CULTURE AND CORPORATE PERFORMANCE IN THE PHILIPPINES: THE CHINESE PUZZLE

G. L. Hicks and S. G. Redding*

1. Introduction

The work of Harry Oshima is rare insofar as it has broken out of disciplinary mould in which many scholars feel constrained to operate, and has brought into account factors from a range of disciplines. In particular, he has faced up to the inevitability of taking culture into account when explaining economic behaviour. This paper pays tribute to the quality of such a lead, by following it. More recent interest has been in the effects of culture, religion and work ethic on labour force behaviour. This is not our direct interest, for we are more concerned with managerial behaviour and its results, but the main thrust of the analysis is in line with his thinking. Interest is in the cultural make-up of the 250 largest Philippine companies and their performances as distributed culturally. More specifically, we have attempted to update and extend the pioneering study of Yoshihara (1971) which was the first to examine such conditions empirically on a comprehensive scale.

We may perhaps preview the paper by indicating that significant differences in the pattern of management of a firm’s financial resources are evident between Chinese and non-Chinese in the commercial sector. To the best of our knowledge, such empirical support for differences of this kind is rare, and perhaps, so far, unique. Further, it has been gathered in a context where Chinese and

*The authors would like to acknowledge the invaluable assistance provided by Miss Elizabeth Ong in Manila, and Mr. Alfred Kam in Hong Kong, in gathering and processing data for the study.
non-Chinese are operating in the same environment (except for the factor of anti-Chinese discrimination which makes the finding stronger), and where the *ceteris paribus* assumption can be still held. Our contention will be that the results seriously undermine this assumption by economists that socio-cultural variables can be left out of account in explaining economic behaviour.

This study is exploratory and may pose more questions than answers. The data used are indicative rather than explanatory, and closer studies of business behaviour in the Philippines are needed in order to follow up some of the leads indicated. It is hoped that research of such a nature may be stimulated, as the general field of managerial behaviour among the Overseas Chinese is still only partly researched. This applies also to indigenous management thought in the Southeast Asian region, and the contrast with Japan is most this respect.

The paper will proceed by considering briefly the still sporadic and so far unfruitful, flirtation of economics and the social sciences disciplines handling culture. We shall then present a brief resume of Yoshihara’s findings, before presenting and analysing the results of our new study based on 1979 company performance data in both the manufacturing and commercial sectors of the Philippine economy.

2. Economics and Culture

A recent review by Jamieson (1980) has pointed to the long-dominant perspective of industrialism in the field of economic development. It is not necessary in this context to present the arguments for and against the convergence hypothesis in detail except perhaps to remind ourselves of the central argument that technological imperative supposedly acts upon organizations to rationalize and bureaucratize their behaviour. Evidence is accumulating that, in Asia at least, this is not the case. For instance, in the case of Japan, Hayashi (1978) has brought into account the proposition that organizations tend to retain their pseudo-geni
craft nature. For the Philippines, Dannhaeuser (1981) demonstrated that the rationalization of distribution channels is not expected with development does not in fact take place. Instead, more loosely organized channel develops and proves to be effective. An important contributory factor in both these instances is the role of local cultural values; in the first case, those so commonly described
Japan as affecting organizational life, and in the second case, the "way" of doing business, a factor which we shall return to in detail.

The difficulty which economists have had in embracing such aspects of their models, is explained partly by the necessary of academic labour and the consequent drawing and of boundaries which tends to set one group against another. A further factor has been the possibly comforting feeling of certainty (or at least greater certainty) inherent in the use of quantitative methods. Meanwhile, the sociological has been plagued with conflict and doubt. Jamieson's resume (p. 10) is perhaps useful here. In discussing the problem of identifying cultural causes, he notes:

Economics, that discipline principally concerned with economic behaviour and performance, must have found itself particularly reluctant to enter such conceptual confusion. By the 1930s the Anglo-American tradition of economics had largely ceased to be interested in the effects of cultural and intellectual factors on economic activity. The great debates about method in economics, of historical induction versus deduction, individualizing versus generalizing, descriptive economics or an economics that searches for laws patterns raged in the 1880s, particularly in Germany, but were largely by the end of the first quarter of the twentieth century. Although the institutionalist school, led by men like Veblen, still stressed the importance of institutional factors in economic analysis, the majority of professional economists had turned their back on these factors and stressed the benefits gained by ignoring such non-economic variables, at least for purposes of analysis. The success of this approach compared with the performance of the other social sciences has been notable. In particular, Keynes showed how useful an analysis could be which based its reasoning upon very small amounts of primary data about human existence. The theoretical elicitation of such cultural factors allowed a rigorous definition of purely social concepts, and paved the way for the introduction of some very powerful mathematical techniques.

