

# Human Resource Management Practices: Drivers for Stimulating Corporate Entrepreneurship in Large Companies in the Philippines

Divina M. Edralin  
De La Salle University  
divina.edralin@dlsu.edu.ph

Leading companies in the Philippines have realized that nurturing an entrepreneurial culture through the implementation of various strategic human resource management (HRM) practices will enhance their firm's ability to gain competitive advantage and achieve superior performance. This study attempted to determine the degree to which various HRM practices stimulate corporate entrepreneurship and which HRM function is the most significant driver of corporate entrepreneurship (CE) in large companies in the Philippines. Findings reveal that the companies are extensively implementing different practices related to HRM functions that cultivate CE. Employee relations, training and development, and recruitment and selection HRM functions are found to be significant enablers of CE. Employee relations proved to be the most significant driver of innovation in the firms.

**Keywords:** Entrepreneurs, intrapreneurs, human resource management

The advent of globalization into the 21<sup>st</sup> century, characterized by trade liberalization, more foreign investments, mergers and acquisitions, advances in information technology, and borderless economy, has posed significant challenges to, and has led to the reconfiguration of, companies' organizational philosophy and strategic approach to become sustainable and gain competitive advantage. In numerous large firms, the impact of globalization as they operate in the midst of turbulent environments, coupled with their sheer size, bureaucracy, complex processes, centralized control, procedural focus, resource consciousness, and hierarchy, have gradually

diminished their innovative, flexible, speedy, and risk taking efforts.

Given this predicament, these firms are now finding ways to reinvent their entrepreneurial roots to stimulate innovation, speed, and risk taking efforts which they once had (Thornberry, 2001). Firms in turbulent environments, as against those in stable environments, tend to be more innovative, risk-taking, and proactive (Naman & Slevin, 1993). They are also confronted with the fact that global competition is so stiff that they have to undergo serious non-traditional strategy formulation and reframe their organization to avoid stagnation and to prosper long into the 21<sup>st</sup> century

and beyond. Under this evolving economic environment, corporate management has realized that there are opportunities to explore and many lessons that can be learned from the experiences of entrepreneurs and entrepreneurial organizations.

These opportunities, together with other internal and external factors, led to the growing interest in corporate entrepreneurship as an organizational process that contributes to company survival and performance. There is the growing belief that corporate entrepreneurship is a vehicle towards strategic renewal and change, which will make the shift from bureaucracy to innovation (Barringer & Bluedorn, 1999; Guth & Ginsberg, 1990; Shaw, O'Loughlin, & McFadzean, 2005). Visionary companies like Sony, Motorola, GE, Hewlett-Packard, IBM, Boeing, and Walt Disney have a long track record of making a significant impact on the world around them (Collins & Porras, 2002). They have engaged in radical innovations and displayed a remarkable resiliency, an ability to bounce back from adversity through multiple product life cycles and multiple generations of active leaders.

Corporate entrepreneurship (CE) is perceived in various ways by researchers and practitioners. The literature reveals that there seems to be a considerable degree of ambiguity as to the precise meaning of this construct, as it gains momentum as a research interest among academics and practitioners, particularly in the field of entrepreneurship and strategic management in the past years.

For example, Rutherford and Holt (2007, p. 30) conceptualized CE as the "process of enhancing the ability of the firm to acquire and utilize the innovative skills and abilities of the firm's members." Shaw et al. (2005, p. 394) asserted that CE can be defined as "the effort of promoting innovation from an internal organizational perspective, through the assessment of potential new opportunities, alignment of resources, exploitation, and commercialization of said opportunities." Antoncic and Hisrich (2000, p. 23) referred to CE as "a process of creation of new business ventures, and other innovative activities,

such as development of new products, services, technologies, administrative techniques, strategies, and competitive postures."

On the other hand, Sharma and Chrisman (1999; p. 12) proposed to define CE as "the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal innovation within that organization." Scott, Rosa, and Klandt (1998) viewed CE as the process of stimulating innovative ideas and processes, often with a focus on wealth creation. According to Zahra (1991), CE is the process of creating new business within established firms to improve organizational profitability and enhance a company's competitive position or the strategic renewal of existing business. Stevenson and Jarrillo (1990, p. 13) defined CE as "the ability of individuals within the firm to pursue opportunities that defines the ability of the whole organization to be entrepreneurial."

From these seemingly diverse conceptualizations of CE, Covin and Miles (1999) have observed that the commonality in most definitions is the dimension of innovation.

### ***Features of Corporate Entrepreneurship***

Corporate entrepreneurship can leverage a firm's financial resources, market knowledge, and managerial expertise to introduce a new improved product, feature, or process to market because of its access to the firm's market and industry experience (Gaw & Liu, 2004). It has a design element to it, where the organization can decide the level at which it is entrepreneurial (Gurunathan, Krsihhnan, & Pasupathy, 2004).

Stopford and Baden-Fuller (as cited in Gurunathan et al., 2004) proposed three levels of CE. The first is "corporate venturing or intrapreneurship" which involves the creation of new businesses within an existing organization. At this level, individuals within the organization have new ideas that are funded by the organization, and have their own business venture within the organization. The second is "transformation or

renewal of existing organizations". At this level, the formation of individual business units with the organization focused on customers, internal or external, and empowering them to make decisions regarding their units, and allocating resources based on the unit's performance. The third is "changing the rules of completion in the industry by the enterprise". At this level, the organization as a whole behaves like an entrepreneur. The objective is to innovate the entire organization and commit resources to innovation to change the very rules of the industry.

Learning from the work of Stopford and Baden-Fuller, and other CE scholars, Thornberry (2001) developed a closely similar typology composed of four types. These four types of CE are: (1) Corporate Venturing, (2) Intrapreneuring, (3) Organizational Transformation, and (4) Industry Rule Breaking, which have a great deal of overlaps.

