

# MSMEs at risk of closure even with P35 wage hike

OPINION

## Cultural compatibility of new hires

**Five of our newly hired workers resigned within three months after deployment. What's wrong with our hiring practices? And what's the cure? — Change Agent.**

Let's understand the context of your situation. How many new hires are similarly situated? My rule of thumb is — if the five resignees represent only 3% or less of the total number of new hires in the same period, then it's not yet an alarming situation. At least not yet, unless it becomes repetitive over the long term.

If you're asking me what's wrong with your hiring process, I can only speculate since I'm not privy to your situation. On top of my mind is the compatibility of the new hires with your culture and management style. This can only be determined when you ask the right interview questions to applicants.

During the process, did you test the applicants for their comfort level working in your culture? Are the applicants likely to be accepted by the group and invited to participate in activities outside of work like socials, sports, and volunteer initiative?

Did you check whether the applicants are participating meaningfully and are not made to feel like outsiders struggling to fit in?

These aspects are often neglected because you are focused on testing the applicants' competence, rather than their compatibility with the organization over the long term. This often results in the applicants' estrangement after receiving little support from their colleagues.

PROBABLE CURE

Before deciding on a cure, the probable root cause of the applicants' estrangement must be determined. As I said, it often boils down to the absence of a compatibility assessment in the hiring process. This involves the human resources (HR) department and the requesting department joining hands in predicting whether the applicant is a good fit for the organization.

To do this, the two departments must do double validation to arrive at a reasonably accurate conclusion using various sets of interview questions, to be addressed only to the top two candidates in the short list. A number of topics need to be explained to the shortlisted candidates. These are:

**One, corporate mission, vision, and value statements.** This is imperative. Unfortunately, many incumbent managers don't know them by heart. That's why they are not usually covered during the interview and onboarding process. In extreme cases, they don't know how to provide examples.

Even if they do, they struggle for words and come off as lousy managers. The interview questions to be asked is: How well do you accept our mission, vision, and value statements? How would you do your share in implementing them?

**Two, measurement of individual and group success.** This is about evaluating and recognizing workers' performance. The interview questions to be asked include: How do you expect an individual contribution to be appreciated compared to group achievements?

How would you manage "grouphink"? How would you handle a workplace bully or a senior worker forcing you to do things his

way? How would you describe an objective evaluation process?

**Three, leadership skills and style.** Managers vary in style. Some allow people to be empowered in problem-solving and decision-making. On the other hand, prefer to do the opposite, treating their direct reports like robots. The interview questions to ask are: How does an applicant manage a toxic and micromanaging boss? If a toxic boss doesn't want to change their style, then what would be your course of action?

**Four, nature of the operating environment.** This covers ideal situations where people can be made to work effectively. The questions to be asked include: What factors would determine your success in our organization?

Conversely, what factors would make you fail in such environment? How would you do in managing the issues?

**Five, change management philosophy.** Even if the vacancy is for non-management workers, it would be best to determine their management aptitude as you're preparing them for the long-term. The applicable questions are: What are the first things you plan to focus on in the first month of your employment?

If there are systems and procedures that are not to your liking, how do you intend to manage them?

As an interviewee, these basic questions will arm you with considerable understanding of the shortlisted applicants' profile. Using them will help you predict the reactions of the new hires when they start working for your organization.

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MICRO, small and medium enterprises (MSMEs) are at the greatest risk of closing down after the latest wage increase, an economist said.

"I don't think P645 (the level wages are at in Metro Manila after the wage order) is enough given that inflation has been going on for several years now. But even this wage increase is not recommended because it will lead to the closure of many micro-, small- and medium-scale enterprises," Leonardo A. Lanzona, Jr., an Ateneo de Manila economics professor, told *BusinessWorld* via Messenger chat.

"The overall objective of the government is to nurture MSMEs to grow into large corporations, achieving scale economies and larger profits. The minimum wages contradict this objective," he added.

According to the Department of Trade and Industry, 99.59% of businesses in the Philippines were MSMEs in 2022.

The Regional Tripartite Wages and Productivity Board-National Capital Region (RTWPB-NCR) on July 1 approved a P35 wage increase for NCR workers, bringing the daily minimum wage for non-agricultural workers to P645. The new wage scale takes effect on July 17.

Labor groups continue to back a legislated across-the-board wage increase. In both chambers of Congress, bills calling for wage hikes of up to P750 are being considered.

The government's chief economic planner, Secretary Arsenio M. Balisacan, has said the wage hike in the capital region is unlikely to hurt the economy because it will only affect "one-tenth of 1%" of workers.

About 40,000 to 140,000 workers will be affected if small businesses end up shutting down or

reducing their employees, Mr. Balisacan added, describing the number as "negligible."

"The point is that the burden of inflation should not be placed on the shoulders of the private sector. It is the responsibility of [the] government, not the private firms, to give decent wages," Mr. Lanzona added.

He said that the government must improve productivity and strengthen social protections.

"Improve skills through training programs and create expanded cash transfer programs such as unemployment insurance," he said.