In this manner, the situation to which economics has been led, is such that the leading textbooks in the field (e.g., Samuelson) only the slightest attention to socio-cultural variables. In some a kind of puzzled acknowledgement of their importance is but because of the puzzlement, they are consigned to the of residuals or explanations of last resort. In some cases the ignoring of such elements when making predictions has
resulted in prognostications which are embarrassing to look back upon.

In this context, empirical evidence of connections between socio-cultural variables and economic behaviour may prove useful. Although not presented as part of an overall model, it is anticipated that refinement of existing models may be stimulated.

3. Yoshihara’s 1971 Study

Yoshihara’s work was carried out against a background question of whether the process of industrialization with its individual rationalism and economic calculation was possible in certain contexts. He studied the 1968 performance data of 254 Philippine manufacturing corporations, extracting them from the top three companies and restricting his sample to companies with sales of at least 5 million pesos.

Out of these, 166 were domestically owned, and he noted that 100 were under Filipino control and 66 under Chinese-Filipino control. Another category of foreign-owned companies contained 18 subsidiaries and 23 non-subsidiaries.

Analysing the rate of return being achieved, he noted that the median rate of return was 21.5 percent for the subsidiary group, 11 percent for the non-subsidiary one, 7.5 percent for the Filipino group and 8.9 percent for the Chinese-Filipino corporations.

Introducing an important caveat that the figures for Filipino and Chinese-Filipino companies might be fictitious, Yoshihara noted contributing factors. First, “a corporation is not a purely economic institution whose sole aim is to maximize the rate of return. Its purpose is to increase the welfare of family members.” It is necessary to allow for “unnecessary expenditure often lavish family members occupying high positions in corporations.” The second factor is the under reporting of earnings, for which there is a high incentive. It is likely that the same elements are in force for the period of our own study, using 1979 data, and the same caveats necessarily apply.

The thrust of the Yoshihara study was industrialization in a developing country and, after examining issues relating to technology transfer, scale of operations, and the country’s desire to remain politically and culturally distinct entity, he concluded that such
not lie in duplicating the industrial experience of developed
nations.
Our own concern is less with national economic policy than with
processes occurring within the economy itself and we now turn to
question of relative performance in various culturally-defined
areas. In pursuit of an interest in the effect of socio-cultural
factors on economic behaviour, the main focus will be on
businessmen of Chinese extraction, compared to others.

4. The Research Design

From the list of 1000 largest corporations provided in the
*Day Special Report* (1980), the largest 259 were chosen,
in all sectors. Of these, 140 were in manufacturing, 74 in the
financial sector, with smaller numbers in mining, services, utilities
and agriculture.

Information from the Securities and Exchange Commission
provided details of share ownership and identity of directors. Parallel
to these data, a range of company financial performance figures
were extracted from the *Business Day Special Report* and allowed
use of the following:

- Paid-up capital
- Sales rank
- Sales volume
- Income
- Assets
- Equity
- Income to equity ratio
- Income to sales ratio
- Gross profit to sales ratio
- Number of days accounts receivable
- Inventory turnover rate
- Liquidity ratio
- Liabilities to assets ratio
- Liabilities to equity ratio
- Fixed assets to total assets ratio
- Sales growth index (based on 1972)

Complete data were not available in every case, but in the data
analyzing, companies where data were missing on a variable were
excluded from the analysis.
5. Results

Table 1 presents a breakdown of the major sectors of the economy by culture of ownership. The two most significant sectors, both in terms of numbers of companies and sales volume, are manufacturing and commercial sectors, which between them account for 214 of the 259 largest companies. In the manufacturing sector, a bias is given to the data with the inclusion of two American companies whose combined sales were 9,974 million pesos. Yoshihara’s data were for 254 companies all in manufacturing opposed to our own 140. It is clear that his research went into a smaller size of company than our own, but in terms of proportion of cultural ownership, little appears to have changed. He has included Chinese-Filipino companies as opposed to Filipino in a ratio of 47 to 67 (or 70 to 100). If we include Spanish with Filipino in our sample, the ratio is 47 to 67 (or 70 to 100). Although the samples are not strictly comparable, there is no noticeable shift in proportions during the year gap between the two studies. If anything, the Chinese may have increased their influence slightly in this sector.