Corporate venturing involves starting a business within a business, usually emanating from a core competency or process. For example, Procter and Gamble has leveraged its expertise in packaging into a spin-off business that provides consulting services to Fortune 500 companies (Kenney & Mujtaba, 2007).

Intrapreneuring is an attempt to take the mindset and behaviors that external entrepreneurs have, and inculcate these characteristics into their employees. In this type, usually a cadre of corporate entrepreneurs identifies and develops spin-offs or creates an environment where more innovation and entrepreneurial behavior is evidenced. Intrapreneurial intensity in organizations can be measured using six elements such as task, organizational structure, policies, people, leadership, and culture (Hill, 2003). A good example is Siemens-Nixdorf in Germany. In 1995, they embarked on a two-year process which attempted to systematically create corporate entrepreneurs out of 300 line managers inside the firm divisions with about 35,000 employees.

Organizational transformation involves innovation, a new arrangement or combination of resources, and results in the creation of sustainable

economic value. An example is Sun Financial Group, a large international insurance services firm. It found itself under increasing pressure to cut costs and improve profitability. A middle manager at the Annuity Service Center re-arranged resources in a new and different pattern which resulted in the processing of more business while at the same time drastically reducing the cost per policy.

Industry rule-bending focuses on changing the rules of competitive advantage or also called "frame-breaking change" by Stopford and Baden-Fuller (1993). This facet of CE pertains to initiating paradigm shifts within an industry. Amazon.com, for example, changed the way books are sold; and Toyota changed the rules of the game in the automotive industry by producing low cost automobiles with exceptionally high quality.

Thornberry (2001) further believed that these four types of CE share a number of common elements with one another, and with external or traditional start-up entrepreneurial ventures. These common elements are: (1) creation of something new, which did not exist before; (2) new things require additional resources and or changes in the pattern of resource deployment; (3) learning takes place in a new thing and its implementation, which results in the development of new organizational competencies and capabilities; (4) product or service is intended to result in long-term economic value; (5) the financial returns resulting from the 'new thing' are predicted to be better than the returns resulting from the current deployment; and (6) increased risk for the organization because the 'new thing' is unproven. He therefore concludes that CE is about unusual businesses or unusual approaches to business.

Aside from the organizational design element as a feature of entrepreneurial organizations, Cornwall and Perlman (1990) identified 10 main entrepreneurial organizational culture features. These are: (1) risk tolerance; (2) respect to own activity; (3) ethics, confidence, and responsibility; (4) people; (5) emotional recognitions; (6) satisfaction with work; (7) leadership; (8) focus to customer values; (9) attention to details and finish; and (10) effectiveness and efficiency.

### ***Efforts that Promote Corporate Entrepreneurship***

The growing interest in CE has also shown that the literature on the factors that facilitate entrepreneurial culture in the firms is evolving. There seems to be a desire to understand more the dynamics of the process, context, and people variables to explain the firm's ability to increase its entrepreneurial behavior.

For example, Rutherford and Holt (2007), in their empirical study on the innovativeness dimension of CE and its antecedents, used three antecedents of CE, namely: process, context, and individual characteristics. Process variables pertain to how CE is "facilitated by leaders, encompassing the specific strategies they use to encourage entrepreneurial behaviors" (p. 421). Context variables refer to those that "address the circumstances that describe the organization as it embarks on strategic renewal efforts and the diffusion of CE" (p. 421). People/individual variables are those that "describe who is being asked to engage in entrepreneurial activities, describing their general disposition, skills, abilities, and attitudes" (p. 421). They found out that these antecedents were largely effective in explaining both types of CE behaviors.

In another study, Barringer and Bluedorn (1999) examined the relationship between CE intensity and five specific strategic management practices (scanning intensity, planning flexibility, planning horizon, locus of planning, and control attribute) in a sample of 169 U.S. manufacturing firms. The findings indicated a positive relationship between CE intensity and scanning intensity, planning flexibility, locus of planning, and strategic controls.

The research of Bhardwaj and Momaya (2007) provided empirical evidence regarding the significance of organizational factors, such as reward and reinforcements, organizational flexible boundaries, intelligence generation and dissemination that enhance CE. Similarly, advancement of CE requires the integration of the effective adoption of specific organizational

practices, such as decentralization of authority, participation in decision-making, cooperation, avoidance of bureaucracy and encouragement of risk taking and creativity (Hayton, 2005; Strebel, 1996).

In the study on "A System Model for Corporate Entrepreneurship" (Chen, Zhu, & Anquan, 2006), it was revealed that there is a positive relationship between the ability characteristics of the entrepreneur, personality characteristics of the entrepreneur, corporate strategic entrepreneurial management, and corporate circumstance; and the fostering of CE in companies located in China.

The linkage between the entrepreneurial orientation of established firms and the development of radical innovation was explored by Lassen, Gertsen, and Riis (2006). Through five case studies in firms involved in radical innovation, they developed three propositions which suggested that proactiveness, risk taking, and autonomy stimulate the development of radical innovation, while competitive aggressiveness does not necessarily do so. This is because radical innovations are directed towards the creation of entirely new arenas of business, where existing competitors are not present.

Moreover, enabling CE in the organization requires culture, policies, and procedures which encourage entrepreneurship (Gurunathan et al., 2004). This means having a culture where employees are encouraged to innovate, be proactive, and take risk, as well as establishing a set of policies and procedures that formally supports entrepreneurial behavior. Basically, entrepreneurial behavior is a "human" issue that cuts across individual, group, and organizational levels.

Large conglomerates like Microsoft, Google, Pfizer, IBM, Johnson & Johnson, and 3M have embarked on a journey to cultivate an entrepreneurial culture within their organizations. They have established a competitive advantage by focusing on innovation and developing new products, new businesses, and new markets. Another example is Procter & Gamble. It has just recently begun a marketing consulting firm born

out of their highly developed and closely guarded consumer packaging expertise because they found out that other companies like Coca-Cola will pay dearly for this type of advice, so Procter and Gamble decided to share this data for the right price (Thornberry, 2001).

