

HUMAN RESOURCES  
MANAGEMENT, COR-  
PORATE CITIZENSHIP  
AND SMALL BUSINESS  
DEVELOPMENT

Technical report  
for discussion at the  
Asian and Pacific Regional  
Round Table on Roles of  
Enterprises and Society  
Partnerships,

Bangkok, Thailand,  
22-24 September 1999

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## PREFACE

The Asian and Pacific Regional Round Table on the Roles of Enterprises and Society Partnerships takes place as one millennium draws to a close, and a new one makes ready to begin. It is a rare turning point, and offers us all an opportunity to review the paths we have followed until now, and to plan new ones. Reviewing the lessons that history has taught helps ensure that visions for the future are built on a solid foundation. Enterprise has been of central concern to the ILO since its inception in 1919, in the aftermath of one of the greatest disasters the world had yet known, the First World War. Representatives of enterprise, together with those of government and workers, have been part of the ILO ever since, giving the Organization the unique tripartite structure that is its greatest strength.

Today, at the end of the twentieth century, the world has witnessed the collapse of the Cold War, and a strengthening of the values that underpin the market economy and democracy. An increasingly globalized economy coupled with rapid development of information technology means enterprise is playing a more crucial role in society than ever before. This Round Table is intended to provide a forum for discussion of enterprise's current agenda, a discussion with tripartite participants.

This report will serve as a technical paper for discussion at the Round Table. The second and third chapters of this document help to provide a broader context within which to view this meeting, and to describe the background, including guidelines and action plans derived from high-level global gatherings, in particular the World Summit on Social Development held in Copenhagen in 1995. The Asian financial crisis is also addressed, and the painful lessons it has offered. These lessons hold particular relevance for enterprises, all of which are operating in an increasingly globalized economy. Finally, these chapters describe the evolving roles of governments, employers' and workers' organizations, of broader civil society and the private sector in an ever-changing world. The fourth chapter reviews developments and experiences in the light of globalization and the financial crisis in the three major areas upon which the Round Table will focus: human resources management; corporate citizenship; and small business development. A conceptual and analytical treatment is provided for each topic. The chapter also presents useful practices in the three areas. However, many other useful practices have not been included in the report due to limitations on space, and the time available to collect information. In addition to this report, a selection of other papers will be available at the meeting, exploring areas of special relevance to the discussion.

The Round Table is expected to lead to statements of common understanding focussing on each of the three chief discussion areas. I trust that these documents will provide useful guidance for governments, employers and workers as they strive to adjust to the constant and rapid economic and social change that is so much a part of the world we live in today.

Mitsuko Horiuchi  
Regional Director  
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## SUMMARY

1. This summary presents in condensed form the main concepts, experiences and approaches relevant to a better understanding of i) human resources management, ii) corporate citizenship, and iii) small business development practice in the context of the Asian crisis. Considered within this context by the ILO to be of major social and economic significance, these three areas of enterprise development are to be examined at the ILO's Tripartite Asian and Pacific Regional Round Table on Roles of Enterprises and Society Partnerships, to be held in Bangkok, Thailand, 22-24 September 1999.

2. Intended to provide a full and comprehensive account of all the main ideas and experience presented in the principal report prepared for this meeting, the summary is longer than the usual executive summary. It is meant to facilitate understanding and learning by different kinds of readers irrespective of their roles. Offered both as a report in its own right and as a reading guide to the main report, it provides easy reference to related sections that include more in-depth conceptual and empirical substance. The Table of Contents and List of Boxes appear on pages v and vi respectively; the Bibliography is given at the end of the main report.

## THE ROUND TABLE BACKGROUND

3. The main technical report prepared for discussion, *Human resources management, corporate citizenship and small business development*, contributes a number of critical inputs to the Round Table. The Round Table's overarching objective is to help participants, through their own active participation and contributions, to achieve greater understanding of **innovative enterprise-level initiatives** in each of three focal areas covered by the Round Table against the backdrop of globalization and the Asian crisis. It is expected that this can later be translated into strengthened regional practice in three interrelated areas:

- i) more effective and equitable **Human resources management practice**, with special attention to progressive practices under conditions of enterprise restructuring;
- ii) strengthened and extended **corporate citizenship practice**, with focus on achieving improved community and skills development; and
- iii) improved **small business development practice** and better realization of the employment potential of small businesses in the context of globalization and the Asian crisis.

4. This consultation aims at i) achieving a better understanding of newly emerging lessons of best practice within each of these areas and ii) learning how best to translate these lessons into concrete

follow-up actions, policies, and practice either individually or collectively by participants and their respective national institutions.

5. By way of summary, the current Round Table is an event that should be viewed in the context of other events being implemented along three tracks: i) implementation of ILO enterprise strategy, comprising a series of enterprise forums to foster direct dialogue between ILO constituents and enterprises regarding critical development themes and ILO strategic objectives – employment, protection, standards, and tripartism (please see Box 1, below, for a more complete explanation of the ILO's new strategic orientation); ii) a series of follow-up meetings and actions to implement the resolutions of the Copenhagen Social Summit; and iii) a series of meetings to develop and implement effective policy responses to the Asian crisis.

## THE BROADER CONTEXT

6. The closing decades of the twentieth century have brought momentous political, economic, and social changes that continue to redefine fundamental concepts of national economic and social development. Recent years have seen a period of profound economic and social transition for all countries and the early years of the twenty-first century are likely to amplify and accelerate this. Rapid changes in the world economy have pushed towards global and regional integration and required governments around the world to rethink economic development and job creation strategies and to establish new institutions and partnerships through which to build economically viable and socially equitable societies.<sup>1</sup> (Please refer to Paragraphs 21-22 and Box 2 of the main report for more on globalization and world trends.)

7. To maintain economic growth, increase employment, raise standards of living, and better weather crises related to either external or internal shocks, countries have to base national economic development strategies on engaging more successfully in international trade and investment, at the same time extending and deepening local economic development and social and economic equity, together with the national partnerships that make this possible. In order to accomplish this, countries are continually adjusting, updating, and making more effective the respective roles played by major groups in society able to shape political, economic and social development. Government as well as employers' and workers' organizations and a wide range of different groups make up the broader society as well as are those who influence and are in turn influenced by the private sector. Employers' and workers' organizations have a distinctive role in the world of work.