The commercial sector data are again somewhat distorted by American companies in the petroleum field, whose data activities account for 6,712 million pesos out of the American total of 7,619 million. The remainder of the commercial sector, excluding those two companies, has sales of 12,586 million. Chinese-owned companies account for 7306 million or 58 percent of this total.

Examining the sectors more closely, Table 2 presents a breakdown by industrial subgroup for manufacturing, with Chinese as opposed to non-Chinese ownership. This indicates a Chinese-owned monopoly in tobacco, a small predominance (in terms of numbers of companies) in textiles and garments, and dominant positions in vegetable/animal oils, food and beverage, paper products, and basic metals.

For the commercial sector, Table 3 indicates particular dominance in machinery supply, general retail, and chemical products.

Attention was next paid to analysing the financial characteristics of Chinese versus non-Chinese companies to see if it were possible to distinguish certain performance patterns which would indicate simple terms how the Chinese manage, or at least what business strategies are normal to them, and perhaps not to others.
<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>No. of companies included</th>
<th>No. of cos.</th>
<th>Spanish sales&lt;sup&gt;b&lt;/sup&gt;</th>
<th>No. of cos.</th>
<th>Filipino</th>
<th>No. of cos.</th>
<th>Chinese&lt;sup&gt;c&lt;/sup&gt;</th>
<th>No. of cos.</th>
<th>American&lt;sup&gt;d&lt;/sup&gt;</th>
<th>No. of cos.</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>140</td>
<td>14</td>
<td>10,039</td>
<td>53</td>
<td>10,289</td>
<td>47</td>
<td>8,950</td>
<td>18</td>
<td>14,729</td>
<td>8</td>
<td>2,020</td>
</tr>
<tr>
<td>Commercial</td>
<td>74</td>
<td>2</td>
<td>302</td>
<td>34</td>
<td>3,341</td>
<td>32</td>
<td>7,305</td>
<td>3</td>
<td>7,619</td>
<td>3</td>
<td>761</td>
</tr>
<tr>
<td>Mining</td>
<td>13</td>
<td>—</td>
<td>6</td>
<td>2</td>
<td>2,400</td>
<td>2</td>
<td>171</td>
<td>2</td>
<td>873</td>
<td>3</td>
<td>N.A.</td>
</tr>
<tr>
<td>Services</td>
<td>14</td>
<td>1</td>
<td>106</td>
<td>9</td>
<td>3,303</td>
<td>1</td>
<td>174</td>
<td>1</td>
<td>615</td>
<td>2</td>
<td>N.A.</td>
</tr>
<tr>
<td>Utilities&lt;sup&gt;e&lt;/sup&gt;</td>
<td>13</td>
<td>1</td>
<td>136</td>
<td>7</td>
<td>875</td>
<td>3</td>
<td>407</td>
<td>2</td>
<td>225</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>5</td>
<td>—</td>
<td>3</td>
<td>3</td>
<td>367</td>
<td>1</td>
<td>96</td>
<td>1</td>
<td>72</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>259</strong></td>
<td><strong>18</strong></td>
<td><strong>10,586</strong></td>
<td><strong>112</strong></td>
<td><strong>20,545</strong></td>
<td><strong>86</strong></td>
<td><strong>17,106</strong></td>
<td><strong>27</strong></td>
<td><strong>24,135</strong></td>
<td><strong>16</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: See Text

<sup>a</sup>The control of a corporation by a certain nationality is determined by the majority of capital subscription.

<sup>b</sup>Naturalized Filipinos descended from Spanish stock are included here, e.g., the families Zobel, Ayala, Araneta, Elizalde, Ozaeta, Aboitiz, Soriano.

<sup>c</sup>Naturalized Filipinos who are of Chinese ancestry, and who still bear their Chinese names are classified as Chinese.

<sup>d</sup>This figure included two American companies with sales of 9,974.