In another empirical investigation (Bouchard, 2001), it was shown that cultural orientations, such as authorizing the expression of unorthodox ideas, empowering lower level employees, perceiving change positively, are correlated with the adoption of an entrepreneurial posture. In order to reduce the mobility induced by CE, managers must monitor the motivations and expectations of each corporate entrepreneur and propose congruent rewards and incentives.

According to Kenney and Mujtaba (2007), based on insights they gleaned from scholarly articles, it is an important aspect of CE development to establish a team-based approach. He also noted that corporate entrepreneurs are essentially leaders, thus, they must avoid developing the traits of an individualistic serial entrepreneur and focus on building a strong team of internal and external stakeholders.

Finally, Antocic (2007) asserted that, in practice, intrapreneurship can have beneficial effects on the firm's growth and profitability, both in absolute and relative terms. The results of his study revealed that firms that nurture organizational structures and values conducive to intrapreneurial activities, and which have intrapreneurial orientations, are more likely to have higher growth and profitability than organizations that are lacking such characteristics. He further stated that open and quality communication, existence of formal controls, intensive environmental scanning, management support, organizational support, and values will all help an organization become more intrapreneurial.

### ***Role of Human Resource Management in Corporate Entrepreneurship***

Human resource management (HRM) refers to many different activities dealing with the people side of the organization. It is the modern term for

personnel administration wherein its major development as a field came during the half century or so between the end of World War II and the early 1990s. It has evolved over the years from a disjointed collection of employment practices (Liao, 2005).

Kraut and Korman (1999) asserted that HRM concepts and practices arise from a complex set of forces that form the operating environment for the organizations HRM serves. They believed that the significant environmental forces influencing HRM policy and practice fall into what they called the "DELTA Forces" (demographics, economics, legal and regulatory issues, technology, and attitudes and values). When the environment is stable, many of the changes are determined by the organization itself, often in a desire to give itself a competitive advantage in attracting, retaining, and motivating employees. Sometimes the concepts and practices arise out of the company founder's personal philosophy and preferences.

According to Noe, Hollenbeck, Gerhart, and Wright (2008), HRM refers to the policies, practices, and systems that influence employees' behavior, attitudes, and performance. HRM includes the practices of analyzing and designing work, determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations). As cited further by Noe et al. (2008), effective HRM has been shown to enhance company performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favorable reputation in the firm's community.

Consequently, firms realized that employers and employees must be partners in ensuring profitability, sustainability, and global competitiveness, since human capital is a critical resource in their organization. Using this human resource philosophy, successful business organizations have adopted an

approach where they empower their workforce so that they could perform their tasks effectively by themselves and become high-caliber employees. Leading companies focus on their vision and redesign their organizational structures for their growth and continued existence. Their primary intervention is to encourage, support, and train to improve the competencies of their managers, supervisors, and rank-and-file employees for organizational development.

Specific examples of the recognition of the vital role of their human resources include leading business organizations, like those listed in Fortune's 100 Best Companies to Work For, such as Google, Cisco Systems, Starbucks Coffee, Microsoft, Procter & Gamble, Nike, and American Express, which have established formal Human Resource Units and have vast experience and ability to support the growth in the number of their people and advancement of their existing employees (Edralin, 2008). Their respective human resource units have dealt with situations of large-scale entry-level recruitment or with continuing significant support to the development of first- and second-line management.

Moreover, firms listed in the 100 Best Companies to Work For have observed that beyond HR recruitment and management needs, there is also a necessity to develop short-, medium-, and long-term employee development strategies to strengthen and retain high-quality staff. This is coupled with the provision of a competitive compensation package and harmonious labor-management relations in the workplace. They also ensure that their companies are organizations where employees "trust the people they work for, have pride in what they do, and enjoy the people they work with" (Great Place to Work Institute, Inc., 2006). Similarly, employees cannot be treated as commodities to be hired and discarded but they are to be nurtured and developed (Hassan, Hashim, & Ismail, 2006).

Recent theoretical works on business strategy have indicated that firm competitive advantage could be generated from human resources. Human resources (HR) are an invisible asset that creates

value when it is embedded in the operational system in a manner that enhances firm ability to deal with a turbulent environment (Chang & Huang, 2005). From this view, the company HR unit must focus on more business and strategic priorities which include team-based job designs, flexible workforces, quality improvement practices, employee empowerment, and incentive compensation (Chang & Huang, 2005). This is termed as strategic human resource management (SHRM).

SHRM is defined by Wright and McMahan (1992) as the pattern of planned HR deployment and activities intended to enable a firm to achieve its goals. On the other hand, Truss and Gratton (1994) considered SHRM as the link of HR functions with strategic goals and organizational objectives to improve business performance and cultivate an organizational culture that fosters innovation and flexibility. In both cases, SHRM is argued to positively influence firm performance. Some of these most influential best HRM practices are employment security, selective hiring, self-managed team, provision of high pay contingent on company performance, extensive training, reduction of status differences, and sharing of information (Pfeffer, 1998).

The current state of development of CE indicates that the HRM systems and practices play a vital role. The important role of HRM practices in relation to its operative functions such as recruitment, training, performance appraisal, and compensation, in fostering CE, whether as a one or according to form/type of CE level, has been investigated in the previous years (Treen, 2000; Gurunathan, et al., 2004; Macchitella, 2008).

The conceptual model which illustrates that CE involves the ability of individuals within the firm to pursue opportunities that defines the ability of the whole organization to be entrepreneurial; shows how entrepreneurial capabilities of a firm rely on the behavior of a particular group of people, thus emphasizing the relevance of HRM practices to CE (Macchitella, 2008). Along this perspective, a

number of researches have been undertaken focusing on the middle managers as key actors in cultivating CE since their position within the firm are primordial in performing formal and informal activities that promote CE (Macchitella, 2008; Kuratko, Ireland, & Hornsby, 2004; Hornsby, Kuratko, & Zahra, 2002; Floyd & Wooldridge, 1999).

