Management Development in Multinational and Domestic Organizations: The Philippine Experience

Vivien T. Supangco, DBA*

This study looks at the differences in management development initiatives of multinational corporations and domestic firms in Metro Manila, Philippines. Consistent with the resource-based view of the firm, management development initiatives are positively associated with perceived organizational performance. In addition, the study provides empirical evidence of the convergence of resource-based view and institutional theory in explaining the higher investment of multinational companies in management development. Moreover, the resemblance of substantive nature of management development provides moderate empirical support of the mimetic dynamics operating in the environment.

Keywords: Management Development, International Human Resource Management, Resource-Based View, Institutional Theory

1. Introduction

Globalization, characterized by capital and services moving around the world, deregulation of markets and changing consumer demands, among others, have introduced significant changes in the ways in which business is done. This trend has even been made frenetic by matching developments in the technology infrastructure. Globalization has, therefore, become not a matter of choice, but a reality that must be acknowledged in order to be competitive. Its implication on human resource management is far reaching. Among others, it has changed the knowledge, skills, and abilities required to do work effectively and efficiently.

Several alternatives may be employed to achieve the needed competence to compete in the global marketplace. This objective may be achieved by ensuring the quality of employees hired, enhancing the skills of existing employees and designing work to allow workers to determine what to accomplish and how [9]. This study focuses on the enhancement of management skills through training and development. As companies compete in the global arena, the development of global managers becomes imperative. Manag-

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ement development is seen as crucial in the development of the organization itself [13, 25, 27]. Because multi-national corporations (MNCs) are important elements in the global marketplace [26] they become important sources of information in understanding HR systems, particularly management development, that help firms compete globally [11, 19].

Thus, this study attempts to understand the development of global managers by looking at management development obtaining in multinational as well as domestic firms in Metro Manila. This study first tries to ascertain the relationship between management development and perceived organizational performance. Further, it attempts to determine whether or not differences exist in the extent of management development initiatives between multinational and domestic companies. The resource based view of the firm and institutional theory were used in developing the hypotheses of this study.

2. Hypotheses Development

The resource-based view of the firm postulates that a firm can gain sustained competitive advantage when it can leverage its resources that are valuable, rare, imperfectly imitable, and non-substitutable [1, 28]. To the extent that human resource systems, and management development in particular, facilitate the development of management competence that are valuable, rare, imperfectly imitable and non-substitutable, they can be sources of sustained competitive advantage. Management development is valuable because it is thought to enhance organizational performance. Indeed, it has been shown to be positively associated with various measures of firm performance [9, 17, 20]. Yet, to the extent that a management development system is embedded in the organization’s social structure, it may not be completely imitable. Thus even if the management development blueprint can be copied by the competitor, imitation is difficult because the system interacts with the actors or the managers and generates different outcomes for different companies [2, 4, 7, 21, 29]. Such a complex process makes for causal ambiguity, which in turn renders management development difficult to be systematically managed, hence imperfectly imitated [1]. Thus it is hypothesized that:

$H_1$: Investment in management development is positively associated with perceived organizational performance.

$H_2$: Comprehensiveness of management development training programs is positively associated with perceived organizational performance.
A multinational corporation has a potential competitive advantage by virtue of its global presence. However, such global presence may be turned into competitive advantage only to the extent that the MNC is able to adapt to differences of local markets, exploit economies of scale and scope, generate activities and resources from different locations and transfer knowledge across these locations [15]. Global presence of a multinational corporation affords it larger revenues and asset base, which can be properly exploited to gain economies of scale through spreading of fixed costs. Some evidences for economies of scale in training [5] and the superior performance of multinational corporations in human resource management practices compared to domestic firms [16] have been documented. Thus, global presence can be turned into an organizational capability, which could generate efficiency advantage [7].

Alternatively, multinational corporations can be seen as operating in a network of social relationships. An organization gains legitimacy when it is accepted by actors in its network [10]. Legitimacy is important because it increases an organization’s chances for survival. Oliver [23] veered from earlier emphasis of institutional theory on the organization’s compliance to environmental demands [14, 18]. Instead, she argued that pressures to conform depend on the cause, constituents, control and context of these pressures [23]. Large organizations invite attention from government, media and other actors in the social network, which increases their need to gain legitimacy. This argument may be extended to MNCs. Because of an MNC’s global presence, it attracts attention of the media, government and other organizations increasing pressure for it to engage in actions that generate legitimacy. From both the resource-based view and institutional theory perspectives, it is hypothesized that:

H3: Multinational firms will have higher investment in management development compared to domestic firms.