### **a) The evolving role of government**

8. Governance and development are currently viewed as intertwined. Good governance is both a means and a precondition of development and a development objective, promising better quality of life. Development or economic growth is no longer seen solely as a matter of pulling a few economic levers. In many countries, development efforts are undertaken in the context of strategies

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<sup>1</sup>. Paragraph 7 is drawn from the "ILO interdepartmental action programme for privatization, restructuring and economic democracy (IPPRD)", paper #14.

that seek to achieve political stability, institution building, and popular participation while promoting human rights. The goals of development, democracy, and political stability may appear conflicting at times, but there is a widespread desire among most people around the world for participation in government, just treatment, and a fair share of the benefits of economic progress.<sup>2</sup>

9. Among the most important tasks governments face at present, in view of the preceding trends, is creating a political environment conducive to market and social development. This involves redefining the roles of the State, the social partners, the private sector, and other groups in society, in creating political commitment to economic, social, and political restructuring, providing infrastructure, decentralizing, and democratizing government and strengthening financial and administrative capacities at local, urban, and national levels of government. Experience suggests that the long-term success of economic adjustment and development requires strong political will and determined leaders to set the direction for development and establishment of strong social institutions. (Please review Boxes 3-5 in the main report for cases of governments creating a conducive environment for market development in Bangkok, Shanghai, and Singapore.)

10. In most countries that seek to create an efficient, competitive and equitable market economy that promotes and supports corporate social responsibility, small business creation, and progressive human resources management, the government must strengthen the administrative, financial, and legal status of local governments, especially those of cities. This may require devolution, another form of decentralization. When governments devolve functions, they transfer authority for decision-making, finance, and management to autonomous units of local government with corporate status. Devolution involves transferring responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues and have independent authority to make investment decisions.<sup>3</sup> In this context, there is equally a need to efficiently implement industrial relations systems and practices at enterprise, industry and national levels and to correspondingly strengthen workers' and employers' organizations.

11. Most transitional and developing countries need to develop these systemic and institutional environments within which, for instance, ethics and value-inspired corporate social responsibility movements can develop onward from corporate philanthropy towards full corporate citizenship. This points to the urgent need for programmes that strengthen the administrative and financial capabilities of municipal and local governments, enabling them to fulfill their potential as decentralized units of good governance in partnership with the private and civic sectors and as efficient providers of local services and infrastructure.

12. Local governments can play an important role in decentralized governance-in-partnership for national economic and social development. However, the success of devolution and decentralization depends in large part on strengthening the managerial and financial capacity of local governments, and on the willingness and ability of national governments to grant them the revenue-raising authority and administrative autonomy enabling them to provide services and infrastructure effectively. This in turn depends on an efficient, effective, equitable, honest, and accountable national governance framework based on the establishment of similar variables at the national level.

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<sup>2</sup>. Paragraph 9 is drawn from UN Secretariat paper ST/SG/AC.6/1993/L.2: *Eleventh meeting of experts on the United Nations Programme in Public Administration and Finance*, Geneva.

<sup>3</sup>. Paragraph 11 is drawn from the "ILO Interdepartmental Action Programme for Privatization, Restructuring and Economic Democracy (IPRED)", paper #14.

## b) The evolving role of the private sector

13. In the introduction to his recent book *Good corporate citizenship: Community-minded for the 21st Century* (1996), Mr. Nobuo Tateisi, Chairman and Executive Director of Japan's OMRON Corporation, aptly and succinctly states:

One conclusion I have drawn from my experience overseas is that corporate management around the world is facing the need for reform. I believe that this reform requires an approach from two perspectives. In the first place, whereas past programs of reform were aimed at improving corporate performance, and were therefore essentially inward looking, the new round of reform will have to be outward looking and proceed from the public side of the corporate nature. The days of social systems that accord precedence to economic activities and are company-centered only are coming to a close. In the second place, the reform must have a global outlook. In production, international divisions of labour are on the rise, and transnational ties of mutual interdependence are becoming increasingly close. The movement of capital of course now knows no national borders. Indispensable to this effort is an approach incorporating the two aforementioned themes, i.e. one that is both "outward-looking" and "global".<sup>4</sup> (Please refer to Paragraph 39 of the main report for more on OMRON's views on corporate citizenship.)

14. A similar line of reasoning – but one regarding national and sub-national levels rather than the global level (preceding) – is pursued in various publications of the Philippines Business for Social Progress (PBSP) foundation:

In the past two years, PBSP member companies have been moving towards partnering with government and civil society groups. Relations between business groups and local governments have been established and projects have been planned out. Experiences have provided platforms for still more effective partnerships between local government and PBSP member companies.<sup>5</sup> (Please refer to Paragraphs 40-45 of the main report for more on PBSP's views and activities in corporate citizenship.)

15. Geopolitical transformation together with an increasing integration of the world economy is creating new threats, opportunities, and challenges for business that did not need to be considered just 10 years ago. In Asia, the crisis has further heightened and brought immediacy to these challenges. Another recent book, *Business as partners in development: Creating wealth for countries, companies and communities*, by Jane Nelson of the Prince of Wales Business Forum in collaboration with the World Bank and the United Nations Development Programme (UNDP), identifies two major challenges for corporate managers at this time: i) increased pressures on corporate competitiveness and ii) increased pressure on corporate governance.<sup>6</sup>

16. The former is seen as placing intense pressure on companies to increase their efficiency, productivity, ability to innovate, customer responsiveness, and the quality of their products and ser-

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<sup>4</sup>. Paragraph 14 is quoted from Nobuo Tateisi: *Good Corporate Citizenship: Community-minded Management for the 21st Century* (Tokyo, Japan, Jitsugyo-no-nihon-sha, Ltd., 1996).

<sup>5</sup>. Paragraph 15 is quoted from "Community partnerships and actors in development", Philippine Business for Social Progress (PBSP), *Compact*, Vol. 3, No. 2 (Sept. 1998), Manila.