### ***Objectives of the Study***

The literature survey reveals that various factors, such as rewards and reinforcements, organizational flexible boundaries, intelligence generation, and dissemination, determine the degree of CE success (Bhardwaj & Momaya, 2007) and that there are enablers, such as culture, capabilities, and control dimensions, that foster different forms of corporate entrepreneurship (Gurunathan et al., 2004).

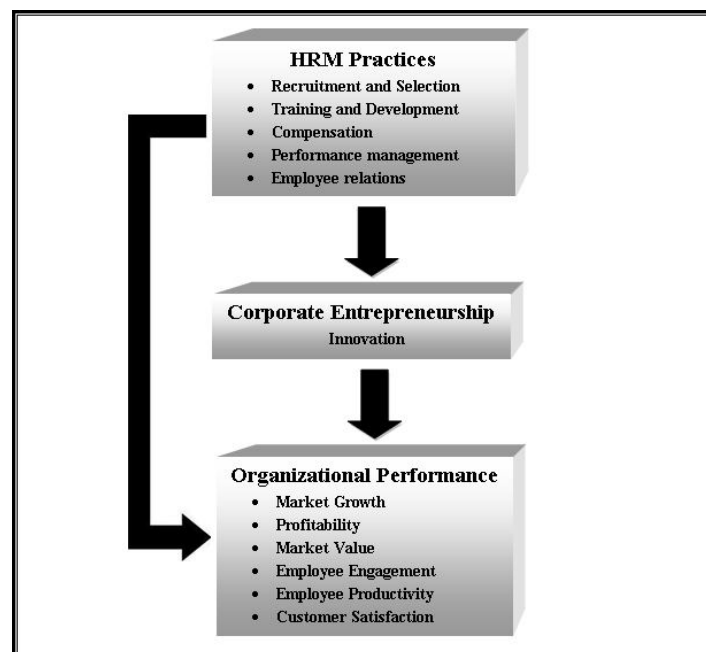
Most of these studies on CE had been conducted in developed countries, revealing little knowledge coming from transitional economies such as the Philippines. Based on these perspectives, this study investigated the HRM practices that enable the cultivation of corporate entrepreneurship in selected large companies

belonging to the Top 1000 Corporations in the Philippines. Particularly, this research aims to answer the following questions:

1. What are the different human resource management practices that stimulate corporate entrepreneurship based on the following functions of human resource management: recruitment and selection; training and development; compensation; performance management; and employee relations?
2. What is the degree of the implementation of the different human resource management practices as enablers of corporate entrepreneurship?
3. What human resource management function is the most significant driver of corporate entrepreneurship?

### **THEORETICAL FRAMEWORK**

The framework presented in Figure 1 is developed to guide the investigation on HRM practices as drivers of CE.



**Figure 1.** *The relation between HRM practices, corporate entrepreneurship and organizational performance.*

In this proposed model, the following assumptions are embedded:

First, firms adhere to the philosophy that employers and employees must be partners in ensuring profitability, sustainability, and global competitiveness, since human capital is a critical resource in their organization.

Second, human resource management encompasses the policies, practices, and systems that influence employees' behavior, attitudes, and performance as viewed by Noe et al. (2008). It is a principal mechanism by which managers integrate the actions of employees congruent with the interests of the firm.

Third, human resource management plays a strategic role in the firm whereby it is the linkage of HR functions with strategic goals and organizational objectives to improve business performance, as well as cultivate an organizational culture that fosters innovation and flexibility (Truss & Gratton, 1994). This means that HRM practices are related with competitive strategies, such as innovation, quality enhancement, and cost-reduction. It is imperative for firms adopting the innovation strategy that their employees be: (1) creative; (2) cooperative with one another; (3) able to pursue long-term objectives; (4) able to devote proper consideration to the quality and quantity of their products; (5) able to take risks; and (6) able to cope successfully with ambiguity and uncertainty (Huang, 2001).

Fourth, the focus of the HRM practices are on the formal activities related to the functions of: (1) recruitment and selection which is any practice or activity carried on by the organization with the primary purpose of identifying and attracting potential employees; (2) training and development which pertains to a set of activities aimed to facilitate learning of knowledge, attitude, and skills among people in the organization, to improve job performance and contribute to the achievement of organizational goal; (3) compensation that covers all forms of financial returns and tangible services and benefits that employees receive as part of an employment relationship; (4) performance

management which is the process through which managers ensure that employees' activities and outputs contribute to the organization's goals; and (5) employee relations which refers to a set of processes and procedures utilized in the interaction (e.g., communication, interpersonal relationships, participation in decision making) between the employees and the employer to attain their respective goals, while accommodating the needs of both parties.

Fifth, it is anchored on the "universalistic perspective" that strategic human resource management positively influences firm performance (Martell & Carroll, 1995).

Sixth, corporate entrepreneurship is conceptualized as "a process of creation of new business ventures, and other innovative activities, such as development of new products, services, technologies, administrative techniques, strategies, and competitive postures" (Antonicic & Hisrich, 2000, p. 23). Innovation gives important expression to CE as well.

Lastly, CE contributes to organizational performance. More importantly, a corporation's performance is improved by innovation. Organizational performance refers to both financial and non-financial indicators, such as profitability, growth, market value, customer satisfaction, and employee commitment.

Based on the earlier discussions and the above assumptions, this theoretical framework has the following propositions to be tested:

Hypothesis 1: The bundle of practices in each of the function of the HRM is moderately ( $x = 3.50$ ) implemented to stimulate CE as perceived by the employees.

Hypothesis 2: There is no significant difference in the overall average rating of employees and management with regards to the degree of implementation of each of the function of HRM practices that cultivate CE.



Hypothesis 3: The Employee Relations function of HRM is the most significant driver of CE.