<sup>e</sup>Excluding government controlled organizations in power, communications and air transport.
### Table 2 — Manufacturing Industries (out of top 259 companies)
No. of companies, Chinese and non-Chinese, by industrial sector

<table>
<thead>
<tr>
<th>Industrial sector</th>
<th>No. of Chinese owned</th>
<th>% in sector</th>
<th>No. of other owned</th>
<th>% in sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food + beverage</td>
<td>10</td>
<td>45.5</td>
<td>12</td>
<td>54.5</td>
</tr>
<tr>
<td>Textile + garments</td>
<td>10</td>
<td>52.6</td>
<td>9</td>
<td>47.4</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Vegetable + animal oils</td>
<td>3</td>
<td>50.0</td>
<td>3</td>
<td>50.0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2</td>
<td>10.5</td>
<td>17</td>
<td>89.5</td>
</tr>
<tr>
<td>Wood + wood products</td>
<td>1</td>
<td>11.1</td>
<td>8</td>
<td>88.9</td>
</tr>
<tr>
<td>Paper + paper products</td>
<td>3</td>
<td>42.9</td>
<td>4</td>
<td>57.1</td>
</tr>
<tr>
<td>Rubber + plastic products</td>
<td>2</td>
<td>25.0</td>
<td>6</td>
<td>75.0</td>
</tr>
<tr>
<td>Basic metals</td>
<td>3</td>
<td>42.9</td>
<td>4</td>
<td>57.1</td>
</tr>
<tr>
<td>Non-metallic minerals</td>
<td>1</td>
<td>10.0</td>
<td>9</td>
<td>90.0</td>
</tr>
<tr>
<td>Tobacco</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alcoholic drinks</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Transport + heavy equipment</td>
<td>1</td>
<td>20.0</td>
<td>4</td>
<td>80.0</td>
</tr>
<tr>
<td>Electrical machinery appliances, supplies</td>
<td>3</td>
<td>25.0</td>
<td>9</td>
<td>75.0</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: See text.

The significant differences which are evident in the manufacturing sector are given in Table 4. From this table, it is possible to conclude that the Chinese-owned firm tends to be smaller in volume than the non-Chinese. It also operates on a smaller profit margin, ending with a net profit of 3.1 percent of sales as opposed to 4.3 percent. Its liquidity ratio is 1.24, as opposed to 1.65 for the non-Chinese, indicating a slightly more cautious approach to cash flow, although the higher ratio of liabilities to equity is contradicted by this, explained perhaps by a very small equity base.

A search for the key factors which distinguish the Chinese from the non-Chinese firm, was carried out, using discriminant analysis.
Table 3 — Commercial Industries (out of top 259 companies)
No. of companies, Chinese and Non-Chinese, by industrial sector

<table>
<thead>
<tr>
<th>Industrial sector</th>
<th>No. of Chinese owned</th>
<th>% in sector</th>
<th>No. of others</th>
<th>% in sector</th>
<th>No. of total in commercial sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, beverages, tobacco and section</td>
<td>4</td>
<td>44.4</td>
<td>5</td>
<td>55.6</td>
<td>12.3</td>
</tr>
<tr>
<td>Textiles and industrial</td>
<td>4</td>
<td>36.4</td>
<td>7</td>
<td>63.6</td>
<td>15.1</td>
</tr>
<tr>
<td>Retail</td>
<td>1</td>
<td>33.3</td>
<td>2</td>
<td>66.7</td>
<td>4.1</td>
</tr>
<tr>
<td>9</td>
<td>69.2</td>
<td>4</td>
<td>30.8</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>Intermediate and construction supplies</td>
<td>3</td>
<td>27.3</td>
<td>8</td>
<td>72.7</td>
<td>15.1</td>
</tr>
<tr>
<td>Chemical products</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>100.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Construction</td>
<td>2</td>
<td>66.7</td>
<td>1</td>
<td>33.3</td>
<td>4.1</td>
</tr>
<tr>
<td>5</td>
<td>38.5</td>
<td>8</td>
<td>61.5</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>Special machinery and office appliances</td>
<td>3</td>
<td>75.0</td>
<td>1</td>
<td>25.0</td>
<td>5.5</td>
</tr>
<tr>
<td>2</td>
<td>66.7</td>
<td>1</td>
<td>33.3</td>
<td>4.1</td>
<td></td>
</tr>
</tbody>
</table>

multiple regression. Results are presented in Table 5. From it is evident that two major elements distinguish the Chinese use of debt and the other is the satisfaction with margins. In this part of the economy, however, differences Chinese and non-Chinese firms are not strong and it is that the technological imperatives inherent in the process are causing companies to conform to certain which becomes perhaps dangerously inefficient.