Institutional theory advances that isomorphism, or the resemblance of an organization to other organizations in its environment, increases legitimacy [8, 10, 12]. Under conditions characterized by uncertainty, there is a strong pressure for organizations to imitate the behavior of other organizations. Globalization brings with it attendant uncertainties. In addition, the means and ends of management development may not be exactly clear. Such conditions, introduce pressure to imitate organizations considered successful. The MNCs’ global presence makes for their management development practices convenient models for domestic firms wanting to be globally compe-
titive. On the other hand, MNCs wanting to gain legitimacy in the local market, and increase chances of survival in this market, may also want to imitate management development practices of domestic firms. These mimetic dynamics tend to minimize the differences in content of management training programs. Thus it is hypothesized that:

H4: There is no difference in the comprehensiveness of management training programs between domestic and multinational corporations in the sample.

3. Methods

This section discusses data collection and measurement of variables.

3.1 Data

This study is based on a convenience sample of 60 human resource practitioners. The first round of data collection was done by distributing a structured questionnaire during the monthly general membership assembly of the Personnel Management Association of the Philippines held on January 30, 2002. This was followed through by sending the structured questionnaire, via e-mail, to members of the association. The third time the structured questionnaire was distributed was during a lecture series conducted by the association held on March 21, 2002. More than 60 accomplished questionnaires were collected however, some companies had more than one staff responding to the questionnaire. But the only response considered was that of the highest-ranking human resource practitioner of a company.

Convenience sampling was resorted to because of budget limitations. Such method thus limits the generalizability of the results to companies represented in the study.

3.2 Dependent and Independent Variables

This study has three main variables, namely perceived performance, investment in management development and comprehensiveness of management training programs.

The dependent variable for the first two hypotheses was perceived organizational performance. Perceived organizational performance was measured using the factor scores of six Likert-type items adapted from Martell and Carroll [22]. The six items assessed perceived performance in sales growth, market share, operating profits, new products development, human resource development, and market development. The factor analysis performed on
these items generated one factor with a Cronbach Alpha of .8363. The use of this alternative measure of organizational performance was based on the findings that perceived organizational performance correlates positively with objective measures of firm performance and should provide confirmation of the relationship between HRM practices and organizational performance [9]. On the other hand the independent variable for the first two hypotheses is management development initiatives in terms of investment in management development as well as comprehensiveness of training programs. Investment in management development was measured by the amount of training budget for each manager. Comprehensiveness of management training programs was measured by an index, which was computed as the percentage of training programs offered by the organization to the total number of programs listed in Appendix A. It is assumed that each training program has equal weight.

The third hypothesis is an attempt to explain investment in management development. As discussed in the previous paragraph, this variable was measured in terms of the management development budget per manager (in pesos). The independent variable in the third hypothesis was multinational status. The organization was coded one if it was a multinational company and zero otherwise.

For the fourth hypothesis, the dependent variable was comprehensiveness of management training programs. Comprehensiveness of management training programs was measured by an index, which was computed as the percentage of the number of training programs listed in Appendix A offered by the organization. A total of 22 of training programs offered were adapted from Bassi and Van Buren [3]. The idea of constructing an index was adapted from Koch and McGrath [20]. The independent variable in hypothesis was also multinational status.

3.3 Control Variables

Control variables were introduced in the equations to capture the effects of variables that may be related to both the dependent and independent variables but which are not currently of interest to this study [9].

Industry was found to be associated with measures of performance and the adoption of HRM practices [9, 20]. To account for the effects of industry membership on perceived organizational performance, investment in management development and comprehensiveness of management training programs, the sample organizations were coded one if they delivered services and
Coff [6] argued that the attributes that enable human resources to generate competitive advantage also make their management difficult. Organizations face turnover and information dilemma, which must be addressed to enjoy competitive advantage. According to Coff [6] organizations can cope with these problems by looking at retention, rent sharing, organizational design and information. The synergistic effects of human resource management practices have also been noted [3, 9, 24]. Thus to account for the effects of human resource systems other than management development, an index of the conduciveness of the organization to development was computed. The index was adapted from Bassi and Van Buren [3]. This index is the number of development related human resource management practices these organizations have compared to the total number of development related human resource management practices listed in Appendix B. This index is expressed as a percentage.

