM rather than spending millions on the aftermath of the disasters."

Countries like UK, USA, France, Germany, Australia, New Zealand and Asian Countries (Singapore, Malaysia and Israel) have published standards in terms of wider approach to BCMS (Lu,2012). In the Philippines, there are Business Continuity regulations which exist; however, these standards, policies and guidelines cover the banking industry only. This is understandable and obvious for the banking industry which deals with huge amounts of money in the form of investments, placements and deposits. While it is voluntary, encouraging other business sectors or industry to adapt Business Continuity Management initiative is essential in promoting business resilience. Companies that complied and/or are certified to ISO22301 may be granted incentives, promotions or citations by appointed Philippine Government Agencies. In this manner, focus of business owners may shift in investing for BCM other than profit generating activities.

Hillman (2013) recommends that practitioners or professionals may have a common agreement on how to measure organizational resilience as impact of application of Business Continuity Management Program in order to have standard guidelines. In this manner, tangible values of such initiatives may improve the appetite of management in investing to Business Continuity Management arrangements. Although the BCMS provides factual-based outline, business resilience needs a more valid construct that is based on standard metrics and not of empirical evidence – a measurement that is generally accepted by practitioners in the industry.

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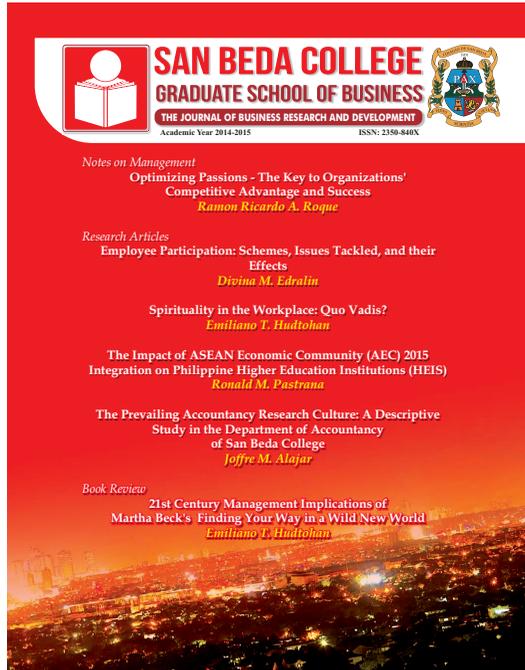
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