Influence applies less in the commercial sector where discretion is doubtless higher, and this emerges in greater between Chinese and non-Chinese firms. Table 6 presents discriminating variables and Table 7 gives the results of the and canonical analyses and the multiple regression.

Chinese-owned firm in the commercial sector is clearly in terms of assets, and of equity. Its income to sales ratio is
### Table 4 — Manufacturing Sector
Comparison of Chinese and Non-Chinese Financial Performance
(in million pesos)

<table>
<thead>
<tr>
<th>Financial characteristic</th>
<th>Chinese mean n=40</th>
<th>Non-Chinese mean n=94</th>
<th>t</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>203.9</td>
<td>387.3</td>
<td>1.25</td>
<td>0.21</td>
</tr>
<tr>
<td>Income + equity ratio</td>
<td>0.006</td>
<td>0.116</td>
<td>1.45</td>
<td>0.16</td>
</tr>
<tr>
<td>Income to sales ratio</td>
<td>0.031</td>
<td>0.043</td>
<td>1.17</td>
<td>0.28</td>
</tr>
<tr>
<td>Liquidity ratio</td>
<td>1.24</td>
<td>1.34</td>
<td>1.16</td>
<td>0.28</td>
</tr>
<tr>
<td>Total liabilities to equity</td>
<td>4.96</td>
<td>3.05</td>
<td>1.35</td>
<td>0.28</td>
</tr>
</tbody>
</table>

Source: See text

*a Alternative calculations with logarithmic data produced no significantly different results.

### Table 5 — Manufacturing Sector

<table>
<thead>
<tr>
<th>Discriminant analysis</th>
<th>Raos V (^a)</th>
<th>Canonical discriminant functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total liabilities to equity</td>
<td>2.56</td>
<td>1. Income to sales (6.14)</td>
</tr>
<tr>
<td>2. Liquidity ratio</td>
<td>4.06</td>
<td>2. Liabilities to equity (6.03)</td>
</tr>
<tr>
<td>3. Total liabilities to total assets</td>
<td>7.67</td>
<td>3. Liquidity ratio (6.00)</td>
</tr>
</tbody>
</table>

Multiple regression on Chinese share percentage

<table>
<thead>
<tr>
<th>Regression</th>
<th>Rsquared</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Liquidity ratio</td>
<td>0.01</td>
</tr>
<tr>
<td>2. Liabilities to assets ratio</td>
<td>0.08</td>
</tr>
<tr>
<td>3. Liabilities to equity ratio</td>
<td>0.07</td>
</tr>
<tr>
<td>4. Gross profit to sales ratio</td>
<td>0.08</td>
</tr>
<tr>
<td>5. Sales</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Source: See text

*a All statistics referred to are derived from the SPSS package.
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A third to that of the non-Chinese, due in part to the lower gross profit of 9 percent as opposed to 14 percent. The most dramatically discriminating variable is days of accounts receivable, which is 27 for Chinese and 54 for non-Chinese. This much tighter financial control is also reflected in the inventory turnover rate which is no more than four times greater than that of the non-Chinese sector. As in manufacturing, the liquidity ratio is lower.

It is, then, predictable that the key discriminating variables would emerge as days of accounts receivable and inventory turnover.

Table 6 — Commercial Sector

<table>
<thead>
<tr>
<th>Financial characteristic</th>
<th>Chinese mean n=33</th>
<th>Non-Chinese mean n=40</th>
<th>t</th>
<th>Probability a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days accounts receivable</td>
<td>27.0</td>
<td>54.8</td>
<td>2.90</td>
<td>0.005</td>
</tr>
<tr>
<td>Profit to sales ratio</td>
<td>0.091</td>
<td>0.141</td>
<td>1.79</td>
<td>0.05</td>
</tr>
<tr>
<td>Inventory turnover rate</td>
<td>56.68</td>
<td>14.16</td>
<td>1.58</td>
<td>0.10</td>
</tr>
<tr>
<td>Sales ratio</td>
<td>1.11</td>
<td>1.25</td>
<td>1.63</td>
<td>0.05</td>
</tr>
</tbody>
</table>

See text

...calculation with logarithmic data produced no significantly different results.

6. Discussion

There can be no doubt as to the relative success of the Chinese-owned firm in the Philippine economy. In the commercial sector particularly, they remain the dominant force, and they are represented in other sectors. One need hardly add that this success has been achieved in the face of long-standing legislation deliberately set up to exclude them (McBeath 1973), the details of which are necessary to consider here.