Investment in management development as well as the breadth of management development programs may well be dependent on a firm’s capability to make such investments, thus the performance variable is introduced as a control to capture its effects on management development initiatives as well as its relationship with multinational status.

4. Results

The sample consisted of 60 organizations, 39 per cent of which were multinational companies. On the average, the organizations in the sample had been in existence for the past 35.81 years and employed an average of 1167.14 employees, 171.61 of whom were managers, in 2001 (Table 1).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Number of Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years in Business</td>
<td>35.81</td>
<td>37.17</td>
<td>52</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>1167.14</td>
<td>2114.42</td>
<td>59</td>
</tr>
<tr>
<td>Number of Managers</td>
<td>171.61</td>
<td>332.07</td>
<td>54</td>
</tr>
</tbody>
</table>

Table 2 provides the means and standard deviations while Table 3 the correlations of the variables used in the study. Perceived performance is a factor score such that mean is zero and standard deviation is one. In 2001, the organizations in the sample spent an average of P19, 242.91 per manager for management development. The average index for management training comprehensiveness was 72.73 percent, which implies that the sample organ-
izations offered 16 of the 22 training programs listed in the questionnaire. In addition, the average index of conduciveness to development was 50.97 percent implying that only about 9 of the 18 human resource systems that complemented management development were in place in these organizations.

Table 2 Means and Standard Deviations of Selected Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Number of Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Performance ( Z score)</td>
<td>0</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>Investment in Management Development (Pesos)</td>
<td>19,242.91</td>
<td>26,644.49</td>
<td>31</td>
</tr>
<tr>
<td>Training Comprehensiveness Index (in percent)</td>
<td>72.73</td>
<td>5.43</td>
<td>56</td>
</tr>
<tr>
<td>Development Conduciveness Index (in percent)</td>
<td>50.97</td>
<td>3.68</td>
<td>57</td>
</tr>
</tbody>
</table>

Because perceived organizational performance is a factor score hence a standardized score, the standard scores for the other variables such as investment in management development, training comprehensiveness index, and development conduciveness index were computed and subsequently used in the analyses. Using standard scores for these variables provides consistency of measures and makes for a better comparison of the effects of these variables.

Table 3 Correlation Matrix of Selected Variables

<table>
<thead>
<tr>
<th></th>
<th>Perceived Performance</th>
<th>Investment in Management Development</th>
<th>Training Comprehensiveness</th>
<th>Development Conduciveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Performance</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Management Development</td>
<td>.556**</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Comprehensiveness Index</td>
<td>.334*</td>
<td>.110</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Development Conduciveness Index</td>
<td>.207</td>
<td>-.112</td>
<td>.477**</td>
<td>1.0</td>
</tr>
</tbody>
</table>

*p<.05 ; **p<.01

The correlation matrix (Table 3) reveals that the two measures of management development initiatives, namely: investment in management dev-
development and the index of the comprehensiveness of management training, were positively correlated with perceived performance, but not with each other. Conductiveness to development was positively associated with comprehensiveness of training programs.

Table 4 shows the regression analyses for perceived organizational performance. For all three models, investment in management development was positively associated with perceived organizational performance. The results were significant with $p<.01$ for models 1 and 2 and $p<.05$ for model 3. The results are consistent with the findings of Delaney and Huselid [9], Huselid [17] and Koch and McGrath [20], which indicated positive relationship between human resource management practices and various measures of firm performance. The results of this study provide strong support for hypothesis 1 which suggests that other things being equal, investments in management development is positively associated with perceived organizational performance. By enhancing managerial competence, management development contributes to organizational performance. More importantly, however, is that management development is embedded in an organization’s social structure, which renders it difficult to be completely imitable making it a potent source of sustained competitive advantage [1,28].