<sup>6</sup>. Paragraphs 16 to 19 are quoted or based upon Jane Nelson: *Business as Partners in Development: Creating Wealth for Countries, Companies and Communities* (London, Prince of Wales Business Forum, 1996).

vices. In many cases this has been accompanied by corporate restructuring, re-engineering, downsizing, and layoffs and with the emergence of what many see as leaner and meaner organizations offering good short-term returns on economic capital but less than adequate social returns.

17. An analysis of the current research and debate between these two tendencies and tensions for improved corporate competitiveness and improved corporate governance demonstrates the importance of cooperation between companies and their primary stakeholders – employees, customers, investors, and suppliers. It also illustrates a growing awareness of the need to develop new types of consultation and partnership between companies and their secondary stakeholders: communities, governments, non-governmental organizations (NGOs), and the general public.

18. The latter, partly in response to the preceding, but also as a result of the more participatory political systems and the flourishing of civil society, is putting systemic pressure on companies to be more accountable to a wider group of stakeholders; a group which in many cases is growing in power and sophistication. Private enterprise is thus being called upon by both governments and the public to play a more active role in tackling the increasingly obvious social and ecological downside of global economic competition. More fundamentally, people both within and outside the business community are asking questions about the wider impacts of business and the accounting methodologies used to measure corporate performance. This, in addition to traditional ethics and values, is driving business onward in the transition from corporate philanthropy to corporate social responsibility and corporate citizenship.

19. An analysis of the current research and debate between these two tendencies and tensions for improved corporate governance demonstrates the importance of cooperation between companies and their primary stakeholders - employees, customers, investors, and suppliers. It also illustrates a growing awareness of the need to develop new types of consultation and partnership between companies and their secondary stakeholders: communities, governments, non-governmental organizations (NGOs), and the general public.

### **c) The role of the social partners and broader society**

20. Shifts in the global development terrain in the past several years have also challenged society and its organizations all over the world to re-examine external realities in connection with their own internal capacities towards redefining roles for themselves in an era of increased globalization. *Policies and institutions for managing privatization*, prepared by Iacono and Rondinelli, states:

An equitable market economy depends not only on a strong private sector and government institutions but also on a wide range of partners in society that facilitate economic, political and social interaction and that mobilize various groups in society to participate in economic and political activities. Among the most important institutions that must be created or strengthened are the following:

i) employers' organizations, industry associations and commercial associations that can mobilize resources to assist their members, engage government, represent the interests of their members with government and businesses, and develop markets and commercial relationships;

ii) workers organizations and trade unions who can represent the interests of their members, obtain protection for workers' rights, mobilize resources for mutual benefit, and participate with employers in the efficient and progressive operation of enterprises. [Please refer to paragraphs 66-67 of the main report for more on the special role of employers' and workers' organizations and civil society.]

Other institutions of civil society include:

iii) professional associations that supply problem-solving and policy advice and support applied business research, and that provide business and industry with assessments of the impact of their actions on the public;

iv) policy and advisory groups that can provide the government with public policy recommendations, review government operations and evaluate the impact of their actions on the public;

v) media such as a free press, television and radio that can report information and interpret events independently, and provide the public with the means of holding government and business leaders accountable;

vi) gender-based, language, religious, or politically-oriented interest groups that can create the foundation for a pluralistic political system, articulate and advocate the interests of their members within the political system, and support democratic values and procedures;

vii) local community and neighborhood groups that can articulate and represent local geographical interests and work together to solve social, economic and political problems on a self-help basis;

viii) consumer groups that provide members with information about goods and services, and help maintain and improve standards of quality and service; and

ix) charitable and philanthropic organizations that can mobilize private resources to assist the poor and support education, the arts, and scientific and humanistic endeavors.<sup>7</sup>

21. Strengthening the enabling environment for economic and social development depends not only on a State that governs well nationally and locally, and on a private sector that provides jobs and income and takes social initiatives, but also on civil institutions that facilitate political and social interaction and that can mobilize various groups in society to participate in economic, social, and political activities. Civil institutions not only support the private sector and maintain a check on government power, but also contribute to economic development, help distribute the benefits of economic growth more equitably within society, and offer opportunities for individuals to improve their standards of living. Employers' and workers' organizations are frontrunners among civil institutions in exercising the above roles.

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<sup>7</sup>. Paragraph 20 is drawn from M. Iacono; Rondinelli: *Policies and institutions for managing privatization*.

#### d) Evolving private-public-civic partnerships

22. The roles of government, the private sector, and civil society each have adjusted and become more integrated in response to emerging globalization trends in favour of better helping to create economic efficiency with social equity. The Report of the World Summit for Social Development states: “The goal of full employment requires that the state, the social partners and all the other parts of civil society at all levels cooperate to create conditions that enable everyone to participate in and benefit from productive work. In a world of increasing globalization and interdependence among countries, national efforts need to be buttressed by international cooperation.”<sup>8</sup>

23. Practicable cooperation among the major social actors is the key to realizing more fully the broad potential of these general trends and role adjustments. From a societal perspective and in general terms it is clear that public-private partnerships can be powerful catalysts for change and valuable mechanisms for delivering efficient, effective, and equitable solutions to the challenges of development. From a corporate perspective, multi-stakeholder partnerships are one specific answer.

24. Three general areas in which public-private-civic partnerships offer particular potential include:

i) capacity-building partnerships for leveraging resources for specific programmes or projects – where these can be either commercial or social or hybrid, and where resources are not only represented by financial capital but also by physical, technical, and managerial resources;

ii) advisory structures to inform, debate and help to shape the national or local policy agenda; and

iii) joint campaigns to inform, educate, motivate and, in some cases, mobilize the general public around specific public interest issues. Capacity building and the strengthening of civil society to work together with government and the private sector are widely seen as central pillars of sustainable development.

25. The main paper examines how more fundamental concepts of participation, dialogue, partnership, and cooperative action can assist social and economic development efforts both nationally and at the enterprise level. If tripartism represents and embodies the benefits of communication and dialogue between the ILO’s social partners – governments and employers’ and workers’ organizations – in bettering industrial relations and other work-related goals, then enterprise partnerships, in their myriad forms and mechanisms, including SMEs, in the service of social and economic development, can be seen as a similar parallel concept in promoting broader national economic efficiency and competitiveness with social equity at the societal level.