The question is how this has been achieved, and this carries...
with it two ancillary questions, namely, why other groups have succeeded so well, and what the implications are for the study of Philippine economics. We may attempt an outline answer to the question, but will leave the other two for others to ponder.

The Chinese way of doing business, as we have already noted, is not widely understood, and often the subject of a degree of derision. Amyot (1973), in his close study of the Chinese of Manila, states factors as contributory to Chinese economic success: hard work, frugality, the ability to work together, the availability of business acumen, and a pioneering spirit. Dannhaeuser (1962, p. 590), in his study of Philippine wholesaling, included a description of "the Chinese way," the following resume:

...[there is] a preference for autonomous personalized ownership of business which set their own informal terms and a tendency to give factors being equal, fellow Chinese a slight personal edge over kinship (the family) provides one of the more effective principles to entrepreneurs for organizing their enterprises. A similar point is made here with respect to ethnic identity and relations among people. In essence the Chinese combine two things. They maintain autonomy on each market level within the context of giving vertical ties importance to one another largely on ethnic grounds.

Omohundro's study (1972) of Chinese merchant culture noted the synonymous nature of the business and the household of the Chinese. Constituting only 2 percent of the city population, nevertheless pay 35 percent of its taxes. Describing members of the firm as being in concentric circles, he notes that it in the circle of exclusively family members "where all the money decisions made, all responsibility shoulder, and where their money accumulates." The money is held closely, and expenses Expansion depends as much on available family talent as on money.

Looking at the same question from an historical point of view, Wickberg (1965, p. 121) concluded significantly:

The Chinese were able to expand their economic influence because of the factors: liberalized Spanish policies, new opportunities offered by the export crop economy, and Chinese business methods. Of the three, the last was the most decisive.

Historical influences of a different kind are discussed by Bautista (1973), who, in considering the prohibitions of the Philippine Constitution, says "The impact of the American colonized..."
The Commonwealth period was to further entrench basic Chinese eco-
interests. This was particularly the case with commercial
transactions.” He further notes that any further compromise of these
economic interests has been prevented by taking citizenship, using
to so-called ‘fronts’ ignoring the law, and the use of bribes to prevent
the last element, that of a somewhat besieged community, is
more important than it first appears, and certainly adds
credence for the high levels of co-operativeness noted for Chinese
business. Such co-operativeness is decisive in the key area of finance,
the description of which is provided by Weightman (1960, p. 147)
The Chinese merchants belong to associations which are ‘borrowing pools’
and price-fixing agencies. No firm can expect to continue in business if, by
agreement with its compatriots, it would appear that practically any Chinese (or at least
Hokkien) who does not have a record as a poor risk and who has a plan
of establishing a business can easily obtain a loan by merely presenting a
record of his intentions and prospects to a Chinese bank or a rich Chinese. It
hardly be added that the chamber of commerce, the bank or the
related associations, bend every effort to insure the success of the under-
taking and the return of the loan.
An example of this working is provided in Dannhaeuser’s
publication (1981) of the textile industry. Here the importers/whole-
ners invested in the mills and have continued to support them with
orders. Trade terms are normally undocumented and
flexible, guaranteed entirely by personal trust. It is not
usual for provincial dealers to receive high credit from Manila at
interest rates, with loosely defined payback dates, which
others would find it next to impossible to obtain. Such
credit is supported by information sharing and the organizational
of trade and mutual aid associations, partnerships and surname

Such descriptions of the Chinese approach to business as it is
used in the Philippines accord with other descriptions of general
Chinese business forms (Redding, 1980). It is, however, a
step from describing such practices to defining which ones are
crucial to success. In any case, the answer to that will
be, at least in part, on the context being studied.

Taking back to the data presented earlier, it is possible to argue
that they provide evidence that the Chinese way of doing business is, in fact, more efficient, at least in terms of its use of capital. As this is generally taken to be the ultimate criterion for business success (Ansol, 1966), it takes on more significance than other variables. Arguing this, it is important to take account of the problem of profit figures, and thence yield, a problem which Yeung acknowledged. The underreporting of profit in the Philippines is likely to distort this criterion. Instead, it should be more revealing to look at criteria which indicate the way the capital is used, such as accounts receivable and inventory turnover. On both of these signs of the careful husbanding of financial resources, the Chinese businessman is distinctly ahead of his competitors.