Table 4 Results of Regression Analysis Dependent Variable: Perceived Organizational Performance

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Management Development</td>
<td>.810**</td>
<td>.766**</td>
<td>.748*</td>
</tr>
<tr>
<td>Comprehensiveness of Management Training Programs</td>
<td>.453*</td>
<td>.290</td>
<td>.458*</td>
</tr>
<tr>
<td>Multinational Status</td>
<td></td>
<td></td>
<td>177</td>
</tr>
<tr>
<td>Organizational Conductiveness to Development</td>
<td></td>
<td></td>
<td>.230</td>
</tr>
<tr>
<td>Constant</td>
<td>.104</td>
<td>5.924E-02</td>
<td>9.530E-03</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.467</td>
<td>.496</td>
<td>.472</td>
</tr>
<tr>
<td>F</td>
<td>9.64**</td>
<td>6.896**</td>
<td>6.256**</td>
</tr>
</tbody>
</table>

$p<.05$ ; **$p<.01$

On the other hand, models 1 and 3 show a positive association between comprehensiveness of management training programs and perceived organizational performance. These findings moderately support hypothesis 2, which suggests that other things being equal, comprehensiveness of management training programs is associated with perceived organizational perform-
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ance. Again, these results are consistent with earlier studies showing positive relationships between training and other human resource management activities and various measures of firm performance [9,17,20]. It seems however, that using an organization’s conduciveness to management development as a control variable in Model 2 rendered comprehensiveness in training program insignificant. This result suggests that much of the effect of the latter variable is due to the organization’s conduciveness to management development.

Multinational status as a control variable is not significant. It implies that by itself, perceived performance is the same between multinational and domestic organizations. This result provides support to a parallel idea that global presence does not automatically provide competitive advantage but can be a potential source of such advantage[15].

Table 5 shows the regression analysis for investment in management development. For all three models, multinational status was positively associated with investment in management development. The results were significant with p < .05 for models 2 and 3 and p < .10 for model 1. These results provide strong support for hypothesis 3, which suggests that other things being equal, multinational companies have higher investments in management development compared to domestic organizations. While the above results reinforce the argument that global presence does not automatically provide competitive advantage, it does present itself an opportunity for a multinational company to enjoy economies of scale and scope which allows it to invest huge amounts in management development [7, 15]. The results also support the alternative explanation that because of an MNC’s global presence, it attracts the attention of media, government and other organizations increasing pressure for it to engage in actions that increase legitimacy, and investment in management development can be one such action [10, 23].

The control variables, comprehensiveness of management training programs and industry, were not significant. In the case of comprehensiveness of management training programs, its introduction in Model 1 weakened the association of multinational status with investment in management development. This implies that the effect of multinational status on investment in management development was partly accounted for by the comprehensiveness of management training programs. However, perceived organizational performance, as a control variable was significant in the three models making it an important variable that is associated with investment in management development.
Table 5  Results of Regression Analysis Dependent Variable: Investment in Management Development

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Performance</td>
<td>.353*</td>
<td>.297*</td>
<td>.309*</td>
</tr>
<tr>
<td>Comprehensiveness of Management Training Programs</td>
<td>-.134</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multinational Status</td>
<td>.483*</td>
<td>.514*</td>
<td>.532*</td>
</tr>
<tr>
<td>Industry</td>
<td>.177</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-.371*</td>
<td>-.403*</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.454</td>
<td>.425</td>
<td>.444</td>
</tr>
<tr>
<td><strong>F</strong></td>
<td>5.809**</td>
<td>8.498**</td>
<td>5.579**</td>
</tr>
</tbody>
</table>

*p<.10 ; *p<.05 ; **p<.01

Table 6 shows the regression analysis for comprehensiveness of management training programs. For models 2 and 3, multinational status was not significantly associated with comprehensiveness of management training programs. However, in model 1, multinational status was marginally associated with comprehensiveness of management training programs with p< .10. These results provide moderate support for hypothesis 4, which suggests that other things being equal there is no difference in the comprehensiveness of management training programs between multinational companies and domestic organizations. While the results in table 5 point to a divergence in investments in management development between multinational and domestic firms, the results in table 6 provide evidence of mimetic pressures resulting in a convergence of the degree of comprehensiveness of management development programs of multinational and domestic corporations.