26. The specific focus of the Round Table with respect to the preceding line of analysis and empirical developments is on how, in the specific context of the Asian crisis, to improve human resources management, corporate citizenship practice, and small business development practice on the part of enterprises, in partnership and cooperation with various institutions and organizations in the public or civil society sectors.

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<sup>8</sup> . Paragraph 42, *Report of the World Summit for Social Development*, Copenhagen, March 1995.

## DISCUSSION FRAMEWORKS FOR THE PRACTICE AREAS

### a) Human resources management practice

27. The first focus of the Round Table is progressive human resources management (HRM) practice on the part of corporations in the Asia-Pacific region during times of restructuring prompted by crisis. This focus is intended to permit learning and extended application of best practice by enterprises in the present and to build a solid base of understanding for improving and advancing future HRM in the region at the enterprise level. To understand what is progressive and effective HRM practice in this context, it is useful to trace the history of HRM, describe its basic analytical structure and components, and place it in the context of other advancing trends in the broader field of management.

28. One of the traditional concerns of the ILO's Enterprise Department in the area of enterprise development, management development, and productivity improvement has been to improve the quality of human resources, the effectiveness of their utilization and employee job satisfaction. Human resources management at the enterprise level includes three main components – the human work environment, human resources development, and human resources utilization – and it has been for some time one of the most important issues in social and economic development. Sound industrial relations serve as a fundamental principle in this area, as employees through their representatives participate in the management of human resources.

29. The ILO response has been to focus its research components, advisory services, and technical cooperation programmes on describing world-wide trends, methods, and techniques for effective human resources management, designing packages to transfer this information to our constituents and assisting through technical cooperation projects, workshops, and advisory services in introducing the best experiences in recipient country practices. In the early 1990s, more than half of our technical cooperation projects in Asia and the Pacific were concerned with human resources development and training, promoting worker participation and improving human resources utilization. The current Round Table continues to build on this previous tradition in the current context.

30. But what is good human resources management? The coming on the scene of HRM can be viewed in two ways: i) as a variant emerging in the late 1970s and early 1980s to improve on earlier personnel administration and ii) as an attempt to introduce a much more comprehensive concept and practice to address the human factor in business. HRM has a central strategic theme comprised of four dimensions: i) the use of planning; ii) a coherent approach to the design and management of personnel systems based on a clear employment policy and a human resources strategy underpinned by an explicit management philosophy; iii) the matching of human resources management activities to an explicit business strategy; and iv) viewing the people of the organization as a strategic resource for achieving competitive advantage.

31. Stated differently, effective HRM involves creating an overall “people management environment” that encompasses and integrates five fundamental policy-choice areas:

i) *human resources flows*, including

a) inflow – recruitment, assessment, selection, orientation, and socialization;

- b) internal flow – evaluation of performance and potential, internal placement, promotion and demotion, and education and training; and
  - c) outflow – secondment, cross-posting, overseas assignment, termination, outplacement, and retirement.
- ii) *work systems*, including
- a) broadly defined jobs, job rotation, career development plans, payment by skills mastered, developmental organizational systems, methods and procedures;
  - b) team assignments, team operation, organization development, evaluation by peers, and self or peer supervision; and
  - c) concern for learning and growth, minimum status differentiation, broad employee participation, and a learning organization.
- iii) *reward systems*, including
- a) extrinsic rewards, pay and benefits, advancement, and job security;
  - b) intrinsic rewards, authority, accomplishment, and job challenge; and
  - c) interpersonal climate, supervisory style, organizational culture, and employee satisfaction and motivation.
- iv) *employee influence*, including
- a) employee participation and organizational democracy;
  - b) autonomous working groups, quality circles and job enrichment; and
  - c) representative participation, works councils, co-determination, producer cooperatives, and self-determination.
- v) *employment relations* of a progressive nature, which include fair employment contracts, employment flexibility, effective dispute settlement mechanisms, and equitable industrial relations practices.

In addition to the five policy choice areas above and their component elements, gender and diversity management issues are also important to progressive and significant human resources management. These issues and how best to address them cuts across the five HRM functions discussed above.<sup>9</sup> (Please refer to boxes 7, 25 and 26 of the main report for more on the importance of gender objectives within human resources management and in small business development respectively.)

32. As with any other practice, a more restricted “operational” notion of HRM is also best understood within a broader context. A more complete framework for HRM should thus also take into account local cultural values and practices, and those managerial practices and styles embedded in and most appropriate to the national culture. But, apart from these culturally specific factors and the previously mentioned trends and requirements that result from the broader setting of globalization – economic internationalization, technological progress, various types of structural adjustments, and transitions to market economies – HRM must also deal with the proximate and more immediate internal effects that

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<sup>9</sup>. Paragraph 31 is based on Michael Beer; Bert Spector; Paul Lawrence; D. Q. Mills; Richard Walton: *Managing Human Assets: The Groundbreaking Harvard Business School Program* (N.Y., The Free Press, Macmillan Inc., 1984).

all these external factors generate at enterprise level operationally. (Please review paragraphs 89-96 of the main report on how HRM issues vary between industrialized countries, developing countries, and economies in transition.)

33. To manage this complex and multi-faceted, context-driven internal development and transition task, effective HRM requires reform or improvement in the delivery of the basic human resources management functions on the part of top management, line management, personnel management, and employees themselves. This involves developing a new perspective and orientation to human resources management based on a sufficient understanding of the preceding major trends and their practical implications. It will also involve these groups in working together much more closely to better manage and develop all levels of the workforce so that it can face the range of strategic and operational challenges that these trends pose. (Please refer to Boxes 8-9 of the main report for two concrete examples of HRM experiences in response to the effects of globalization in the Philippines.)

34. As indicated, at the enterprise level HRM is the responsibility of top management, line management, the personnel department, and their representatives. It is therefore their *joint* responsibility to create appropriate human resources flows, work systems, reward systems, and employee participation systems and relations. At the national level, HRM is also a complex endeavour involving a range of government agencies, public and private institutions, workers' and employers' organizations and enterprises working in partnership. It involves partnerships in shaping an effective system of industrial relations, cooperation and matching between national education and training system outputs and employers requirements, and effective overall labour market and labour institutions. It also involves workers' organizations and employers' organizations in helping to create appropriate educational and training systems, institutions, and programmes, and overall HRM strategies.