## METHODOLOGY

Using a descriptive research design, a survey was conducted in 20 corporations in the Philippines. Of the 20 participating firms, nine are engaged in manufacturing and 11 are in the service sector. As registered corporations, they have been operating for at least 10 years. The number of employees ranged from at least 300 to about 5,000. Based on the Business World Top 1000 Corporations in the Philippines (for 2005), the range of these firms' gross revenue is from Php 766 million to as high as Php 65.891 billion. Moreover, these corporations have formal HRM functions which are linked to their business strategies.

A questionnaire was developed based on the Best Employer characteristics/attributes identified by Hewitt Associates (2003) and from those practices identified by a panel of experts from Focused Group Discussions conducted by the researcher. The items in the questionnaire included the aspects on HRM practices related to: (1) recruitment and selection; (2) training and development; (3) compensation; (4) performance management; (5) employee relations; and (6) innovation. These were translated into Filipino and were validated through pre-testing. The individual practices that have a reliability of 0.5 and above, which was generated from the One-Way Repeated

Measures and Item Analysis, were the only items included in each of the HRM function.

The survey form was accomplished by a total of 1,200 supervisory and rank-and-file employees and management representatives, mostly HRM Managers/officers. Using a five-point Likert Scale, the respondents indicated their level of agreement or disagreement to the extent of implementation of different HRM practices by their company. The level of rating on the HRM practices was measured using the following conversion score: 1.00-1.83 = poorly implemented; 1.84-2.67 = fairly implemented; 2.68-3.51 = moderately implemented; 3.52-4.35 = extensively implemented; and 4.36 and above = very extensively implemented.

To test the first hypothesis, "tests about a population mean" were done to prove if the overall mean response of the employees in each of the HRM function differs from the assumed value of  $x = 3.50$ . To test the second hypothesis, "tests about a population mean" were also performed to determine if the overall mean response of the employees has a significant difference with the response of management in each of the HRM function. To test the third hypothesis, an "ordered logistic regression using the maximum likelihood estimation" was used.

## RESULTS AND DISCUSSION

### *HRM Practices and the Degree of its Implementation to Stimulate CE*

**Table 1**  
*Recruitment and Selection*

Recruitment and Selection Practices	Rank & File	Management
The company has highly selective recruiting programs.	3.71	3.96
The company recruits the people based on the right fit.	3.74	4.29
The company recruits people who share the same set of values and beliefs of the company.	3.77	4.13
The company keeps practices across the organization mostly consistent.	3.74	4.00
The company finds new workers through referrals from existing employees.	3.67	4.26
<b>Overall Mean</b>	<b>3.73</b>	<b>4.11</b>

There are five specific recruitment and selection practices that were rated as facilitators of CE by the employees and management. The content analysis shows that the top recruitment and selection practice based on the mean scores of the employees is “recruits people who share the same set of values and beliefs of the company” ( $x = 3.77$ ). The management representatives gave the highest average score ( $x = 4.29$ ) on the “recruits the people based on the right fit.”

The overall mean rating on this bundle of HRM practices by the employees is 3.73. The test about a population mean showed a  $p$ -value of .0002 which is significant at  $\alpha = .005$ . Thus, the null hypothesis that this HRM function is moderately implemented ( $x = 3.50$ ) is rejected. This indicates that employees perceived that the Recruitment and Selection practices are extensively implemented to promote innovation.

**Table 2**  
*Training and Development*

Training and Development Practices	Rank & File	Management
The employees are encouraged to take some responsibility for their own development.	3.95	4.13
The company fosters a culture of growth.	3.81	4.08
The company identifies its own future leaders and ensuring their development.	3.75	3.78
The company promotes the people who are best equipped to meet the future demands of our business.	3.74	4.08
The company invest more time in developing their managers and high potential employees.	3.71	3.87
The company emphasizes on learning and development for cultural behaviours and values than technical skills training.	3.72	3.88
The company provides important guidance on career opportunities.	3.65	4.00
The company offers special coaching program for career development.	3.64	3.59
The company implements one-on-one mentoring program.	3.56	4.04
<b>Overall Mean</b>	<b>3.72</b>	<b>3.94</b>

There are nine specific Training and Development practices that were rated as enablers of CE by the employees and management. The content analysis illustrates that these practices are related to investment in human capital that is necessary for their future or long-term employment with the firm. The top three practices based on the mean scores of the employees are: (1) the employees are encouraged to take some responsibility for their own development; (2) the company fosters a culture of growth; and (3) the company identifies its own future leader and ensuring their development. The

management representatives have their highest average score in “the employees are encouraged to take some responsibility for their own development.”

The overall mean rating on this bundle of HRM practices by the employees is 3.72. The test about a population mean showed a  $p$ -value of .0003 which is significant at  $\alpha = .005$ . Thus, the null hypothesis that this HRM function is moderately implemented ( $x = 3.50$ ) is rejected. This indicates that employees perceived that the training and development practices are extensively implemented to promote CE.

**Table 3**  
*Compensation*

<b>Compensation Practices</b>	<b>Rank &amp; File</b>	<b>Management</b>
The company properly acknowledges and adequately compensates overtime.	3.82	4.42
The company provides financial rewards other than salary.	3.76	4.17
The company is likely to offer incentive or variable pay.	3.77	4.13
The company offers flexible benefits that are tailored-fit to the diverse needs of the employees.	3.65	3.38
The company gives cash incentives not only to recognize good performance but also to encourage employees.	3.63	4.13
The company offers high package fringe benefits that can be converted to cash.	3.40	3.75
The company provides profit sharing programs.	3.35	3.21
<b>Overall Mean</b>	<b>3.63</b>	<b>3.88</b>

There are seven specific Compensation practices that were rated as propellers of CE by the employees and management. The content analysis indicates that these practices are related to recognition of good performance not only in terms of salary but also in the form of incentives, premium pay, and fringe benefits. The top three practices based on the mean scores of the employees are: (1) the company properly acknowledges and adequately compensates overtime; (2) the company is likely to offer incentive or variable pay; and (3) the company provides financial rewards other than salary. The

management representatives have also their highest average score in the practice of “the company properly acknowledges and adequately compensates overtime.”