"Public goods are intended to serve society as a whole. The private sector is not expected to provide since this is beyond their self-interest. Besides, the politicians and society are the ones who benefit most by providing public goods that offer workers decent wages. Hence, by economic principles, they and society should be (the) ones creating these goods," he added.

Mr. Lanzona added that the new daily minimum wage in the NCR remains inadequate for dealing with inflation.

"It is not enough to cover the elevated prices after several years of inflation. But at the same time, households on average do not rely much on minimum wages since more than 45% of the workers are self-employed. Only a small portion of the households are dependent on minimum wages," he said.

Inflation in June eased to 3.7% due to an easing in electricity and transport costs.

Federation of Free Workers Vice-President Julius C. Caignlet said it is the government's responsibility to ensure correct wages are paid. — **Chloe Mari A. Hufana**

*A business strategy roadmap must begin with defining the company's purpose and ambition*

## In your company's journey, is there a destination?

I've read Lewis Carroll's book *Alice in Wonderland* and watched the movie a few times with my kids when they were little. One of the things about the story that struck me and has stayed with me is this dialogue when Alice was confronted with a fork in the road:

"Alice: Would you tell me, please, which way I ought to go from here?"

The Cheshire Cat: That depends a good deal on where you want to get to.

Alice: I don't much care where.

The Cheshire Cat: Then it doesn't much matter which way you go.

Alice: ...So long as I get somewhere."

I used to tap this scene to teach my kids about setting direction for oneself.

Fast forward to many years later, I find myself using this as an inspiration for helping companies wanting to find their way.

Some companies are like Alice. They go about their business, keeping busy, but without long-term direction. They operate on a year-to-year basis. If they hit this year's target (assuming they even have one), well and good. If not, then there's always next year. Sure there are companies which grow despite operating this way. They get somewhere, somehow, just like Alice. But simply running on

short-term goals does not open up a path towards a more significant and sustainable growth and success.

One of the things we are often asked to do by client companies is strategic planning. They want us to help them identify their strategic priorities and develop a roadmap to guide them in the next several years.

The first question we ask them is the exact question of The Cheshire Cat: "Where do you want to go in the first place?" "Where do you want to take the company in the next five or ten years?" Without a defined destination, having a plan or a roadmap is useless. We don't want to end up just 'somewhere'. We want our journey to be intentional and purposeful.

We strongly advise that a company defines its Purpose and Ambition (sometimes called Mission & Vision) first before embarking on strategic planning.

BIGGER PICTURE

Purpose and Ambition ground a company to something more profound and meaningful. They help ensure that the company's priorities and plans are not developed in a vacuum, not tactical, not short-term, but rather developed in the context of a bigger picture.

The Purpose Statement is an articulation of the company's core reason for existence and how it adds value to the lives of its stakeholders. It answers why you do what you



**Acumen Strategy Consultants specializes in crafting tailored business strategy roadmaps that begin by defining Purpose & Ambition, ensuring a strategic plan that is compelling, meaningful, comprehensive, and impactful.**

do beyond making money. For example, Google's Purpose is "To organize the world's information and make it universally accessible and useful."

In his book *Start with Why*, Simon Sinek says that people buy not what you do, but why you do it. When people believe in your Why, they tend to be inspired to support you because you create meaning for them, whether they be your employees, customers or business partners. It has been shown that companies with a clear purpose have better business results versus companies with no purpose because they tend to have stronger brand equity, more loyal customers and more committed employees.

The Ambition Statement is the

desired future state of the business and organization that the company aspires to. It answers what the company wants to become. It is written in a way that provides focus towards a clear end state and inspires employees to expend all effort to work towards it, as illustrated by Google's Ambition "To provide access to the world's information in one click."

The Ambition becomes the fundamental basis for setting the company's financial and non-financial goals as well as its strategic imperatives for the next several years. It is the destination that needs to be reached.

The Purpose & Ambition Statements can be considered as the anchor for a Strategic Plan.

Some leaders are tempted to skip this step because they find talking about these topics too fuzzy, too subjective, maybe even too emotional. They prefer to get on with the hard stuff, i.e., strategic planning. But as The Cheshire Cat responded to Alice, 'which way you go from here depends a good deal on where you want to go'.

So, first things first. Define your Purpose & Ambition – your Why and What. Then you can develop your How, which is your Strategic Plan.

Acumen's Strategy Navigator framework integrates a company's Purpose & Ambition into the strategic planning process, thus ensuring that the resulting strategies and plans are anchored on a clear destination. Of course, it takes more than this to make a good strategic plan. But our experience is that the approach of beginning with the Purpose & Ambition is likely to deliver a more compelling, meaningful, and comprehensive strategic plan that inspires sustained support from the organization.

A well-anchored strategic plan maximizes the opportunity to achieve better business performance, to motivate and engage employees, and to have a deeper impact to society. With this, companies don't just get somewhere; they get to somewhere worthwhile. — **Zinnia Rivera, Client Director, Acumen Strategy Consultants , [acumen.com.ph](https://acumen.com.ph)**