## **b) Corporate citizenship practice**

35. The second major focus for this Round Table is strengthening and extending good corporate citizenship practice (CCP) in the region with emphasis on achieving improved community and skills development. The overall purpose of examining this area is to tap the vast potential of the corporate citizenship movement in Asia and the Pacific and strengthen the emerging positive role that it is playing in economic and social development. A more immediate objective is the extended application of best practice in the present and the building of a solid base of understanding for improving and advancing future CCP at the enterprise level.

36. A number of terms and practice are currently in use to denote CCP: corporate philanthropy, corporate social responsibility, corporate and business ethics, corporate codes of conduct, and social initiatives by enterprises. All these terms and movements have their roots in broader ethical, social, cultural, and political trends that reach well beyond modern private enterprise and economics. (Please refer to Paragraphs 134-139 and Box 12 of the main report for more on these background trends.)

37. The modern corporation clearly operates within a complex, multi-dimensional environment. Fundamental questions include these:

- \* What kind of entity is a private sector enterprise, firm, company, business, or corporation?
- \* How does it operate, and with what impact?
- \* How should it operate, make decisions, and interact with other elements within society?

\* With what specific elements of the polity (government) and the culture (civil society) should it in fact interact within the complex and dynamic setting of the emerging global economy and buffeted by occasional minor or major crises?

38. There are various theories that can provide platforms for considering these questions:

i) Entrepreneurial theory views the corporation as based on individual initiative, embodying the ideas and resources of its creators. This concept clearly captures the essential attributes of most new and small and family companies all over the world, and may be the most appropriate model for analyzing the role of indigenous corporations and small and medium-sized enterprises (SMEs) in developing and transitional economies.

ii) Managerial theory sees the corporation as an institution in the custody of its managers, whose duty it is to see that the institution persists over time, and grows and extends its influence when possible and desirable.

iii) Shareowner-agency theory views the public corporation as the private property of its shareholders, whoever they are and however temporary their ownership may be. From this perspective, the enterprise should be managed by hired agents so as to serve the shareholders' immediate financial interests.

iv) Stakeholder theory, in contrast to the preceding notions, holds that the corporation also involves a collaboration of several and multiple interests – investors, employees, customers, suppliers, host communities, the broader public, and even future generations – each of whom contributes to and gains something from the activities of the firm and each of whom therefore requires consideration in its decision making.<sup>10</sup>

39. Private businesses can be and are simultaneously viewed through the lenses of one or more of these main schools of thought. Broadly, good corporate citizenship is about understanding and managing an organization's influences upon and its relationships with the rest of society in a way that minimizes any negative social or economic outcomes while optimizing and maximizing positive ones. The importance of the effective management of a company's citizenship and social performance is growing both for companies and society as a whole. There are a number of driving forces based on self-interest and mutual advantage, in addition to the ethical values that underpin any civilized activity. Better understood and harnessed, these forces can be used by company managers and stakeholders to enhance their positive contribution and lessen the negative.<sup>11</sup>

40. Social initiatives by enterprises may usefully be defined as follows. First, there are external and

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<sup>10</sup>. Paragraphs 37 and 38 are quoted from or based on Lee E. Preston: *Redefining the Corporation: Stakeholder Theory in International Perspective*, Occasional Paper #78, July 1996, Center for International Business Education and Research, College of Business and Management, University of Maryland at College Park; and Daniel Bell: *The Coming of Post-Industrial Society* (New York, Basic Books, 1973).

<sup>11</sup>. Chris Marsden and Jorg Andriof: "Towards an Understanding of Corporate Citizenship and How to Influence It", the BP Corporate Citizenship Unit, Center for Corporate Strategy and Change, Warwick Business School, University of Warwick, Coventry.

<sup>12</sup>. Paragraphs 40-41 are drawn from Professor Howard Gospel, Chair of Management Studies, The Management Centre, King's College, London: "Social Initiatives by Enterprises"; "Discussion Paper No. 3 prepared for ILO Enterprise Forum 1996"; and from G. Hultin: draft informal paper on "Corporate citizenship and social initiatives by enterprises (ILO, 1999).

internal initiatives. Internal activities refer to employment, training, and welfare measures undertaken by organizations for their own employees. This is the traditional area of enterprise social or human resources policy. External initiatives cover measures that are undertaken by enterprises for those outside the organization. These can be for individuals, for groups, or for other organizations: individuals and groups might cover family members of employees or past employees such as pensioners; outside organizations might include business partners and subcontractors, suppliers and customers and they can extend to local and national community groups and voluntary organizations such as charities. They might cover activities vis-à-vis the environment. Many enterprises also launch community initiatives for reciprocal benefit. Examples include financial donations, youth programmes and participation in entrepreneurship, small enterprise, and job creation schemes that involve credit, training, and other forms of support and services. Globalization also has brought enterprises' social initiatives on to a global stage. Recent signs of this are increased business-UN cooperation, CEO links with political leaders, and the increase in Round Tables, conferences, and seminars on the social responsibility of enterprises and its importance.

41. Second, we can distinguish between initiatives that are voluntarily undertaken and others that are legally encouraged or prompted, or market driven. At an intersection of these are those activities that are enterprise-policy driven reactions or proactive initiatives conceived to constructively react to or preempt problems. Many enterprises have also adopted measures in the form of corporate policies, or social codes of conduct to promote improved social or labour standards. They are applicable in-house, but are also often extended to business partners throughout the firm's product supply chain.<sup>12</sup> (Please refer to the main report for concrete examples of corporate citizenship practice in the United Kingdom [Box 15], India [Boxes 16-17], and the Philippines [Boxes 18-19].)