Table 6 Results of Regression Analysis Dependent Variable: Comprehensiveness of Management Training Programs

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Performance</td>
<td>232*</td>
<td>226*</td>
<td></td>
</tr>
<tr>
<td>Investment in Management Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multinational Status</td>
<td>-.433*</td>
<td>-.367</td>
<td>-.313</td>
</tr>
<tr>
<td>Organizational Conduciveness to Development</td>
<td>.402***</td>
<td>.445***</td>
<td>.535***</td>
</tr>
<tr>
<td>Industry</td>
<td>.351</td>
<td>.512*</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>209</td>
<td>.8.85E-02</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.372</td>
<td>.407</td>
<td>.369</td>
</tr>
<tr>
<td><strong>F</strong></td>
<td>7.711***</td>
<td>6.522***</td>
<td>9.565***</td>
</tr>
</tbody>
</table>

*p<.10 ; *p<.05 ; **p<.01 ; ***p<.001
5. Conclusion and Directions for Future Research

This study has furthered our understanding of international human resource management by looking at management development practices of multinational and domestic firms.

The study also provides empirical support of the resource based view of the firm which argues that a firm can gain sustained competitive advantage when it can leverage its resources that are valuable, rare, imperfectly imitable, and non-substitutable [1, 28]. This study has shown that management development initiatives—whether in terms of investment in management development or the comprehensiveness of the management training programs—more than the organization’s multinational status, were associated with perceived organizational performance.

Additionally, this study has also shown the convergence of institutional theory and the resource-based view of the firm in explaining investment in management development. Investment in management development is higher for multinational corporations because they are able to exploit economies of scale afforded by its global presence. On the other hand, its global presence also makes them more conspicuous increasing pressures for them to engage in actions that will generate legitimacy.

This study also provided empirical support (although moderately), of the argument of institutional theory that in situations characterized by uncertainty there are pressures to imitate practices of companies considered successful such that the process generates resemblance of the management training programs offered by multinational corporations as well as domestic organizations.

On the more practical side, this study has important implications for managers. The results show that management development, whether in terms of investment or comprehensiveness of management training programs, rather than multinational status is positively associated with firm performance. Domestic firms therefore can still be competitive even against multinational corporations as long as they invest in management development or offer a wide array of training programs. While investment in management development was higher in multinational firms, by virtue of their ability to spread costs, domestic firms can compete by way of introducing a comprehensive management training program and put in place other human resource management systems to provide synergistic effects.

However, this study faces several limitations. The cross sectional des-
ign of the study precludes causal inference hence, predictions are based on theory. In addition, the results of this study are generalizable only to the organizations that participated in the study because convenience sampling was utilized.

While this study has demonstrated convergence of the resource-based view and institutional theory in explaining investments in management development, management development initiatives, in terms of the content of management programs measured in this study as the comprehensiveness of management training programs, need further exploration. The observation that domestic organizations tend to offer a wider range of programs (although only marginally significant in this study), may call for other theories to further our understanding of international human resource management and management development in particular. In addition, the observation that the industry variable weakens the association of multinational status on the comprehensiveness of management training programs points to the potential role this variable plays in the nature of international human resource management. The strong association of the control variable, organizational conduciveness to development, also suggests further exploration to better understand international human resource management and management development in particular. The measure of performance used in this study was perceived organizational performance. The use of financial measures of performance may provide additional insights in our understanding of management development.

References
Management Review 22(2) 374-402.


Appendix A
List of Management Training Programs
1. Basic Management Development Program
2. Career Planning
3. Change Management
4. Computer Literacy and Applications
5. Corporate Social Responsibility
6. Creativity and Innovation
7. Cultural Sensitivity
8. Decision Making
9. Entrepreneurship
10. Ethics
11. Global Management Skills
12. Job Specific Technical Skills
13. Leadership
14. Management of Technology
15. Managing the Next Generation Workers
16. Performance Management
17. Problem Solving
18. Quality Management
19. Strategic Management
20. Strategic Thinking
21. Stress Management
22. Team Building

Appendix B
1. 360-degree Feedback
2. Documentation of individual competencies
3. Employee access to business information
4. Employee involvement
5. Employee stock ownership plans
6. Group or team-based compensation
7. Individual development plans
8. Individual incentive compensation
9. Job rotation
10. Knowledge- or skill-based pay
11. Mandatory annual training time
12. Mentoring or coaching program
13. Profit or gain sharing plans
14. Quality circles or problem solving teams
15. Self-directed work teams
16. Total quality management program
17. Training information system
18. Training resource center