The overall mean rating on this bundle of HRM practices by the employees is 3.63. The test about a population mean resulted in a computed value of .1115 which is not statistically significant. Thus, the null hypothesis that this HRM function is moderately implemented ( $x = 3.50$ ) is accepted. This indicates that employees’ rating on the compensation practices does not exceed the hypothesized value.

**Table 4**  
*Performance Management*

<b>Performance Management Practices</b>	<b>Rank &amp; File</b>	<b>Management</b>
The company recognizes results with enthusiasm.	3.85	4.17
The managers provide constructive feedback on their performance.	3.75	3.83
The company prefers continual coaching rather than over-reliance on formal performance evaluation.	3.66	3.91
The company provides an opportunity for employees to evaluate their managers and their peers.	3.56	3.48
<b>Overall Mean</b>	<b>3.70</b>	<b>3.85</b>

There are four specific Performance Management practices that were rated as facilitators of CE by the employees and management. The content analysis reveals that the top Performance Management practice based on the mean scores of the employees is “the company recognizes results with enthusiasm” ( $x = 3.85$ ). The management representatives have the highest average score ( $x = 4.17$ ) on the same practice.

The overall mean rating on this bundle of HRM practices by the employees is 3.70. The test about a population mean indicated a p-value of .0483 which is significant at  $\alpha = .05$ . Thus, the null hypothesis that this HRM function is moderately implemented ( $x = 3.50$ ) is rejected. This indicates that employees perceived that the performance management practices are extensively implemented to promote CE.

**Table 5**

*Employee Relations*

Employee Relations Practices	Rank & File	Management
Managers communicate the company's business strategy.	4.02	4.17
Managers' beliefs are based on values, such as respect for their people, guides the company with what they do more than just running the company with simply strategies.	3.92	4.30
The company is focused on team-oriented culture.	3.90	4.17
The company has systems and practices in place that inspire the workforce to do their best.	3.89	4.04
The company creates a feel-good atmosphere in the workplace.	3.86	4.08
Managers utilize every communication channel possible to help employees understand the company's direction.	3.85	4.50
Managers provide frequent and continuous communication, regarding their expectations on the employees	3.82	4.13
The company creates fun atmosphere in the workplace.	3.73	4.04
The company is giving more control over how, when, for whom and where the employees work.	3.72	3.70
The company is transparent in decision-making.	3.72	4.00
The company has a clear cut communication flow between managers and subordinates.	3.70	4.00
Managers consult employees when major changes are made in the company.	3.65	4.21
The company is open to criticism.	3.65	4.13
<b>Overall Mean</b>	<b>3.80</b>	<b>4.11</b>

There are 13 specific Employee Relations practices that were rated as drivers of CE/innovation by the employees and management. The item analysis shows that these practices are related to communication, value placed on people, organizational climate, team-based orientation, and

decision-making. The top three practices based on the mean scores of the employees are: (1) managers communicate the company's business strategy; (2) managers' beliefs are based on values, such as respect for their people, guides the company with what they do more than just running

**Table 6**  
*Overall Means of the HRM Functions*

HRM FUNCTIONS	Rank & File (Survey Mean)	Management (Hypothesized Mean)	<i>p</i> -value (two-tailed)
Recruitment and Selection	3.73	4.11	$2.32 \times 10^{-5}$ ***
Training and Development	3.72	3.94	.0003 ***
Compensation	3.63	3.88	.0116 *
Performance Management	3.70	3.85	.0942
Employee Relations	3.80	4.11	$5.09 \times 10^{-7}$ ***

\* significant at  $\alpha = .05$ ; \*\* significant at  $\alpha = .01$ ; \*\*\* significant at  $\alpha = .005$

the company with simply strategies; and (3) the company is focused on team-oriented culture. The management representatives also have their highest average score in the practice of “managers utilize every communication channel possible to help employees understand the company’s direction.”

The overall mean rating on this bundle of HRM practices by the employees is 3.80. The test about a population mean showed a *p*-value of close to 0.00 ( $7.23 \times 10^{-7}$ ) which is significant at  $\alpha = .005$ . Thus, the null hypothesis that this HRM function is moderately implemented ( $x = 3.50$ ) is rejected. This indicates that employees perceived that the employee relations practices are extensively implemented to promote CE.

Results from the test about a population mean, as presented in Table 6, reveal that there is a significant difference between the response of the employees and the response of the

management representatives on the degree of implementation of the various functions of HRM as enablers of CE. It is only in the performance management practices where there is no significant difference was found. The findings indicate that there is a similarity in the perception and experiences of the employees and management with regards to the extent of implementation of the Performance Management HRM practices which they believed to be propellers of CE in their respective firms.

### ***Significant HRM Practices as Drivers of Corporate Entrepreneurship***

A total of 1,003 valid responses were included in the regression analysis. The log likelihood of the model is -861.9348. This is used in the Likelihood Ratio (LR) Chi-Square test of whether all predictors’ regression coefficients in

**Table 7**  
*Estimation Output*

HRM Functions	Coefficient	Std. Error	z-Statistic	Prob.
Employee Relations	1.116598	0.294006	3.797881	0.0001 ***
Training and Development	0.806013	0.262516	3.070340	0.0021 ***
Recruitment and Selection	0.730910	0.206295	3.543037	0.0004 ***
Compensation	0.197524	0.157699	1.252534	0.2104
Performance Management	0.060730	0.215011	0.282450	0.7776

\* significant at  $\alpha = .05$ ; \*\* significant at  $\alpha = .01$ ; \*\*\* significant at  $\alpha = .005$

the model are simultaneously zero and in tests of nested models. The LR statistic obtained (with five degrees of freedom) is 386.9102. The *p*-value of this LR stat is very low, which leads to the conclusion that at least one of the predictors' regression coefficient is not equal to zero in the model. The McFadden pseudo- $R^2$  of the model is 0.1833.