42. The more specific focus of this Round Table in the area of corporate citizenship practice and social initiatives by enterprises is intended to be in the area of community development, small enterprise promotion and support and training and education outreach for employment and employability. This is because these areas are particularly important in times of crisis. Employability can be defined as the increased opportunity and capability for constructing the productive skills and competencies that will allow people to find, create, keep, enrich, and change jobs, and to obtain fair economic, social, personal, and professional rewards in return. For each individual, improved employability means enhanced possibilities for making successful transitions throughout one's working life: from school to first employment, for re-entering the labour market after unemployment, for horizontal and vertical mobility within and between enterprises, between training and work, between wage-employment and self-employment, and for coping with changing job contents and requirements. For enterprises, commitment to employability can be inferred from enterprises' personnel policies and in particular their training, job rotation, and career development policies and programmes. Externally, enterprises, since the national workforce pool provides the source of skills to which they all resort, have a growing interest in the total quality of the national workforce and its ongoing updating and renewal. Enhancing employability involves stakeholders at different levels: employees, enterprises, governments, and workers' and employers' organizations alongside the community itself.<sup>13</sup>

43. Related to efforts to improve employability but also to other manifestations and practices of corpo-

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<sup>13</sup>. Maria Angelica Ducci, Chief of the Training Policies and Systems Branch, ILO Geneva: "Training for employability", Discussion paper 2b, ILO Enterprise Forum, 1996.

<sup>14</sup>. J. Capt, Gender Specialist, ILO Enterprise Department: informal note.

rate social responsibility are the contributions companies make to advancing national and enterprise-level gender management. Since corporate social responsibility refers to a vision of the role and responsibilities of business in society, it should also contribute to promoting gender equality as an important component of better societies. Corporate social responsibility practitioners should bear in mind that women's equality and the promotion of their human rights – including their rights as workers – are important goals of socioeconomic development and poverty eradication that also make very good business and community development sense.<sup>14</sup> Women's equal rights are, in most of the countries, part of the legal framework, and employers have a legal obligation to respect these rights.

### **c) Small business development practice**

44. A final specific goal of the Round Table is to analyze and strengthen the contribution that more effective small business development practice can make to i) the employment and unemployment problems, particularly in Asia, created by the current Asian crisis and ii) how best to unlock the employment potential inherent in the small business sector under more general conditions of ongoing globalization; and this in order to create more national and regional employment, thereby contributing to more equitable and sustainable forms of national private sector development. This Round Table focus aims to encourage increased participant learning and, through it, to contribute to extended application of best practice within the present context. (Please refer to Paragraphs 166-168 and Box 20 of the main report to read more about the employment potential of the SME sector.)

45. To place these goals in perspective and to better understand what represents good SBD practice (SBDP) for these purposes and in general, it is helpful first to: i) both conceptually and operationally define SBD practice; ii) empirically illustrate SBDP applications and implementation at the national level through representative national cases; and iii) briefly trace the development and evolution of the concept of SBD practice by providing analysis including an in-depth review of ILO contributions to the development of this important field. In this respect, an early concern of the ILO's Enterprise Department in the broader area of private sector and enterprise development was the promotion and the development of small enterprises, the informal sector, and entrepreneurship.

46. At present, SME practice comprises four main strategic orientations or “key practice components”. The first and foremost of these orientations subsumes the broad range of government, civil society, and private sector policies, actions, and initiatives that aim to create a more conducive and less constraining business environment for SMEs. This is a conducive environment or a set of surrounding enterprise conditions that both permit (do not constrain) and encourage (provide positive incentives for) the economic and social development and expansion of SMEs. Such an environment may be considered in terms of its main components. These comprise elements related to macro economic policy and regulatory, legal, fiscal, competition, physical infrastructure, administrative, corruption (free), and business culture conditions and circumstances that SMEs face in either establishing a business or in conducting and expanding their existing business operations in given economic subsectors and localities within their countries. Good SBD practice in the area of developing such a conducive business environment may include how skillfully to involve the appropriate stakeholders, advocates, and institutions for useful SBD practice in effecting change to national or local laws, regulations, permits, small enterprise policies, business practices, customs, or economic infrastructures, etc., within each of these areas to make these environmental elements more SME-friendly.

47. The second strategic orientation covers the field of those stakeholder activities and initiatives related to the provision of genuinely needed financial services and credit in keeping with international

best practice. Banks and other national and local credit institutions are key actors and potential targets for changes in this area; but banking rules and laws, lending practices and procedures, and banking cultures can be subject to review, scrutiny, and change as needed. A third SBD practice orientation similarly covers a range of activities and initiatives aimed at providing various kinds of useful business development services. Such services of benefit to SMEs can include, but are not limited to, training and consultancy services in management, professional/technical skills acquisition, marketing, technology, information provision, networking, partnering, alliances, and incubators. Such services can be directly provided by government programmes. Alternatively their private provision and availability can be stimulated by creating more enabling environments for the development of private sector providers of these services on commercial terms.

48. The fourth and final strategic orientation for effective SBD practice subsumes all those efforts that are aimed at developing more efficient and more broadly based institutions and institutional frameworks and partnerships and practices for SME development. These can include formal or informal associations and relationships both at national and local levels to better achieve the other preceding necessary strategic orientations and needs for SME development. This fourth “institutional development” component of SBD practice also comprises the creation of effective networks, partnerships, linkages, and ongoing discussion forums and the development of sets of self-help associations, private sector enterprise initiatives, and civil society organizations and government agencies-sponsored initiatives of various types, within each of the three main areas of SBD practice. (Please refer to Box 21 of the main report for concrete examples of SBD practice in the People’s Republic of China, Japan, the Republic of Korea, Nepal, Thailand, Viet Nam, Hong Kong, China, and the Asia Pacific Economic Cooperation Forum [APEC].)

49. By way of summary, the key components or strategic orientations of SBD practice are all those actions on the part of SBD stakeholders and practitioners that help create:

- i) a more conducive business environment;
- ii) better access to credit;
- iii) better access to useful business development services of diverse types; and
- iv) institutional development of the administrative and associative mechanisms and capacities for better achieving i), ii), and iii) nationally and locally. Advancing these SBD practice areas means rendering more effective and useful those stakeholder activities and initiatives undertaken within these areas to create the conditions desired. National workshops where these matters can be debated, closely examined, and moved forward are one method of advancing national SBD practice.