For the commercial sector, where they dominate, the evidence presents a picture which accords well with the previous description of Chinese managerial behaviour and it need hardly be added that such corroboration in empirical terms is, to our knowledge, unique in the literature.

The assets of the Chinese firms are only a third the size of those in non-Chinese ownership, thus supporting the notions of small associated with family identity. As previously noted, the expansion of the Chinese firm depends more on managerial talent within the inside circle than it does on the normal rationalities of corporate growth or the normal constraints of capital raising. The question of growth in the Chinese firm is still insufficiently understood and much more research will be needed before the constraints rationale are understood, but the fact of some size limitation remains a common observation. Weightman (1960) noted that "there seems to be a limit to the ability of the Chinese to organize on a large commercial scale," and he cited in support, Purcell's earlier conclusion that:

they seem to lack the breadth and boldness of conception that would enable them to enter upon large enterprises as rivals of the Europeans, but between the Europeans and the natives they have an assured position.

The same element is reflected in the value of equity which is distinctly smaller in the Chinese case than for non-Chinese firms. Again, the retention of equity ownership within a small family firm is likely to be restricting. The resort to wider ownership would be uncommon. The normal constraints which this would introduce in capital raising are of course counterbalanced by the communal capital raising systems described earlier.
The net income to sales ratio is thought to be insufficiently to take seriously, but insofar as the same under reporting of may occur across both sectors, Chinese, and non-Chinese, the smaller Chinese figure may be taken as prima facie evidence for commonly described business thrift and patience, the ability to on the basis of a steady accumulation of small returns. More reliable is the gross profit figure, which supports the contention, and this time at a higher level of probability 0.05 as an indicator of Chinese/non-Chinese difference.

The number of days of accounts receivable, at 27 for Chinese and non-Chinese, is the strongest differentiating element 0.005. In simple terms, credit is controlled stringently. This partly a reflection of organizing ability in the finance area, strong focus on finance itself, and partly a result of the trust described earlier, in which default or late payment becomes of social and business ostracism. It is also clear evidence that the inefficient businessman can relax. As already noted “the associations bend every effort to insure the success of the making and the return of the loan”.

Similar conclusions could be made from the difference in turnover rate, with Chinese business turning stocks faster using capital more efficiently. Here again, is prima facie for a higher level of concentration on an important aspect control. The lower liquidity ratio also supports the findings and suggests a smaller proportion of idle cash in a business than a non-Chinese. Such data, while adding to the earlier description of Chinese business behaviour, also to explain the source of the efficiency which has led a group using no more than 2 percent of the population to take control 15 percent of the country’s commerce. The stark reality of this efficiency, and its basis in culture, must provide grounds questioning the economists’ normally universalistic assumptions the distribution of business skill in a community.

Here are, we suggest, important questions posed by these The question for economics is whether it is prepared to its models to take more respectful and serious account of cultural variables. The question for applied economics when it is used in the making of policy is whether it should treat all nations as the same, or some more significant than others in
business terms. The mainstream economists, what one might call Power-Sicat-Ranis-Little-U.N. School have been pushing for an open economy, the promotion of labour intensive manufacturing exports, and a reduction in the protection afforded to high import substituting industries. Examples from the super success such as Korea and Taiwan are often given. All this makes economic sense given the economists’ implicit assumption about “equality of potential entrepreneurial ability,” but we would note that such an assumption is far from proven.

If it could be shown that the assumption is more likely to be false than true, then it may well be that, although the Philippines has been following policies which in some pure sense are second or third) best, it follows that the consequences of taking the economists’ advice could have resulted in an even less favourable outcome. The world trade in manufactured goods for the developing countries is dominated by the so-called Post-Confucian culture (Korea, Taiwan, Hong Kong and Singapore) and it is at least possible that only the tiny minority of Chinese-Filipinos could compete in this environment. The question of Filipino business performance, as opposed to Chinese, is the other side of the same coin, and we have proposed that others should consider it. Some tentative views have already been expressed (e.g., Redding, 1978) on sources of weakness but much closer research attention is needed in this area.

It has always been possible to gather support, from people making intuitive judgements, for the idea that Chinese business acumen was high. It has not until now been possible to know empirically just how such acumen is expressed in managerial behaviour. This study of the largest enterprises in the Philippines will hopefully have begun to fill in this large gap in the understanding of Asian management.

REFERENCES