In the logit parameter estimates, each of the five HRM practices has a positive effect on the ordered log-odds of being in a higher response category while the other variables in the model are held constant. The variable with the highest ordered log-odds regression coefficient is Employee Relations (1.1166), followed by Training and Development (0.8060) and Recruitment and Selection (0.7309). Performance Management, on the other hand, has the lowest ordered log-odds regression coefficient (0.0607). Using the *z*-statistic, the coefficients of Performance Management and Compensation are not significant, while the coefficients of Employee Relations, Training and Development, and Recruitment and Selection are significant at the 0.005 level of significance.

**Table 8**  
*Odds Ratios*

HRM Functions	Odds Ratio
Employee Relations	3.054445
Training and Development	2.238963
Recruitment and Selection	2.076970

Among the three variables with significant coefficients, the one with the highest proportional odds ratio is Employee Relations. It means that it is the most significant driver of CE in the surveyed companies. The variables Training and Development and Recruitment and Selection have less influence compared to Employee Relations, but significant nonetheless.

## CONCLUSION AND RECOMMENDATION

Leading companies in the Philippines have realized that nurturing an entrepreneurial culture through the implementation of various strategic HRM practices will enhance their ability to gain competitive advantage and achieve a superior performance. This means having a culture where employees are encouraged to innovate, be proactive, cooperate with one another, and take risk, as well as establishing a set of policies and procedures that formally supports entrepreneurial behavior.

Recognizing the vital role of HRM in the advancement of CE, the companies have adopted different practices related to HRM functions. Employees perceived that various practices in each of the HRM functions, except in the area of Compensation, are extensively implemented to stimulate innovation in their organization.

Moreover, there is a significant difference between the response of the employees and the response of the management representatives on the degree of implementation of the various functions of HRM as enablers of CE. It is only in the Performance Management practices where there is no significant difference was found.

HRM practices related to the functions of Employee Relations, Training and Development, and Recruitment and Selection are found to be significant enablers of CE. However, Employee Relations proved to be the most significant driver of innovation in the surveyed large companies in the Philippines. This shows that these firms have the ability to support growth, empowerment, and advancement of their most valued asset, their people.

It is therefore recommended that the firms continue or even strengthen the advancement of CE in their respective organization, must mandate their HRM unit to give more focus on strategic priorities related to Employee Relations such as team-based orientation, open and regular communication through various channels, positive organizational climate, respecting and treating people fairly, empowerment, and flexibility.

In regard to Training and Development, the companies' primary intervention should be to encourage, support, nurture, and train to improve the competencies of their managers, supervisors, and rank-and-file employees to foster the entrepreneurial mindset and culture. This necessitates continuing significant investment in their human capital's growth and advancement.

Extra attention should also be afforded to the strategic activities related to the function of Recruitment and Selection. The important objective is to be able to attract potential employees and choose the right people who possess not only the technical skills but the behavior and values aligned with the beliefs and culture of the organization. Adopt evolving practices such as having a rigorous process using a multiple hurdle approach to screen applicants, use a less rigid job description, hire people with diverse skills, and develop customized selection tests that measure the entrepreneurial aptitude of job applicants.

Finally, there is a need to conduct further in-depth research that will investigate strategic HRM practices that have high and significant influence in stimulating CE not only in the Philippines but in other transitional economies as well.

## REFERENCES

- Antocic, B. (2007). Intrapreneurship: A comparative structural equation modeling. *Industrial Management and Data Systems*, 107(3), 309-325.
- Antoncic, B., & Hisrich, R. (2000). Intrapreneurship modeling in transition economies: A comparison of Slovenia and the United States. *Journal of Developmental Entrepreneurship*, 5(1), 21-40.
- Barringer, B. R., & Bluedorn, A. C. (1999). The relationship between corporate entrepreneurship and strategic management. *Strategic Management Journal*, 20(5), 421-444.
- Bhardwaj, B. R., & Momaya, S. K. (2007). Corporate entrepreneurship: Application of moderator method. *Singapore Management Review*, 29(1), 47-58.
- Bouchard, V. (2001). *Exploring corporate entrepreneurship: A corporate strategy perspective*. Retrieved June 8, 2008, from <http://www.em-lyon.com//ressources/ge/documents/publications/wp/2001-12.pdf>
- Chang, W. J., & Huang, T. (2005). Relationship between strategic human resource management and firm performance. *International Journal of Manpower*, 26(5), 434-449.
- Chen, J., Zhu, Z., & Anquan, W. (2006). A system model for corporate entrepreneurship. *International Journal of Manpower*, 26(6), 529-543.
- Collins, J., & Porras, J. (2002). *Built to last: Successful habits of visionary companies*. New York, NY: Harper Collins Publishes, Inc.
- Cornwall, J. R., & Perlman, B. (1990). *Organizational entrepreneurship*. Homewood, IL: Irwin.
- Covin, J., & Miles, M. (1999). Corporate entrepreneurship and the pursuit of competitive advantage. *Entrepreneurship Theory and Practice*, 23(3), 47-64.
- Edralin, D. (2008). *Gaining competitive advantage through strategic workforce management: Best human resource management practices of firms*. Unpublished manuscript.
- Floyd, S. W., & Wooldridge, B. (1999). Knowledge creation and social networks in corporate entrepreneurship: The renewal of organizational capability. *Entrepreneurship: Theory and Practice*, 23(3), 123-144.
- Gaw, A., & Liu, S. (2004). *Corporate entrepreneurship: Beyond two guys in a garage*. Retrieved June 8, 2008, from [http://www2.marshall.usc.edu/media/pressroom/pdf\\_short/STRAT\\_CorpEntrepreneur.pdf](http://www2.marshall.usc.edu/media/pressroom/pdf_short/STRAT_CorpEntrepreneur.pdf)
- Great Place to Work Institute, Inc. (2006). *Our Trust Model shows the qualities of great workplaces*. Retrieved March 15, 2007, from <http://www.greatplacetowork.com/great/model.php>