50. The ILO published a first edition of *Small enterprise development: Policies and programmes* in 1977, about 10 years after the Organization first became active in this field through technical cooperation, research, training, and other activities. It was one of the first works to focus on the policies, structures, and initiatives for the small enterprise sector and for promoting its role in economic and social development.

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<sup>15</sup>. ILO: *General conditions to stimulate job creation in small and medium-sized enterprises*, Report V (1), International Labour Conference, 85<sup>th</sup> Session, Geneva, 1997.

<sup>16</sup>. ILO: *General conditions to stimulate job creation in small and medium-sized enterprises*, Report IV 2 (B), International Labour Conference, 86<sup>th</sup> Session, Geneva, 1998.

51. A first discussion of the question concerning the general conditions to stimulate job creation in small and medium enterprises took place at the 1997 session of the International Labour Conference. SMEs, it was emphasized, can play a significant national role in development by marshalling entrepreneurial initiative for the economic and social development of their countries side by side with large-scale enterprises, with which optimally they should enjoy a balanced interdependence. SMEs were viewed as an important vehicle for social progress, for employment creation, for stimulating investment at lower cost, for performing complementary activities to those performed by large firms, and for supporting policies of regional and local decentralization of economic activities. They were also seen as able to stimulate the development of national pools of managers, entrepreneurs, and skilled workers.<sup>15</sup>

52. The International Labour Conference again took up the issue of general conditions for promoting SMEs at its 86th Session in 1998, where it adopted a Recommendation (Recommendation 189, Concerning general conditions to stimulate job creation in small and medium-sized enterprises) which provides guidance to member States, using the tripartite approach, in the design and implementation of policies for job creation in small and medium-sized enterprises.<sup>16</sup>

53. This ILO Recommendation offers assistance in:

- i) creating a conducive policy and legal framework for SME development;
- ii) developing more conducive national enterprise cultures;
- iii) developing an effective service infrastructure of training, consultancy, research, access to credit, marketing, product development, business start-up, and information services; and also developing labour legislation for SMEs, trade opportunities, technology, physical infrastructure, innovation, promotion, business incubators, environmental management and enterprise-based training; and
- iv) ensuring the optimum relevance and efficiency of these services adapting their delivery to the specific needs of SMEs. This can best be accomplished by ensuring the active and direct involvement of SMEs and the ILO's tripartite constituents in the design and delivery of these actions. It can also be facilitated by broadly involving the public and private sectors, by decentralizing delivery, by promoting access through "single window" arrangements, by aiming at self-sustainability through cost-recovery, by ensuring professionalism and accountability, and by establishing continuous monitoring and evaluation mechanisms. (Please refer to Paragraphs 186-192 and Box 22 of the main report for more on ILO assistance in SME development as declared at the 86th session of the International Labour Conference through Recommendation 189.)

54. Member countries are also being advised to facilitate the development of national organizations and initiatives most able to support the growth and competitiveness of SMEs and the promotion of cooperative linkages between SMEs and larger enterprises. Such linkages can include the exchange of relevant experience by enterprises and their sharing of resources and risks by encouraging the

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<sup>17</sup> ILO/ISEP: "An overview", and "Competencies and staff, track record, and methodologies and instruments", ILO Enterprise and Management Development Branch (ENT/MAN), Enterprise Department, Geneva, 1998).

formation of relevant structures such as consortia, networks, and service cooperatives. All these efforts can benefit from a constructive role on the part of employers' and workers' organizations, particularly in considering the specific measures needed for disadvantaged persons aspiring to become entrepreneurs. Among these are the long-term unemployed, women, and minority, disabled, marginalized, tribal, indigenous, or war-affected persons and groups.

55. As a more targeted response in assisting member countries in all the preceding ways, the ILO has launched the International Small Enterprise Programme (ISEP). ISEP is a comprehensive and integrated programme managed by the ILO's Enterprise Department. It is designed to help small enterprises to unlock their job creation potential. ISEP operates through cooperation with many local partners involved in small enterprise development. It includes components to Start and Improve Your Business (SIYB), to promote a supportive framework of policies and regulations, to facilitate access to financial services, to improve access to business services, and to promote quality jobs. Means of action include advisory services, publications, conferences and meetings, and technical assistance projects implemented through SME programmes and projects initiated by ISEP's local partners.<sup>17</sup> (Please refer to Boxes 23 and 24 of the main report for more on two ISEP components, the ILO's Start and Improve Your Business [SIYB] training programme, and Work Improvement and Development of Enterprise [WIDE].) The ILO Programme and Budget 2000-2001 includes an InFocus programme on Boosting employment through small enterprise development. Its operational objectives aim to: provide women with access to more and better jobs; ensure effective implementation of policies and programmes to upgrade informal sector activities; adopt or strengthen targeted programmes to enable young workers, the disabled, migrants and indigenous populations to find decent employment; and to better equip ILO constituents to influence global and regional policy development related to employment.

56. In the present context of the Asian crisis, the ILO also has undertaken a number of employment-related interventions that include some supported by ISEP. ILO interventions in employment promotion have not only addressed immediate problems of economic hardship associated with labour displacement and falling incomes, but have also provided support for employment and income growth in the medium term. In doing this, the ILO has followed a broad, three-pronged approach: i) an emergency employment creation focus as a cornerstone of social safety-net programmes; ii) sustainable employment and income policies; and iii) labour market and human resources development initiatives.

57. A special effort is being made to direct ILO activities towards enhancing the job-creation potential of enterprises, particularly through labour-intensive projects and small and medium enterprise development. Because ILO studies indicate that women are often in lower positions in the labour market, and discriminatory practices are still common, gender components are also included. Furthermore, since adequate data on the status of working women is still limited – because of the lack of available sex-disaggregated statistics, and because a majority of women work in the informal sector – the ILO is also focusing on the principles of its Equal Remuneration Convention, 1951 (No. 100). The ILO action focuses on increased gender analysis of the impact of the crisis and greater specification of appropriate policy responses on how best to defend and promote the rights of working women during economic downturns.

58. In conclusion, participants at this Round Table are strongly encouraged to further challenge their own thinking regarding how best they may involve their own organizations and networks in these important tasks of promoting entrepreneurship and SME development in their countries. In its general

conditions to stimulate job creation in small and medium-sized enterprises, the International Labour Conference has indicated that employers' or workers' organizations can consider contributing to the development of their small and medium-sized enterprises in several ways. The summary reference points listed below as guidelines are drawn from Recommendation 189 Concerning General Conditions to Stimulate Job Creation in Small and Medium Sized Enterprises, as adopted in June 1998 by the International Labour Conference at its 86th Session.

Employers' and workers' organizations can advance national small business development practice by considering specific ways to:

- i) articulate to their governments the concerns of small and medium-sized enterprises or their workers, as appropriate;
- ii) provide direct support services in such areas as training, consultancy, easier access to credit, marketing, advice on industrial relations, and by promoting SME linkages with larger enterprises;
- iii) cooperate with national, regional, and local institutions and with intergovernmental regional organizations that provide support to small and medium-sized enterprises in such areas as training, consultancy, business start-up, and quality control;
- iv) participate in councils, task forces and other bodies at national, regional, and local levels established to deal with important economic and social issues, including those policies and programmes affecting small and medium-sized enterprises;
- v) promote and take part in the development of economically beneficial and socially progressive restructuring (by such means as retraining and promotion of self-employment) and including appropriate social safety nets;
- vi) promote the exchange of experiences and establishment of linkages between small and medium-sized enterprises;
- vii) participate in the monitoring and analysis of social and labour-market issues that affect small and medium-sized enterprises, concerning such matters as terms of employment, working conditions, social protection, and vocational training, and promoting corrective actions in these areas as appropriate;
- viii) participate in activities that raise quality and productivity, as well as promoting more ethical standards, gender equality, and non-discrimination;
- ix) prepare studies on small and medium-sized enterprises and collect statistical and other types of information and data relevant to the enterprise sector, including statistics that are disaggregated by gender and age; and share this information, as well as any best-practice lessons, with other

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<sup>18</sup> ILO: Recommendation 189 Concerning General Conditions to Stimulate Job Creation in Small and Medium-sized Enterprises, International Labour Conference, 86<sup>th</sup> Session, Geneva 1998.

national and international organizations of employers and workers; and

x) provide services, advice, and advocacy on workers' rights, progressive labour legislation, and social protection for workers employed in small and medium-sized enterprises.<sup>18</sup>

## **ADVANCING THE AREAS OF PRACTICE**

59. The basic structure and background of the three enterprise practice areas examined by this Round Table (HRM, CC, and SBD), their relevant conceptual-analytical frameworks, and the current best practices being implemented in the Asia and Pacific region each are described in more detail in the main report. These three important and interrelated enterprise development areas of human resources management, corporate citizenship and small business development have served as the focus of this Round Table so that participants could consider, on the basis of better information, how to advance these areas practically in their own national contexts. Suggestions regarding how to promote and advance good practice, wherever clear lessons make this possible, are set out or illustrated further in each of the relevant sections.

60. Interested actors and stakeholders can involve themselves proactively in many ways to contribute to advancing practice. Their involvement can be usefully conceptualized at the enterprise, national, and regional levels. Each of the national and enterprise cases that are presented in this paper points to specific ways in which the standard of practice in each of the three areas can and is being improved, and suggests guidelines for stakeholders. In general terms, leadership, management vision and initiative, and the participation, involvement, commitment and contribution of all stakeholders to these areas in systematic and institutionalized fashion are strong contributing factors to the advancement of national practice. This is especially true when all stakeholders and practitioners have a clearer understanding of the various forces and the multiple objectives under which they need to operate. The development of relevant enabling environments at each level and for each kind of practice is also important.

61. The ILO's social partners should examine their present activities in these areas in close relationship to other activities already undertaken in response to the Asian crisis. This response was the subject of a special symposium in the March 1999 Governing Body, and the conclusions of that meeting are included in Box 27.

## CONCLUSIONS

62. Based on the cases reviewed in this paper, we may conclude that countries generally achieve more competitiveness, more effective development, and more resilience in face of crisis when they employ ongoing and flexible economic and social development strategies and related implementation plans, and when they are able to manage their national and enterprise development and competitiveness processes broadly and in light of evolving internal and external conditions.

63. With respect to human resources management (HRM), more specifically, experience shows that companies are impacted by numerous forces and requirements generated both by globalization and by the immediate crisis. To succeed, these businesses must respond effectively and proactively. Those companies that have a longer-term development and competitiveness vision and strategy in place, in addition to business plans, and who continue to take into account both the economic and the social development dimensions and realities of their performance, are usually in a better position to make wise and effective decisions with respect to HRM in times of crisis. The methods of employee involvement, consultation, transparency, and communication are often beneficial or even essential to this process, and can be exercised through a variety of mechanisms and internal or external national and enterprise-level institutions and activities.

64. Similarly, with respect to improving corporate citizenship practice (CCP), it is clear that companies are increasingly influenced by the “conscience, compliance, and competitiveness” forces present in the global economy. In response to these dynamic forces, enterprises and their stakeholders are best served by adopting and developing internally shared company principles, policies, and programmes in corporate social responsibility in an open, consultative, and participatory fashion.

65. Finally, with respect to more effective promotional practice for small business development (SBD) and through various categories of practical interventions, social actors, stakeholders, and practitioners need to focus continuing attention on the promotion of an overall more conducive national enterprise culture and environment. This should include: i) increased efforts to create a more enabling business and policy environment both nationally and locally; ii) the development of effective business services and their provision; iii) improved access to needed credit; and iv) the development of institutional linkages, partnerships, and associative mechanisms that can effectively promote and develop the preceding.

66. It is also important to recognize that efforts to create or improve good practices in the three main focus areas of this Round Table – HRM, CCP, and SBD – are interrelated. This is because all three areas depend on the development of a broad national environment conducive to economically efficient and socially equitable private sector enterprise development. Governments, the private sector and employers’ and workers’ organizations, and civil society organizations, all can exercise increased initiative to play constructive and collaborative roles in bringing about such an environment and its related ways of thinking and acting. The specific cases presented and analyzed in the main body of this report illustrate these conclusions, and are intended to provide further specific guidelines for the ILO’s tripartite constituents.