- Gurunathan, L., Krishnan, S., & Pasupathy, V. (2004). Fostering corporate entrepreneurship. *ESADE MBA Business Review*, 2, 52-57.
- Guth, W. D., & Ginsberg, A. (1990). Guest editors' introduction: Corporate entrepreneurship. *Strategic Management Journal*, 11, 5-15.
- Hassan, A., Hashim, J., & Ismail, A. (2006). Human resource development practices as determinant of HRD climate and quality orientation. *Journal of European Industrial Training*, 30(1), 4-18.
- Hayton, J. C. (2005). Promoting corporate entrepreneurship through human resource management practices: A review of empirical research. *Human Resource Management Review*, 15, 21-41.
- Hewitt Associates (2003). *Best employers in Asia*. Retrieved June 15, 2005, from <http://www.hewittassociates.com>
- Hill, M. (2003). *The development of an instrument to measure intrapreneurship: Entrepreneurship within the corporate setting*. Unpublished Master's thesis, Rhodes University, Grahamstown, South Africa. Retrieve June 8, 2008, from <http://eprints.ru.ac.za/210/01/hill-ma-thesis.pdf>
- Hornsby, J. S., Kuratko, D. F., & Zahra, S. A. (2002). Middle managers' perception of the internal environment for corporate entrepreneurship: Assessing a measurement scale. *Journal of Business Venturing*, 17, 253-273.
- Huang, T. (2001). The effects of linkage between business and human resource management strategies. *Personnel Review*, 30(2), 132-45.
- Kenney, M., & Mujtaba, B. G. (2007). *Understanding corporate entrepreneurship and development: A practitioner view of organizational intrapreneurship*. Retrieved June 8, 2008 from [http://findarticles.com/p/articles/mi\\_qa5383/is\\_200707/ai\\_n21293563](http://findarticles.com/p/articles/mi_qa5383/is_200707/ai_n21293563).
- Kraut, A. I., & Korman, A. K. (1999). The "DELTA Forces" causing change in human resource management. In A. I. Kraut & A. K. Korman (Eds.), *Evolving practices in human resource management: Responses to a changing world of work* (pp. 3-21). San Francisco, CA: Jossey-Bass Publishers.
- Kuratko, D. F., Ireland, R. D., & Hornsby, J. S. (2004). Corporate entrepreneurship behavior among managers: A review of theory research and practice. *Advances in Entrepreneurship, Firm Emergence and Growth*, 7, 7-45.
- Lassen, A. H., Gertsen, F., & Riis, J. (2006). The nexus of corporate entrepreneurship and radical innovation. *Creativity & Innovation Management*, 15(4), 359-372.
- Liao, Y. S. (2005). Business strategy performance: the role of human resource management control. *Personnel Review*, 34(3), 294-309.
- Macchitella, U. (2008). *The effect of human resource management practices on organizational performance through corporate entrepreneurship*. Retrieved June 8, 2008, from [http://www.woa2008.sistema.congressi.com/paper/track01The%20effect%20of%20Human%20Resource\\_Macchitella.pdf](http://www.woa2008.sistema.congressi.com/paper/track01The%20effect%20of%20Human%20Resource_Macchitella.pdf)
- Martell, K. & Carroll, S. J. (1995). How strategic is HRM? *Human Resource Management*, 34(2), 253-267.
- Naman, J., & Slevin D. (1993). Entrepreneurship and the concept of fit: A model and empirical tests. *Strategic Management Journal*, 14(2), 137-153.
- Noe, R., Hollenbeck, R., Gerhart, B., & Wright, P. (2008). *Human resource management: Gaining a competitive advantage* (5th ed.). New York, NY: McGraw-Hill/Irwin.
- Pfeffer, J. (1994). *Competitive advantage through people: Unleashing the power of the work force*. Boston, MA: Harvard Business School Press.
- Rutherford, M., & Holt, D. (2007). Corporate entrepreneurship: An empirical look at the innovativeness dimension and its antecedents. *Journal of Organizational Change Management*, 30(3), 429-446.
- Scott, M. G., Rosa, P., & Klandt, H. (1998). *Educating entrepreneurs for wealth creation*. Aldershot: Ashgate.



- Sharma, P., & Chrisman, J. J. (1999). Toward a reconciliation of the definitional issues in the field of corporate entrepreneurship. *Entrepreneurship Theory and Practice Review*, 23(3), 11-28.
- Shaw, E., O'Loughlin, A., & McFadzean, E. (2005). Corporate entrepreneurship and innovation part 2: A role- and process-based approach. *European Journal of Innovation Management*, 8(4), 393-408.
- Stevenson, H. H., & Jarillo, J. C. (1990). A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, 11, 17-27.
- Strebel, P. (1996). Why do employees resist change? *Harvard Business Review*, 74, 86-92.
- Stopford, J., & Baden-Fuller, C.W. (1993). Corporate entrepreneurship. In P. Lorange, B. Chakravarty, J. Roos, A. Ven de Ven (Eds.), *Implementing strategic processes: Change, learning and cooperation* (pp. 91-114). Oxford: Blackwell.
- Thornberry, N. (2001). Corporate entrepreneurship: Antidote or oxymoron? *European Management Journal*, 19(5), 526-553.
- Treen, D. (2000). Strategic human resources. *Ivey Business Journal*, 64(3), 62-67.
- Truss, C., & Gratton, L. (1994). Strategic human resource management: A conceptual approach. *International Journal of Human Resource Management*, 5, 663-686.
- Wright, R. W., & McMahan, G. C. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2), 295-320.
- Zahra, S. A. (1991). Predictors and financial outcomes of corporate entrepreneurship: An exploratory study. *Journal of Business Venturing*, 6, 259-285.

